



Discussion of
“Wage Spillovers across Sectors: Evidence
from a Localized Public-Sector Wage Cut”
by Goto and Yamagishi

Jiro Yoshida

February 7, 2025

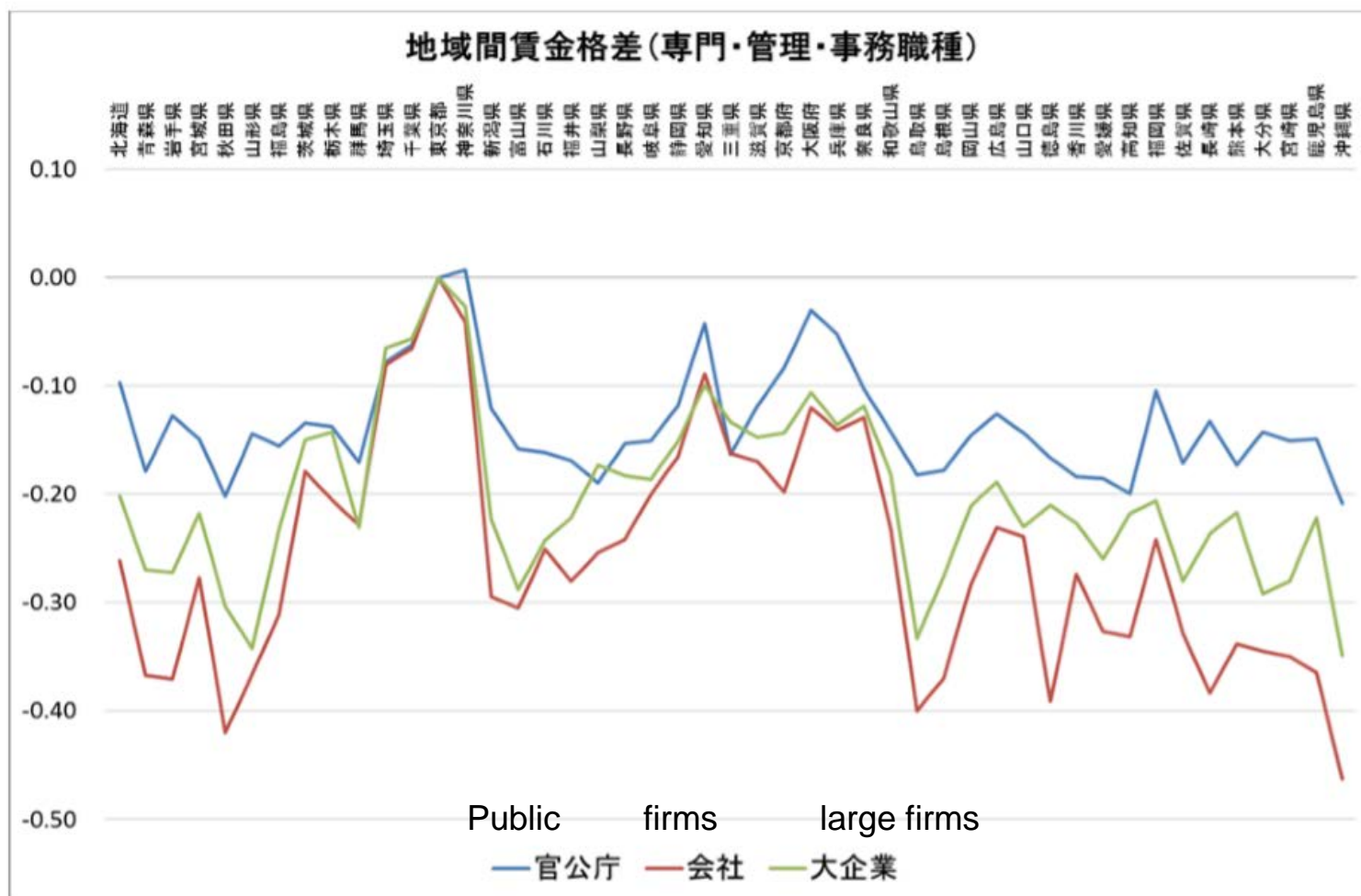
Columbia CJEB Japan Economic Seminar



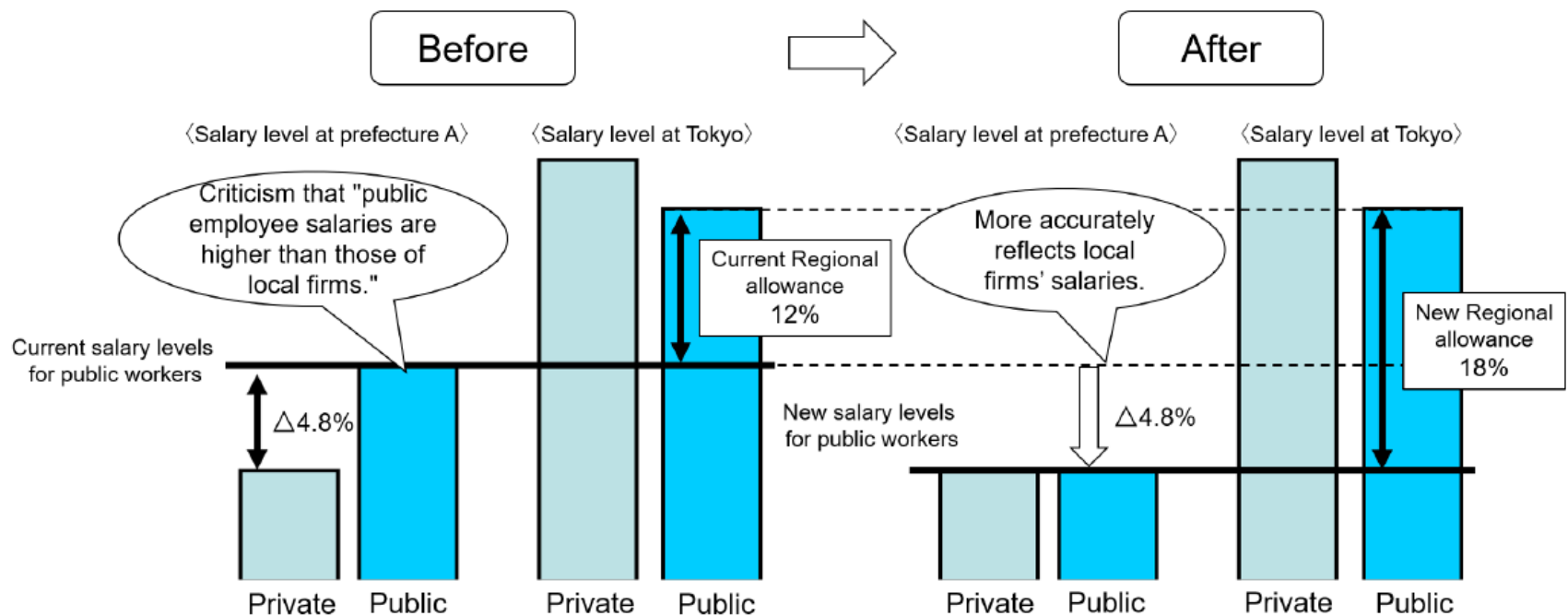
Summary

- Japanese policy reform to cut local public-sector wages
- Triple-difference and event study strategies
- Wage spillover elasticity = 0.3 for young private-sector wage
 - Larger if the public sector is a more significant option
 - Smaller if a sector is more unionized
- More out-migration of young workers
- Good idea, careful execution, convincing results

