CIGS Workshop on Human Resource Development

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"Equity and Ethnicity: Managing Global Talent in Japan"

(Summary)

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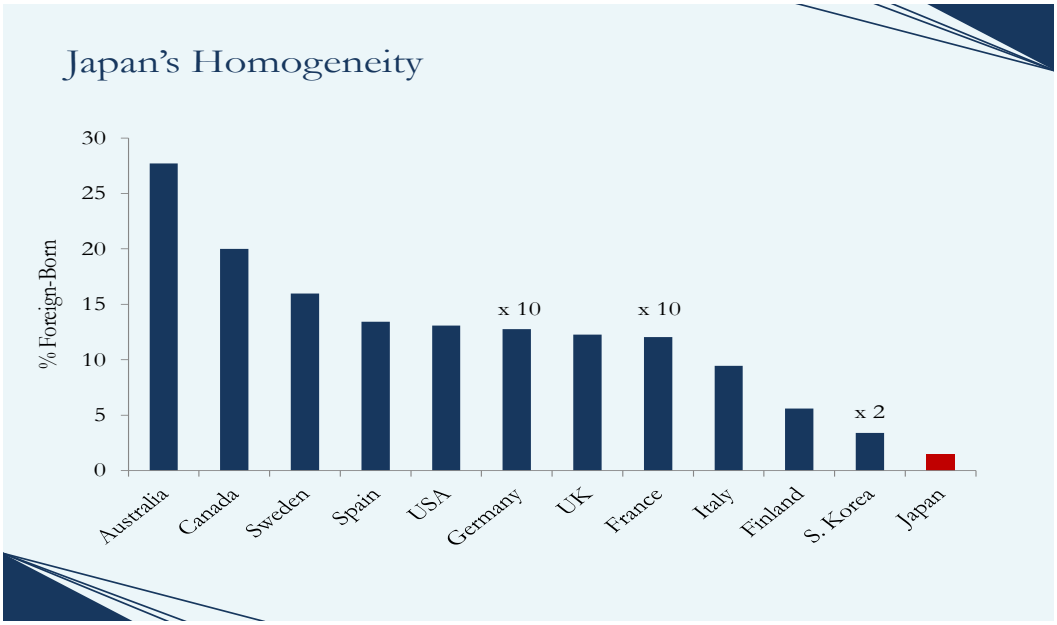
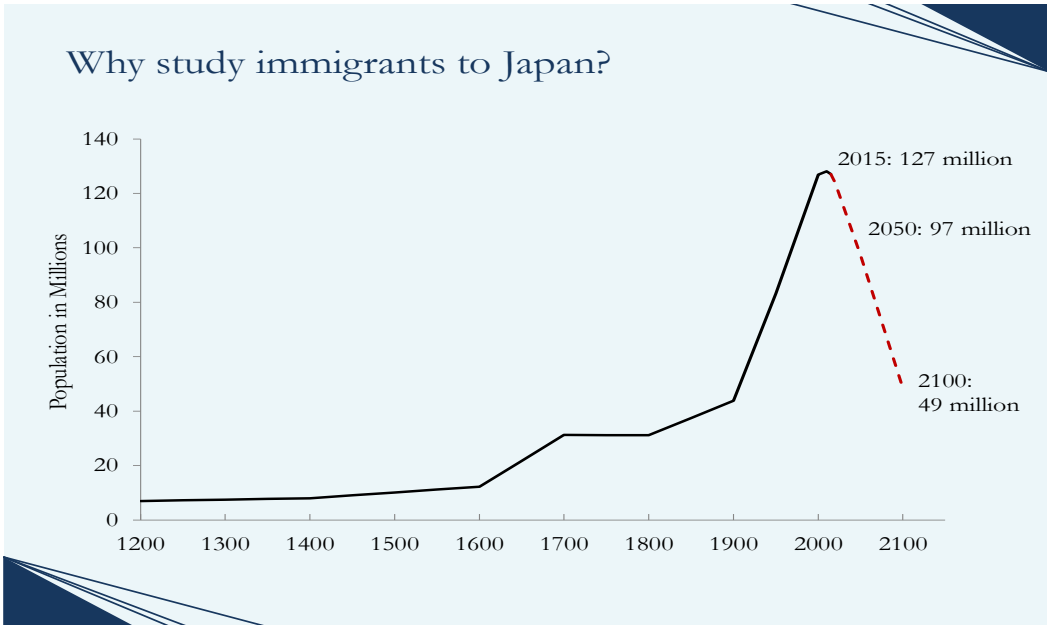
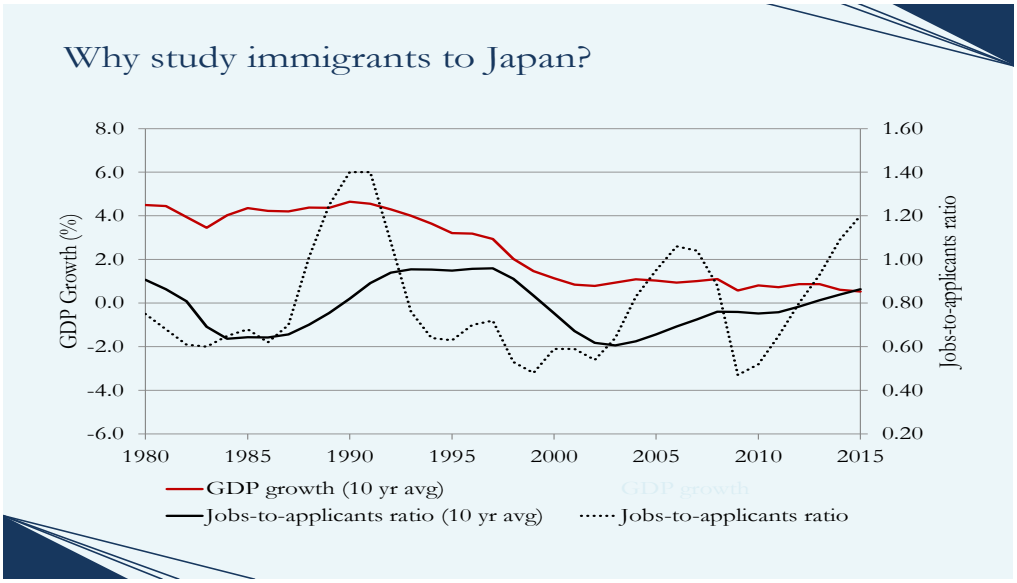
Hilary Holbrow, International Research Fellow, CIGS and Ph.D. Candidate, Sociology, Cornell University: Thank you everyone for coming today. Since there are relatively few sociologists who study Japan, this is a great opportunity for me to present the results of my research in front of such a knowledgeable audience consisting of sociologists who are experts in Japan as well as Japan experts working in a variety of different fields.



