



## **CIGS Hilary J. Holbrow Workshop**

### **“Bringing Outsiders In: The Case of Women and Foreign Workers in Elite Jobs in Japan”**

**(Summary of speech)**

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Japanese business has historically been an insider's club. In the mid-1980s, women made up about 30% of regular employees and were almost entirely absent at the supervisory or managerial levels (slide 2). At that time, foreign citizens were about 0.7% of the total Japanese population - hardly even a presence in the Japanese economy at all.

Over the last 30 years, there have been many economic, demographic, and social changes in Japan, but Japanese firms' status as an insiders' club has not changed much. Despite Prime Minister Abe's push for womenomics, women's share of regular employment is essentially unchanged, and foreign workers' representation remains incredibly low.

However, Japan's population peaked in 2010, and over the next 30 years, it is projected to decline by about 20%, with a 45% decline in the working age population (slide 3). This puts huge pressure on Japanese firms to let outsiders in simply to secure their basic labor needs. For example, the actual number of foreigners living in Japan now is about 2%, but it is projected to rise to 6% over the next 30 years and 10% over the next 50 years. This means that by 2060, Japan will be a very typical country in terms of the share of foreigners living there (slide 4).

Japan's demographic changes mean that the lower ranks of Japanese firms will inevitably diversify to include not just more Japanese women but also more foreign men and women (slide 5). However, it is a little less clear about what will happen at the supervisory and managerial levels. One possibility is that we won't see much change at the top; but on the other hand, Japanese women and foreign men and women may also be able to filter up through organizational ranks. It is clear that this second possibility is the most desirable, both ethically and practically. Ethically, it is only fair that everyone participating in the economy should be granted the same opportunities; and practically, there is a large body of research showing that diversity increases creativity and improves problem-solving.

The big question behind this research is how to get firms off of the first track and onto the second track (slide 6). At a general level, we know what the barriers are to achieving this. For women, the barriers include structural segregation, work-family conflict, and gender bias. Foreign men face a slightly different set of barriers; the Japanese language, socio-cultural knowledge, and ethno-racial bias. And foreign women potentially face all these barriers at once (slide 7). However, while we know that these are the potential

barriers, there is little research on which are the highest or most prevalent. This research seeks to fill that gap.

To address that question, I collected original data from employees in twelve large firms. (slide 9). By virtue of the fact that these firms were willing to participate in this study focusing on diversity management, we can infer that these companies represent the best case scenario for diversity and inclusion, at least among large companies—any barriers to women’s and foreign workers’ advancement in this context are probably similar or worse in other large firms. However, there may be barriers that we would find in a more typical Japanese company that would not be detected here. The results also cannot be generalized to small or medium firms.

Within these firms, I identified teams with at least one foreign member, and distributed a survey to every member of these teams. Today, I will focus on the outcomes for Japanese women, and foreign men and women from other Asian countries (slide 10). In general, members of all of these outsider groups tend to be younger and have shorter tenures than Japanese men, although this tendency is more extreme for foreign workers than for Japanese women (slide 11).

In today’s analyses, I will compare how members of these three outsider groups are advancing relative to Japanese men, explore possible reasons for any differences in rates of advancement, and, finally, consider how any barriers to advancement for these outsider groups might be removed (slide 12).

Slide 13 shows how often a typical member of these groups has been promoted by age 38, after 10 years’ tenure. Typically, a Japanese man with these characteristics has been promoted about 1.2 times. Asian men, on the other hand, are promoted slightly more often, at about 1.4 times. In other words, there is no evidence of any barriers to Asian men’s advancement. However, the picture for women, regardless of nationality, looks quite different. They are only promoted about 0.6 or 0.7 times for every 1.2 or 1.4 times that the men are promoted. This indicates that women face higher barriers to advancement than foreign men do (slide 14).

Because we see much higher barriers to women’s advancement, the following analyses focus primarily on the barriers that affect women (slide 15). Slide 16 shows us, once again, that a typical man is promoted 1.2 times for every 0.7 times that a woman is promoted. We want to see if this gap is explained by the fact that women tend to be in job classes that have less promotional potential. If structural segregation is to blame for women’s lower rates of advancement, we would expect the gap in promotions to shrink when we add job characteristics to the model. It does not, however, implying that structural segregation is not primarily to blame for women’s lower rates of advancement

The next question is if this gap can be explained by work-family conflict. To determine if this is the case, I split women into two groups—those with children and those without children. If work-family conflict is to blame, we would expect a widening of the promotion gap when we compare women with children to men, but a narrowing when we compare women without children to men. In reality, that is not at all what we see. The promotion gap is essentially identical for both groups (slide 16). In sum, it appears that, at least in this “best case scenario,” job segregation and work-family conflict cannot explain the gender gap in promotions (slide 17). So, we need to seriously consider to what extent bias plays a role.