Context: Regional wage gaps

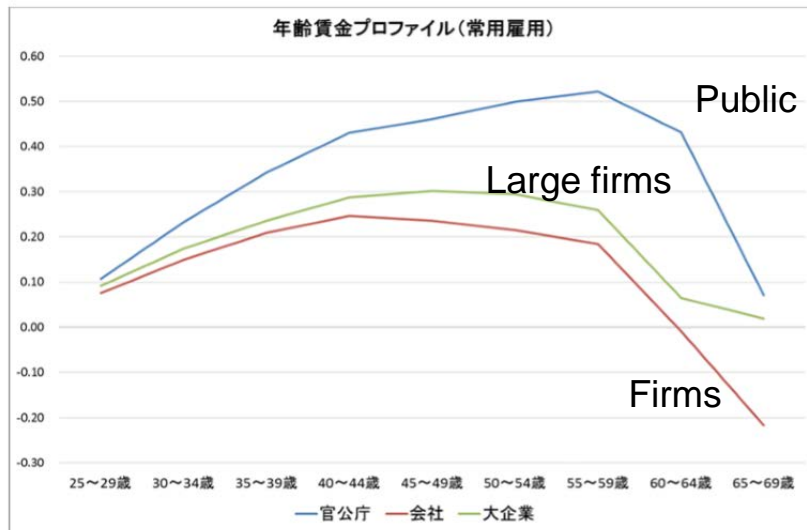


Context: Public wage reform

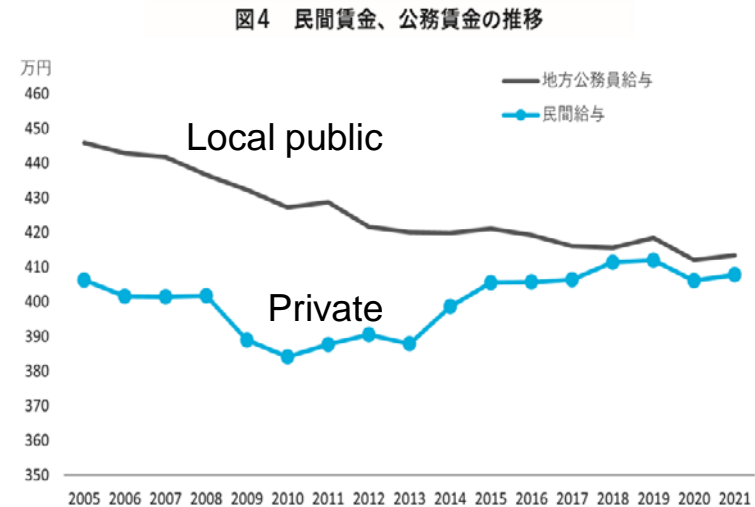


Comment 1: Public > Private

- Public wages have been higher than private ones



森川 2013 賃金構造の官民比較 RIETI
Discussion Paper 13-J-044



島澤 2023 公務員賃金が 民間賃金・
地域経済に 与える影響



1-1 Bargaining model may not be relevant

Assuming the Nash bargaining, the private-sector wage solves $\max_{w_{\text{private}}} (y - w_{\text{private}})^{\gamma} (w_{\text{private}} - \lambda w_{\text{public}})^{1-\gamma}$, where $\gamma \in (0, 1)$ represents the bargaining power of the firm. The solution defines

- Not $y > w_{\text{private}} > w_{\text{public}}$
But $y > w_{\text{priv_high}} > w_{\text{public}} > w_{\text{priv_low}}$
- Low-wage jobs should not be affected
 - Subsamples
 - Quantile regressions



Comment 2: Local disparities

	2005年	2011年	2019年
Private-Public wage gap (National)	-0.36	-0.23	0.09

“DID” (local gap – national gap)	2005年	2011年	2019年
-5.5 以上			
～-5.0 未満			
-5.0 ～-4.5	1	Yamagata, Shimane, Hokkaido, Akita, Iwate, Aomori	
-4.5 ～-4.0	1		
-4.0 ～-3.5	2		
-3.5 ～-3.0	2		
-3.0 ～-2.5			
-2.5 ～-2.0			
-2.0 ～-1.5			
-1.5 ～-1.0	1		
-1.0 ～-0.5	1		
-0.5 ～ 0.0	25	24	13
0.0 ～ 0.5	14	19	33
0.5 ～ 1.0			
1.0 ～ 1.5			
1.5 ～ 2.0			1
2.0 ～ 2.5			
2.5 ～ 3.0			
3.0 ～ 3.5			
3.5 ～ 4.0			
4.0 ～ 4.5			
4.5 ～ 5.0			
5.0 ～ 5.5			

