

# Discussion on Kudou and Miyamoto (2026) “Labor Market Fluidity and Aggregate Productivity”

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## Disclaimer

- The views expressed herein are those of ours and should not be attributed to the IMF, its Executive Board, or its management.

# Summary of the Paper

- **Motivation** – Labor markets in Japan and AMs
  - **i. Japan** – Labor market is less fluid  
(3.2% in 1980–1999  $\Rightarrow$  3.6% in 2000–24)
  - **ii. AMs** – Low labor market fluidity is associated with low productivity and slow wage growth
- **Main question**
  - How labor market fluidity affects productivity and wage growth?

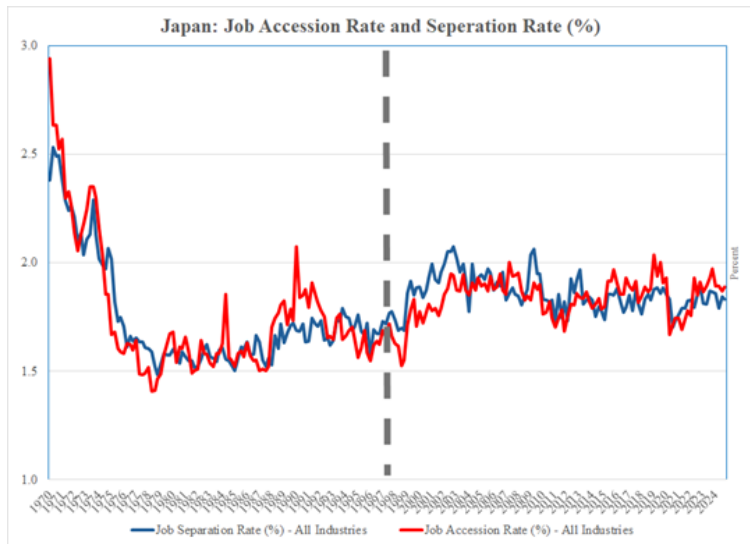
## Summary of the Paper (cont.)

- **Theoretical model** – search-and-matching model and multiple workers within firms
  - **Two key novelties:**
    - i. two types of workers (productive, unproductive)
    - ii. employment protection as “firing probability”
  - **Contribution:** Dismissal restrictions reduce labor productivity by gradual replacement of “unproductive” workers.
- **Quantitative analysis** – calibration to Japan
  - **Approach:** Derivation of steady state and replication of the labor-market moments
  - **Contribution:** Easing dismissal restrictions increases
    - (i) labor productivity, (ii) output, and (iii) wage.

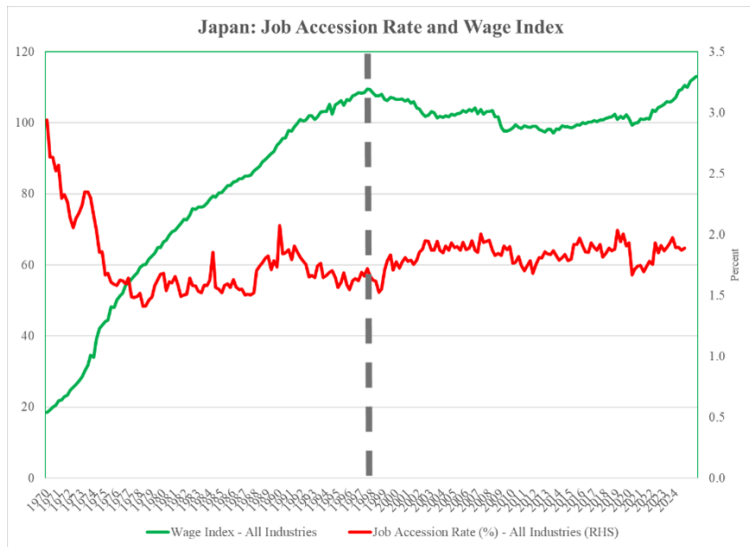
# Outline of Discussion

- **Overview of the paper**
  - Motivations & main question
  - Theoretical model
  - Quantitative analysis
- **Discussion**
  - Comment A : Empirical facts
  - Comment B : Theoretical model
  - Comment C : Quantitative analysis