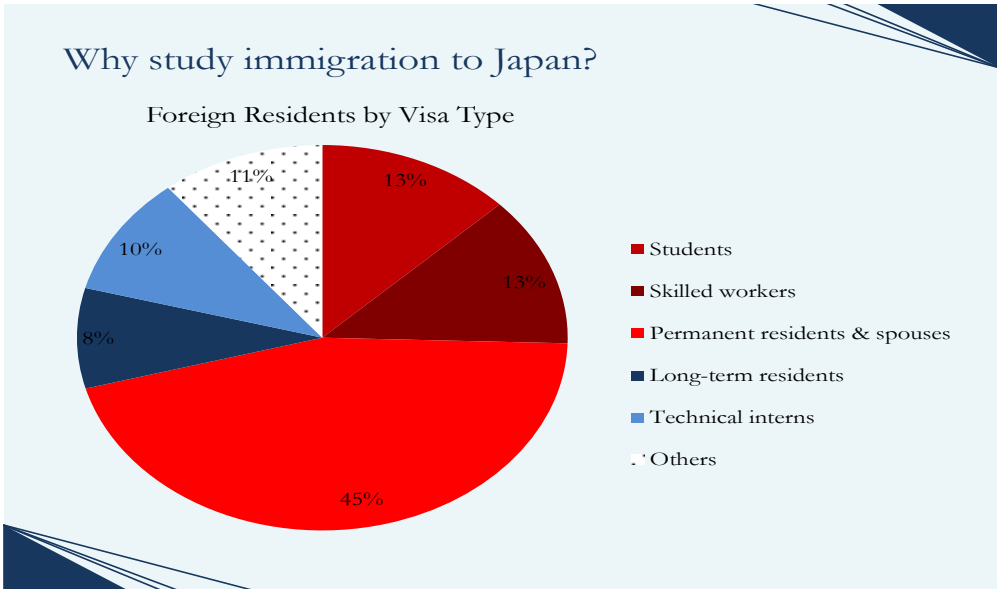
Superficially, Japan may appear to be an odd place to study diversity and ethnicity in the workplace. The Japan's level of ethnic diversity is on the lower side in comparison to other developed countries.