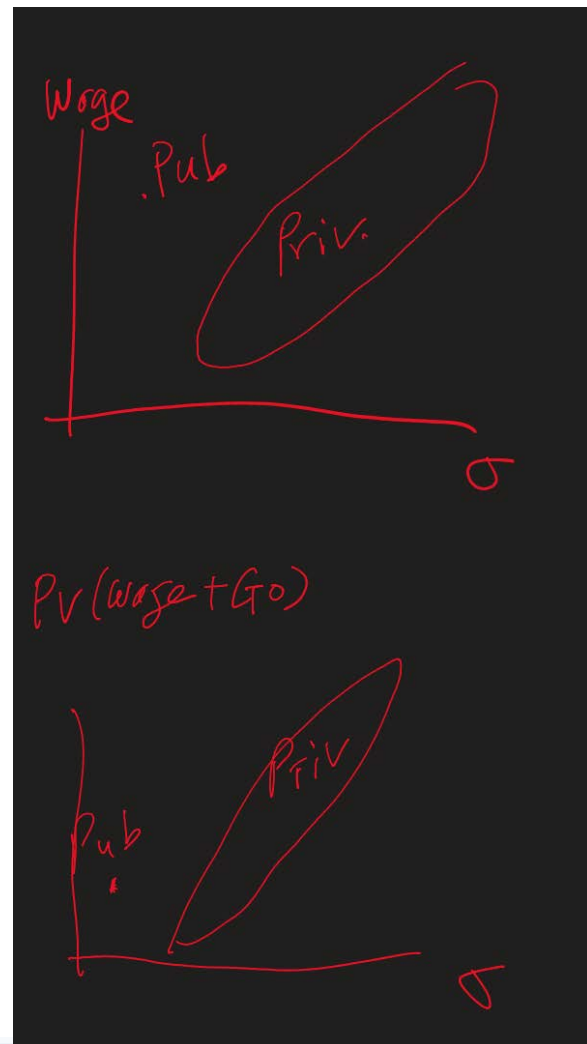
The impact of the public wage reform should be concentrated in several prefectures.

Can you focus on these jurisdictions?

※この表の上にある団体ほど、民に比して給与水準が高いことを示している。

Comment 3: Wages are partial

- Current wage is one of many aspects of human capital
 - Tenure length
 - Growth opportunity
 - Risk (covariance with SDF)
- Cf. Current dividends do not represent share value
- Risk-adjusted PV of LT income
 - More comprehensive measure?
 - Rationing/pecking order model if public jobs dominate private jobs?





Comment 4: Indirect/GE effects

- The paper primarily concerns the direct effect
 - The bargaining model
 - Municipality-level triple-diff
 - A focus on substitutable industries
 - Except for spillover to neighboring municipalities (S6)
 - The estimated effects include these indirect/GE effects
 - Fiscal tightening → negative shock to goods demand
 - Indirect inter-industry reallocation of labor
- Interpretation of the estimates
- More structural way to disentangle these?



Comment 5: Response of firms

- Wage = MPL
- Exogenous cost reduction →
 - More production
 - Factor substitution (less capital intensity)
 - Increased profits
 - Entries
- These effects will be attenuated by the fiscal multiplier
- Checking these may give you a more comprehensive idea about GE effects.

Comment 6: Non-wage effects?

Did the private sector hire more educated and skilled labor after the change?

		官公庁	民間企業
小学・中学	1-9 th grades	1.79	9.76
高校・旧制中	10-12 th grades	27.24	46.46
専門学校	Vocational schools	8.92	10.68
短大・高専	Community college	12.05	7.92
大学	College	45.37	23.32
大学院	Postgraduate	4.62	1.86

		官公庁	民間企業
正規の職員・従業員	Full-time	80.30	66.32
パート	Part-time	6.02	16.93
アルバイト		1.85	5.35
労働者派遣事業所の派遣社員		0.49	3.95
契約社員		2.43	5.01
嘱託		5.31	1.53
その他		3.60	0.92