## Empirical Facts – Comment A



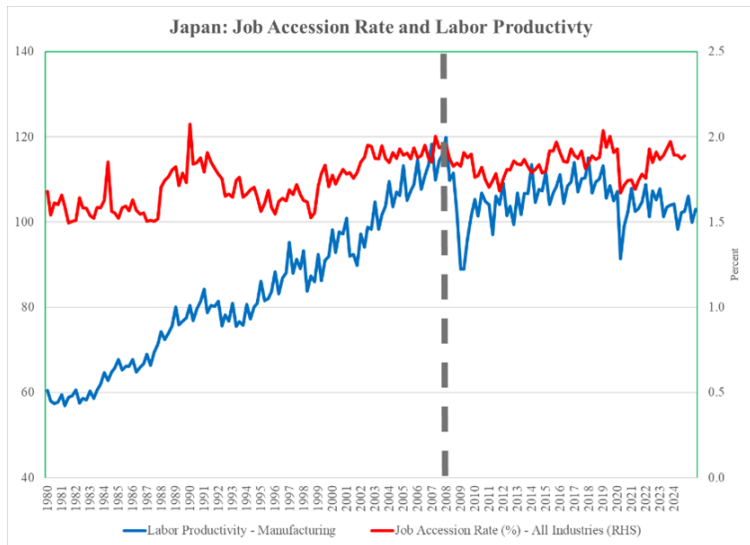
# Empirical Facts – Comment A



## Empirical Facts – Comment A

- High negative correlation between
  - Job accession/separation rates
  - Wage index (nominal)
- Two patterns of wage growth dynamics
  - 1970–1997 – “Wage growth” period
    - Job accession/separation rates: downward trend
    - Wage index: upward trend
    - Negative correlation ( $-0.40$ )
  - 1998–2025 – “No wage growth period”
    - Job accession/separation rates, wage index: constant dynamics
    - Low correlation ( $-0.13$ )
- **Fact 1:** Relation between a decline in job accession/separation rates and wage increase.

# Empirical Facts – Comment A

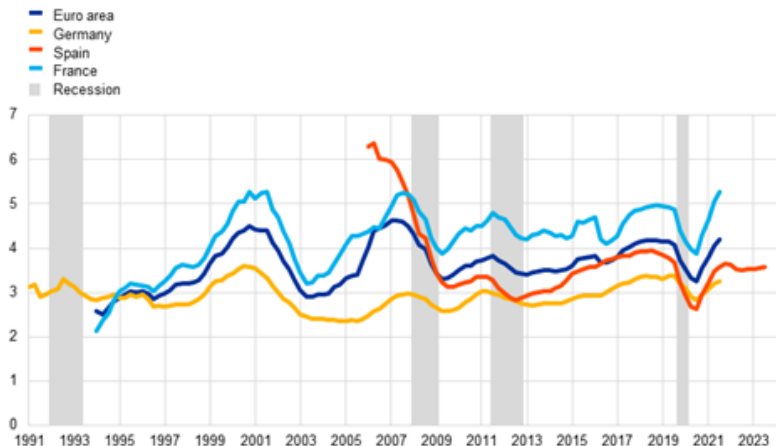


## Empirical Facts – Comment A

- No correlation between
  - Job accession/separation rates
  - Labor productivity
- Two patterns of labor productivity growth
  - 1980–2008 – “Labor productivity growth”
    - Job accession/separation rates: More volatile
    - Labor productivity index: upward trend
    - No correlation
  - 2009–2025 – “No labor productivity growth”
    - Job accession/separation rates, labor productivity: fluctuates around a constant level
    - No correlation
- **Fact 2:** No correlation between job accession/separation rates and labor productivity.

# Empirical Facts – Comment A

(percentage shares of employment)



Sources: IAB, Ministerio de Inclusión, Seguridad Social y Migraciones, Insee and ECB calculations.