However, this is likely to change very rapidly. Japan's population is shrinking, and will fall by about 61% by the end of the century. Even though there is social resistance to increased immigration, it is not feasible to replace this labor supply entirely with robots.



We can see this in Japan's labor market data. Japan's GDP growth has been pretty constant at about 1% since the year 2000, which means the economic growth has been status quo for quite some time; however, the number of jobs vis-à-vis job applicants has been on the rise. This rise in labor demand can only be resolved by drawing more labor from foreign countries, which will inevitably make Japan a more ethnically diverse place. Hence, it is extremely important to study immigration to understand the implications of this change.



A second reason it is important to study immigration to Japan is because of Japan's unique immigration control strategy. Japan's immigration policies are quite open to *skilled* immigration, meaning workers employed in professional occupations. Although most foreign residents on long-term residency and technical intern visas engage in unskilled jobs, in other visa categories, immigrants primarily engage in skilled work. In other words, Japan is the only developed country where the number of skilled foreign workers exceeds the number of unskilled.

However, this model of immigration control is of increasing interest to other countries, which have struggled to integrate unskilled workers. These governments assume that integration will proceed more smoothly if they adopt stricter immigration controls that prioritize entry for skilled workers. Hence, Japan is a really interesting case to look at whether these assumptions are justified, because it's the only country where there are really more skilled migrants than unskilled.

Research question 1: Do skilled immigrants in Japan face ethnic bias or prejudice in the workplace?

On one hand, there is some evidence that skilled foreigners may face bias. For example, in the 2008 Japan General Social Science survey, one-third of the respondents expressed resistance towards working with a South Korean or a Chinese coworker, and one-fourth expressed resistance towards North American or European coworkers. On the other hand, a nationally representative experimental study showed that Japanese citizens tend to have more positive attitudes towards foreigners who are doing high level professional jobs. In addition, in Japan, as in other countries, highly educated people, people with experience in foreign countries, and people who are wealthier, are all less likely to be biased against foreigners. Thus, because most foreign workers in Japan are skilled, and employed in workplaces with fairly cosmopolitan Japanese coworkers, the bias reported in nationwide surveys may be an overestimate of the bias foreign people face in their actual workplaces.

Research question 2: Does ethnic bias or prejudice in the workplace negatively affect skilled immigrant workers' earnings?

One possible answer could be that, due to ethnic biases, immigrant workers earn less in comparison to Japanese. On the other hand, it is also possible that there is no inequality between the two or that the immigrant workers may actually earn more. It is also possible that there are specific policies that disadvantage foreign workers, which may

not be necessarily biased. For example, for an employee to get promoted to a higher level in management, Japanese companies have an exam where technical, obscure language is used which foreign workers might not know. This of course disadvantages foreign workers, but this sort of a structural disadvantage is distinct from a direct impact of individual attitudes on foreign workers' income.

