

**International Conference on Disability Economics
At Syracuse University on 29 and 30 June 2011**

Abstract

The Effects of the Japanese Disability Employment Policy on Shareholder Wealth

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The Japanese disability employment policy, referred to as a quota-levy system, aims to equalize the costs associated with disability employment for each firm. This study attempts to analyze the ramifications of information disclosure regarding each firm's rate of disability employment by using data from an event that took place in Tokyo and Osaka in 2003.

Using the event study methodology, we verified the difference between the stock price changes observed in two groups after information disclosure: one group comprised firms that employ fewer disabled employees than legally required and the other of firms that satisfy the standards set by the instrumental variable (IV) estimation. In addition, we verified whether the efficient market hypothesis holds with respect to information disclosure. Finally, we estimated the cross-sectional relationship between the proportion of disabled employees and each firm's profit in 2000, when the information was collected.

The estimation results indicate the following: First, the penalty imposed by the Japanese disability employment policies—the public disclosure of the firm names—might not be effective in promoting disability employment. Second, among small, medium-sized firms and manufacturing firms, the proportion of disabled employees required by law may exceed their optimal levels. Third, there has been no cost equalization in manufacturing and non-manufacturing firms for employing the disabled. Therefore, a more inclusive policy assessment of disability employment policies, particularly with regard to cost equalization, is required.