## Empirical Facts – Comment A

- Similar trend between
  - Germany, France and Euro area
  - Japan
- “Global trend” of job-to-job transition rate
  - 2009–24 – “Low job transition” period
    - Job transition rate: low and no change
- **Fact 3:** Low job transition rate across European AMs and Japan

## Theoretical Model – Comment B

- Two types of workers (productive, unproductive) and job seekers
- All opting the same wage  $w$
- Productive workers
  - Voluntary separation  $\lambda_q$
  - Becoming “unproductive” workers  $\phi$  next period

$$J^E(S) = w(S) + \lambda_q \beta J^U(S') + (1 - \lambda_q) \beta \left[ (1 - \phi) J^E(S') + \phi J^N(S') \right]$$

- Unproductive workers
  - Firing separation  $\lambda_F$
  - Remain “unproductive”
  - Voluntary separation  $\lambda_Q$  next period

$$J^N(S) = w(S) + \lambda_F \beta J^U(S') + (1 - \lambda_F) \beta \left[ \lambda_Q J^U(S') + (1 - \lambda) J^N(S') \right]$$

## Theoretical Model – Comment B

- **Question A:** Why “unproductive workers will quit voluntarily”?
- **Question B:** Why “unproductive” workers cannot become “productive”?
- Unproductive workers  $\lambda_F$ 
  - Firing separation
  - Job training incentive (to be “productive”)  $\chi$  with costs  $c(S')$
  - No incentive for voluntary separation

$$J^N(S) = w(S) + \lambda_F \beta J^U(S') + (1 - \lambda_F) \beta \left[ \chi \lambda_Q (J^E(S') - c(S')) + (1 - \chi) J^N(S') \right]$$

## Theoretical Model – Comment B

- **Question C:** Why firms cannot provide different wage across “productive”, “unproductive” and “unemployed” workers?

- Productive workers

- Higher wage  $w^H$

$$J^E(S) = w^H(S) + \lambda_Q \beta J^U(S') + (1 - \lambda_Q) \beta \left[ (1 - \phi) J^E(S') + \phi J^N(S') \right]$$

- Unproductive workers

- Lower wage  $w^L$
- Job training incentive (to be “productive”)  $\chi$  increases with wage differential

$$J^N(S) = w^L(S) + \lambda_F \beta J^U(S') \\ + (1 - \lambda_F) \beta \left[ \chi (w^H(S') - w^L(S')) (J^E(S') - c(S')) + (1 - \chi) J^N(S') \right]$$

- Low wage by take-it-or-leave-it offer

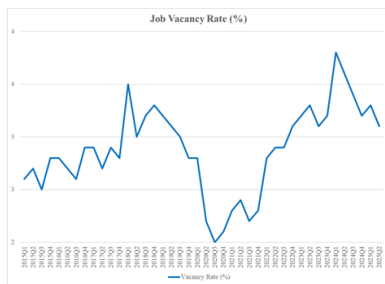
$$J^N(S) = J^U(S)$$

- High wage by multi-round bargaining for “productive” workers

# Quantitative Analysis – Comment C

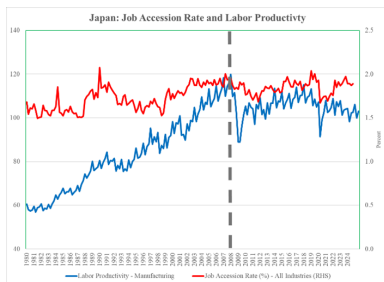
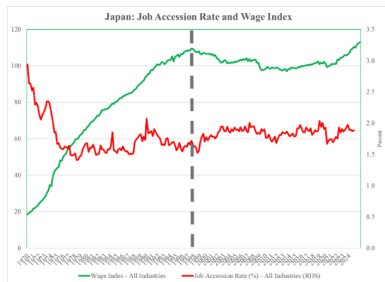
- Transition from the steady state by stochastic shocks
  - Vacancy-filling rate:  $q(\theta_t)$  – Can we generate a shock process?
  - Unemployed worker

$$J^U(S) = z + \theta q(\theta) \beta J^E(S_{+1}) + (1 - \theta q(\theta)) \beta J^U(S_{+1})$$



# Quantitative Analysis – Comment C

- Replication of observed facts



## Conclusion

- Very interesting paper!
- Shedding a new light on “labor market fluidity” in Japan
- Simple search-and-matching model with multiple workers within firms
- Quantitative work to calibrate to Japan replicating labor moments
- Comments for future work
  - Empirical facts
  - Theoretical model
  - Quantitative work