

Microeconometric Analyses on Corporate Public Burdens

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Abstract

The purpose of this thesis is revealing corporate response to public burdens such as corporate tax and social security contributions by utilizing microeconometric methods. Japan, which is facing rapid population aging, must balance a sustainable social security system with economic vigor. Since companies are vital bearers of economic growth and vibrancy, it is really important to reveal corporate behavior and find a sure way of not disturbing economy. This thesis empirically estimates the effect of public burdens on corporate behavior, research and development tax credits for small- and medium-sized enterprises, and social security contributions on employment. The structure and contents of the chapters are described below.

Chapter 1 Previous Studies on the Corporate Public Burdens and Overview of the Thesis

Many theoretical and empirical studies have investigated the effect of public burdens on corporate behavior. Chapter 1 summarizes such previous related studies and shows

motivations of this thesis. In the end of this chapter, the structure of this thesis is summarized. The contents and aims of the following chapters are briefly introduced.

Chapter 2 Public Burdens and Corporate Behavior: An Empirical Analysis using Survey

Data

In Chapter 2, we analyze the various effects of public burdens on corporate behavior with due consideration to the difference between social insurance contributions and corporate taxes, capital stock adjustments, and employment adjustments (regular and non-regular employees). Based on survey data, we estimate corporate response function to changes in public burdens using Seemingly Unrelated Regression. Empirical results can be summarized as follows: (1) Corporations handle the increase of public burdens in a variety of ways, not only wage reduction. (2) The changes in social insurance contributions have a large influence on the wages and employment of regular workers. On the other hand, corporate taxes have an impact on investment and research & development (R&D). (3) There exist differences in employment adjustment between part-time, regular, and dispatched workers. (4) Corporations tend to deal with the changes in public burdens by reducing their own profits in the short run. In the medium run, however, they tend to cut

employment, curb investment, or raise prices.

Chapter 3 Effect of R&D Tax Credits for SMEs in Japan: A Microeconomic Analysis

Focused on Liquidity Constraints

Chapter 3 estimates the effect of research and development (R&D) tax credits for small- and medium-sized enterprises (SMEs) by utilizing propensity score matching method to correct any possible selection bias. This study also examines whether the impact of tax credits differs with firms' characteristics such as their industry, size, and liquidity constraints. Empirical results show that R&D tax credits induce an increase in SMEs' R&D expenditures. Moreover, we find that the effect of R&D tax credits on liquidity-constrained firms is much greater than on unconstrained firms.

Chapter 4 Social Security Contributions and Employment Structure: A microeconomic

analysis focused on firm characteristics

Chapter 4 empirically estimates the effect of the social security burden on the employment level and structure in Japan, using firm-level microdata matched with social security insurance data. In particular, we use dynamic panel data methods to estimate

labor demand functions and thereby evaluate the degree to which social security contributions influence corporate labor demand. We specifically examine the impact of firm characteristics such as the presence of labor unions and the intensity of competition in the product market. Our empirical results indicate that social security contributions do not have a statistically significant impact on employment. However, companies that face harsh competition in their product and labor markets tend to substitute non-regular workers for regular ones in response to an increase in social security contribution rates.