The data used to explore these questions come from a survey conducted between February and April in 2015, comprising of foreign and Japanese white-collar employees working in the same sections of the same firms. It had a sample size of 12 firms having over 1,000 employees across various industries. The total numbers of respondents were 536 people, including 99 foreigners and 437 Japanese. The survey was available to respondents in Japanese, English, and Mandarin Chinese.

Immigrant worker characteristics

Ethnicity:	55 Chinese, Taiwanese, and South Korean (EA) 29 European, North American, Oceanian (W) 15 Other (mostly Southeast Asian) (SEA)
Age:	33 years old (40 years old)
Gender:	53% male (70% male)
BA+:	100% (91%)
Yrs. in Japan:	10 years (39 years)
Japanese:	75% advanced or fluent (100%)

In terms of characteristics of the immigrant workers in the survey, the largest group of immigrant workers is other East Asians, including Chinese, Taiwanese, and South Koreans. The next largest group is from the West, and includes Europeans, North Americans, and people from Oceania. The final subset of immigrant workers comes primarily from Southeast Asian countries, including Vietnam, Thailand, and Singapore. On average, the foreign employees tend to be much younger than the Japanese employees. In terms of gender, the foreign employees are about equally split between men and women, and the Japanese employees are predominantly male. The foreign employees also have a higher overall level of education. A large percentage of foreign employees have high levels of Japanese language proficiency. Thus, we can conclude that these foreign workers generally share a long-term commitment to Japan.

Measuring ethnic bias

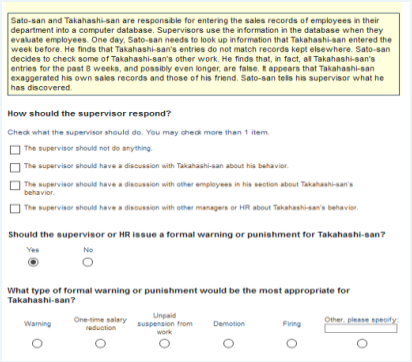
Ask foreigners if they experience bias?

Ask Japanese about attitudes towards other groups?

Solution: survey experiment with vignettes

Takahashi / Wang / Kim / Smith

Tanaka / Li / Pak / Brown



Sato-san and Takahashi-san are responsible for entering the sales records of employees in their department into a computer database. Supervisors use the information in the database when they evaluate employees. One day, Sato-san needs to look up information that Takahashi-san entered the week before. He finds that Takahashi-san's entries do not match records kept elsewhere. Sato-san decides to check some of Takahashi-san's other work. He finds that, in fact, all Takahashi-san's entries for the past 8 weeks, and possibly even longer, are false. It appears that Takahashi-san exaggerated his own sales records and those of his friend. Sato-san tells his supervisor what he has discovered.

How should the supervisor respond?

Check what the supervisor should do. You may check more than 1 item.

- ☐ The supervisor should not do anything.
- ☐ The supervisor should have a discussion with Takahashi-san about his behavior.
- ☐ The supervisor should have a discussion with other employees in his section about Takahashi-san's behavior.
- ☐ The supervisor should have a discussion with other managers or HR about Takahashi-san's behavior.

Should the supervisor or HR issue a formal warning or punishment for Takahashi-san?

Yes ◉ No ○

What type of formal warning or punishment would be the most appropriate for Takahashi-san?

Warning	One-time salary reduction	Unpaid suspension from work	Demotion	Firing	Other, please specify:
○	○	○	○	○	○

There are several techniques which we could use to measure ethnic bias. For example, we could directly ask foreign workers if they experience any bias in the workplace; we could also ask Japanese workers about their attitudes towards foreign workers of different backgrounds. However, these techniques are problematic because foreign workers may not be aware of bias, and Japanese workers may not be willing to honestly report their attitudes. An effective solution to the problem of measuring bias is to use vignettes. In this case, I use vignettes about an employee who has done something good or bad at work. Survey respondents were then asked how the employee's supervisor should respond to what this employee has done. The vignette tests for bias by randomly varying the name of the employee in question to represent a Japanese, Chinese, Korean, or English person. I then compare whether survey respondents recommend different rewards and punishments depending on the ethnic background of the employee described in the vignette.