	官公庁	民間企業
0 専門的・技術的職業従事者	39.29	8.63
1 管理的職業従事者	1.93	3.93
2 事務従事者	34.56	22.74
3 販売従事者	0.05	16.89
4 サービス職業従事者	4.90	7.32
5 保安職業従事者	13.11	0.98
6 農林漁業作業者	0.36	0.56
7 運輸・通信従事者	1.13	4.61
8 生産工程・労務作業者	4.66	34.35

Professional and technical occupations

Clerical worker

Sales

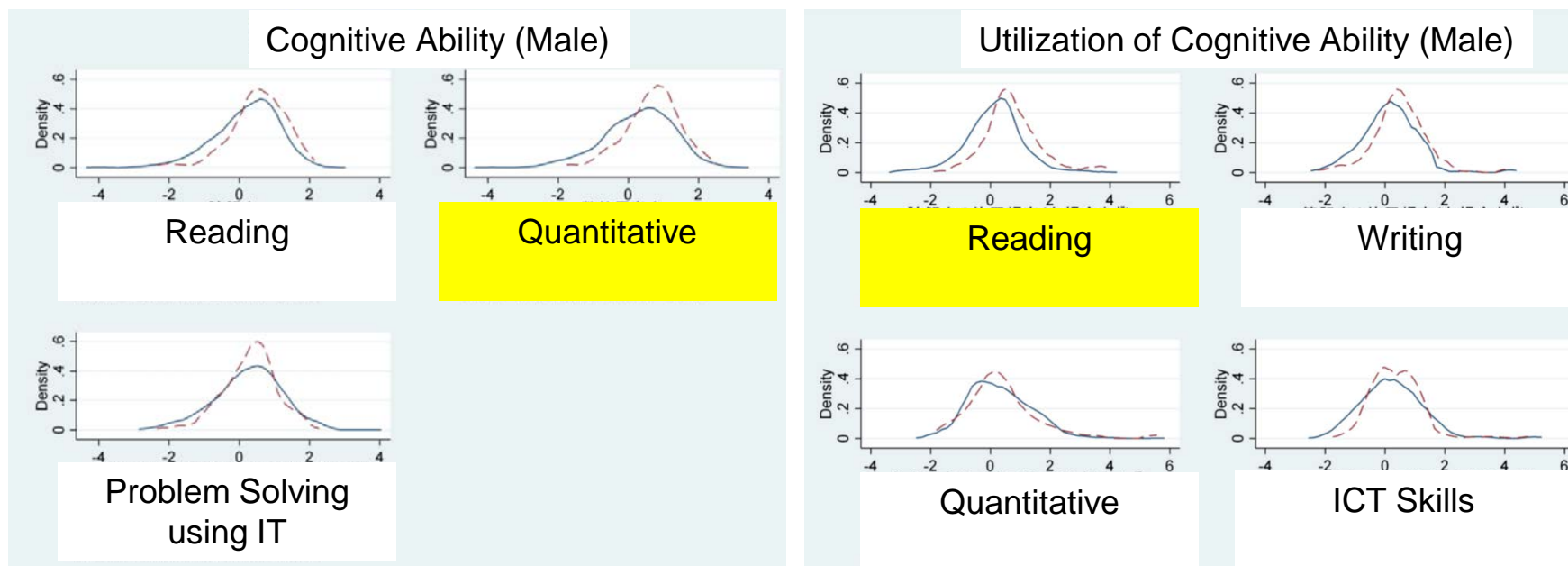
Production process and labor workers

6-2 Non-wage effects?

Data from the Programme for the International Assessment of Adult Competencies

Red = Public; Blue = Private

Quantitative ability and utilization of reading ability positively affect public wage.



Did the private sector hire more capable labor?



Comment 7: Capitalization

- Capitalized in real estate value?
- The effect of an exogenous “cap” on public wages should be capitalized into housing value.
- Can you estimate its magnitude?



Conclusion

- Careful analysis of an important issue
- Suggestions
 - Alternative framework
 - Additional analysis
 - by private wage level
 - by region
 - using a more comprehensive measure of human capital
 - of indirect/GE effects
 - of the response of firms (profits, scale, capital intensity, entry)
 - of non-wage effects
 - of capitalized value
- Looking forward to publication