Abstract: This paper assesses the effect of Japan's reduction of standard work hours in the 1990s on labor-market outcomes. Incorporating the fact that standard hours become discontinuous at some establishment sizes, we employ the regression discontinuity design to determine whether the reduction in standard hours led to job creation. Although monthly wages decreased along with the decrease in total hours worked, the decrease was not enough to keep labor costs per hour constant, and we did not see any evidence of job creation. Even in Japan, where wages are determined flexibly, we observed evidence similar to that in European countries such as Germany and France, where pay is largely determined through union-employer bargaining.