Two types of vignettes were used—negative and positive—to measure the level of ethnic bias.

Negative vignette

Sato-san and Takahashi-san are responsible for entering the sales records of employees in their department into a computer database. Supervisors use the information in the database when they evaluate employees. One day, Sato-san needs to look up information that Takahashi-san entered the week before. He finds that Takahashi-san's entries do not match records kept elsewhere. Sato-san decides to check some of Takahashi-san's other work. He finds that, in fact, all Takahashi-san's entries for the past 8 weeks, and possibly even longer, are false. It appears that Takahashi-san exaggerated his own sales records and those of his friend. Sato-san tells his supervisor what he has discovered. How should the supervisor respond?

Penalties with no economic consequence (Informal discussion; warning)
Penalties with short-term economic consequence (Unpaid leave; temporary pay cut)
Penalties with long-term economic consequence (Demotion; firing)

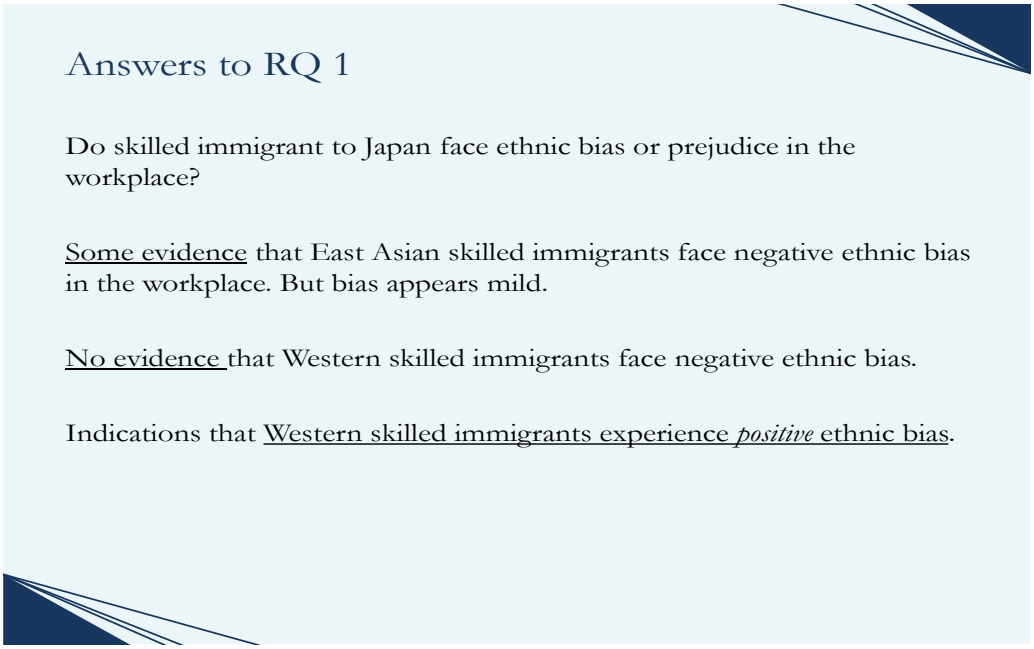
In the case of the negative vignette, respondents could recommend three types of punishments, ranging from punishments that do not carry an economic penalty to those that carry long-term economic penalties. The recommendations respondents made depended heavily on the respondent's own nationality. Overall, about 30% of the respondents recommended demotion or firing. However, Westerners tended to be more punitive and East Asian foreigners were less punitive, with Japanese somewhere in the middle. Turning to the ethnicity of the person described in the vignette, on average non co-ethnic respondents recommended slightly harsher punishments for hypothetical South Korean and Chinese employees, and slightly more lenient punishments for hypothetical employees with English names.