Bias is very difficult to measure, but in order to do so, it is helpful to think about where bias comes from. One overly simplistic view is that firms that are embedded in the society, and whatever levels of bias exist in that society will naturally be present in the firm. A more nuanced and realistic view is that, even though firms are influenced by the society in which they are embedded, there is variation between them; some firms may do things that exacerbate bias and others do things that mitigate it (slide 18).

One theory about where this variation in bias might come from is status construction theory. In status construction theory, people form biases based on what they observe around them, both in their work environment and in society more generally. What this theory suggests is that people observe who has access to power and resources, and then tend to think that people who are in some way similar to that group, demographically, are more competent, capable, or valuable than people who look different from that group.

In other words, in a demographically typical Japanese company like the one depicted on slide 19, employees will observe that it is primarily Japanese men who have access to power and resources. As a consequence, employees at this firm will tend to think that men, on average, are more capable, competent, and valuable than women (slide 19). In contrast, in a more diverse company, like the one we see on slide 20, employees will not see power and resources concentrated in the hands of any one group and will be less likely to develop these differential ideas about who is more valuable or capable (slide 20).

While bias is very challenging to measure, the idea that the activities or contributions of certain groups of employees might be valued more or less is something that I can empirically assess. To do this, I asked how valued the respondents felt by their immediate supervisor. The first thing that we see is that there are quite clear gender differences in answers to this question. About 44% of men say that their supervisor “always” or “often” values their contributions, while only 33% of women say the same.

This is certainly consistent with the idea that there could be some sort of gender bias going on there (slide 21).

The key prediction of status construction theory is that this gender gap in feeling valued would be less when there are more female managers. This is because if there are more female managers, employees are less likely to develop differential ideas about who is valuable and who is not. I use these data to test this prediction.

Indeed, the first thing that we see is that when women hold fewer than 15% of managerial positions, they do feel less valued than men, on average, and when women hold more than 15% of managerial roles, they do not (slide 22). However, these differences are substantively small and not statistically significant. This provides only moderate support for status construction theory.

But what if status construction theory is wrong in emphasis rather than in substance? In status construction theory, the emphasis is very much on what people see when they “look up” at the demographic composition of managerial roles. But what about what they see when they “look down”? What about the demographic make-up of those who work in jobs that is subordinate and non-promotional? Could not this matter for the construction of gender attitudes just as much as what people see when they look up (slide 23)?

To test this proposition, I compare the gender gap in feeling valued based on the gender composition of the non-promotional clerical track. Indeed, if women are 100% of the clerical workers in a given firm, women feel less valued than men, whereas in firms where the clerical track is gender integrated, the opposite is true. Note that this is not simply because clerical track workers themselves feel less valued. Even women on the management track tend to feel less valued than men when that clerical track job is segregated (slide 24). The differences in these two types of firms are much larger than the differences in firms with different levels of female representation in management.

But these analyses only tell us differences in subjective feelings. If gender bias, driven by the beliefs that people form by looking around them, truly prevents women from advancing, we would expect there to be objective differences in outcomes for women in depending on the demographic composition of different jobs. To see if this is the case, I compare the gender wage gap in firms with higher and lower shares of women in management, and in firms with gender segregated and gender integrated clerical tracks. What we see is that there isn't much difference in the gender wage gap associated with female share of managerial jobs. The gender wage gap is about the same in firms with higher and lower shares of women in management (slide 26). However, when we compare the gender wage gap in firms with gender segregated and gender integrated

clerical tracks, we see a very large gender wage gap. This strongly suggests that how firms assign workers, particularly to low status jobs, matters not just for the construction of gender attitudes but also for how those firms objectively value women. By assigning only women to jobs that are kind of clerical, repetitive and categorically subordinate, firms create an environment where bias can flourish and where women's work will be valued regardless of what position they hold (slide 27).

Throughout this presentation, I touched upon three general questions (slide 28): Which outsiders experience the largest barriers to advancement in Japanese firms? What are the barriers? And what can be done about them? The clear answer to the first question is women. But, perhaps surprisingly, there was no evidence that structural segregation or work-family conflict present the biggest barriers. Rather, considerable evidence points towards gender bias, and suggests that this bias stems from what people see when they “look down” at the demographic composition of low-status jobs.

What can firms do to get off “path 1” (increased diversity, mostly at the bottom) and onto “path 2” (increased diversity at all ranks)? To move the needle on the underlying forces that have made gender inequalities so persistent, by all means promote more women into management. But to change attitudes, firms also need to simultaneously desegregate low status jobs as well.