

Shareholder Primacy in Japan: Layoff, Dividend Cuts and Corporate Governance

Abstract:

Top managers in large Japanese firms are considered to focus on the interests of stakeholders rather than on those of shareholders. We examine employment reduction and dividend cut behaviour and find a significant shift in firm behaviour. Since 2000, firms have been more likely to reduce employees and less likely to reduce dividends. We also examine the effect of corporate governance on firms' choice. Firms that have conducted director reforms tend to reduce employment and have a low likelihood of reducing their dividend. These results are consistent with the assertion that firms have moved toward emphasizing shareholders' interests.

Dr. Katsuyuki Kubo

Katsuyuki Kubo is a Professor of Waseda University, and an visiting Institute of Asian Research, UBC. He received his B.A. from Keio University, and a Ph.D. in industrial relations from the London School of Economics. After serving as an Lecturer at Hitotsubashi University, he took up his present position, where he teaches and undertakes research in the areas of compensation, corporate governance. He has published articles on corporate governance in journals such as *Corporate Governance: An international Review*, *Japanese Economic Review*, *Journal of the Japanese and International Economies*.



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