Positive vignette

Li-san has been assigned to negotiations with vendors that his company uses for business services. Recently, business costs have been rising, and his supervisor tells Li-san that he should do his utmost to control the costs, even if it means breaking off relationships with long-term vendors and finding new ones. However, Li-san successfully negotiates with his company's two largest existing vendors to lower their prices by 5%, while keeping the level of services the same. This keeps overall costs in control and means that employees at Li-san's firm can continue working with the familiar vendors. How should the supervisor respond?

Rewards without economic consequences (private or public praise)
Rewards with short-term economic consequence (increased bonus)
Rewards with long-term economic consequence (promotion)

In the case of the positive vignette, respondents could similarly recommend three types of rewards, ranging from rewards without economic consequences to those with long-term economic benefits. About one-fifth voted for the long-term economic benefit of promotion. Foreigner workers of all backgrounds were more likely to recommend promotions than Japanese workers. Turning to the ethnicity of the person described in the vignette, there were no differences in the reward recommendations for other East Asians compared to Japanese. However, non-coethnics were much more likely to recommend the highest rewards for the hypothetical Western employee with an English name than they were to recommend this reward for Japanese, South Koreans, or Chinese.



Hence, to answer research question 1, whether skilled immigrants to Japan face ethnic bias or prejudice in the workplace, there is some evidence that East Asian skilled immigrants may face mild negative bias. There is no evidence that western skilled immigrants face any negative bias. In fact, in the vignettes Western employees consistently receive better treatment than the Japanese employees.

To investigate whether this positive or negative bias has any impact on earnings inequality, we need to compare the income inequality between Japanese and foreigners in different companies. We need to measure positive and negative bias at the company level and check if inequality is greater where bias is more severe.

A company level measure of negative bias against East Asians is created by taking the proportion of respondents who viewed a vignette with a Chinese and Korean name and suggested the harshest punishment and subtracting this from the proportion of respondents who viewed a vignette with a Japanese name and suggested the harshest punishment. Positive numbers mean that the percentage recommending harsh punishments for a Chinese and Korean name is higher, indicating that there may be some negative bias. We see this in 6 out of 12 firms, indicating that it is not universal across Japanese companies.

I created a similar measure of company-level positive bias for Westerners, which we observe in 11 out of 12 firms. In other words, positive bias towards Westerners appears more widespread that negative bias against East Asians.

To measure the economic impact of this, I model respondents' annual incomes using hierarchical linear models. The models adjust for gender, educational level, age, tenure, and Japanese and English language ability. Of course, there are differences across nationalities in all of these characteristics. There is also variation by firm and even by section in average levels of wages. The models remove all these source of variation before considering the effects of bias. It is clear that East Asians are more disadvantaged when negative bias is greater, which is proved using a firm-level binary variable. This takes a value of 0 for six firms where I did not detect any negative bias against East Asians and a value of 1 for firms where there is bias against East Asians. This interaction can tell us when we combine this binary variable with the respondents' ethnicity whether their wages are relatively lower in firms where we did detect bias.

For Westerners, a binary variable cannot be created because there is only one firm where this positive bias was not seen. So, I created a continuous variable, which is looking at whether Westerners overall have higher wages and whether their wages are even more elevated in firms where pro-Western bias is the most intense.

Based on statistical model, the first coefficient for male indicates that men earn more than women. We also see that people who work longer hours and who have been in their companies for longer earn higher incomes. Having advanced English language proficiency increases remuneration. This is true of both Japanese people who speak English and foreigners who speak English, but there is no premium for speaking Japanese. So, the foreigners who speak poor Japanese earn just as much as the foreigners who speak advanced Japanese.

The interaction effect for negative bias against East Asians and the ethnicity of the respondent shows that when we have this negative bias, in fact, East Asian workers earn less, which is statistically significant. Hence, in firms without bias, the model shows no evidence of wage differences between East Asians and Japanese after these adjustments of background characteristics. In firms with bias, East Asians earn about ¥1.5 million or 14% less annually compared to Japanese. Bias may also affect Southeast Asians but the sample size isn't large enough to have a great deal of confidence about that.

In the case of the Westerners, the interaction effect is positive, indicating firms where there is more positive bias towards Westerners, they also receive higher rewards. Since it was a little difficult to interpret with the binary interaction, I created estimates at different levels of pro-Western bias, and it became clear that in the firms where there is less pro-Western bias, there is no evidence of wage difference between Westerners and Japanese. In firms with average pro-Western bias, the wage difference is still quite small. It's only in these firms with above average pro-Western bias that we start to see a large wage premium for being Western.

Answers to RQ 2

Does ethnic bias/prejudice in the workplace negatively affect skilled immigrant workers' earnings?

Strong evidence that East Asians in firms with more biased employees earn less. This evidence is quite robust. (Continuous modeling/removal of companies estimated imprecisely do not change results)

No evidence that Western skilled immigrants ever face a disadvantage because of prejudice.

Some evidence that Western skilled immigrants experience wage advantage in firms with the most PBW. But this result is more tentative.

To answer research question 2, there is pretty strong evidence that East Asians in firms with more biased employees earn less. A number of robustness checks confirm these results. On the other hand, there is absolutely no evidence that Western skilled immigrants ever face a disadvantage because of prejudice. There is some evidence that Westerns may experience a wage advantage and that this is strongest in firms with the most pro-Western bias, but these results do not always stand up to robustness checks.

Every society has different ways that they draw boundaries between people. For example, in the West, we talk about "whites" and we talk about "Asians". This overarching "Asian" category does not exist in Japan, however—Japanese people will use the term to talk about people in other Asian countries, but do not use it to refer to themselves. So, the way these lines are drawn are different in different places. Some people make the claim that the most salient dividing line in Japanese society is Nihonjin than everyone else, but that's actually not what we see here. For example, when the people are reading these vignettes, they're not dividing people into baskets of Gaikokujin and Nihonjin. They're thinking much more specifically about the ethnicity of the foreigners in question. Hence, even though the government will, in many cases, use this distinction, it is not necessarily the most useful distinction to use in research.

At present and also in the foreseeable future, the most important source of immigrant workers to Japan are other Asian countries, but there is a strong possibility that immigrants might experience ethnic bias in the workplace and lowered career prospects because of that bias. Nonetheless, a portion of people will still be willing to come to Japan—as we have seen that not everyone will necessarily experience bias. At the same time, a subset of potential immigrants from Asia may decide not to come or decide to leave because they sense that their career prospects may be better in their home countries or in other immigrant destinations. So, the inequality that we observe will limit Japan's ability to attract and retain immigrants from these most promising sending regions.

Talking about the implications for the study of immigration in general, in Japan and elsewhere, people have suggested that immigrants in professional jobs or skilled immigrants face less bias than immigrants doing manual jobs or agricultural work. Although it is theoretically possible that the relatively low levels of bias that skilled immigrants face have a negligible effect on the employment outcomes, this research suggests that even very low levels of bias can actually reduce opportunities for skilled immigrants. In other words, high selectivity in immigration and employment does not eliminate problems of inequality. When HR departments of Japanese companies are asked about their diversity hiring strategies, more often than not they say they do not care about nationality and would just like to hire the best people regardless of nationality. They are looking for people having can-do attitudes with high levels of education and with specific technical and soft skills. But what companies are assuming is that with these great skillsets, these workers should be able to perform well in the Japanese firm regardless of their nationality. But it is also a fact that the native people that immigrants are working with have beliefs and habits that may actively block their

progress no matter how good immigrants' skillsets are. I argue that there is a role both for the government and the companies to use immigrant friendly policies to make it less likely that this bias will affect immigrants' career outcomes. Thank you very much.