

Gender Equality in Management and HRM Practices: Evidence from Japan*

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Abstract

This paper uses unique firm-level panel data from Japan and provides the first rigorous econometric evidence on the possible impact on gender inequality in management of HRM practices. The data are created by matching several panel data on Japanese firms using unique company codes; (i) Data from the Intangible Assets Interview Survey in Japan conducted by the RIETI; (ii) CSR Data compiled by Toyo Keizai; (iii) Yakuin Shikiho (Company Officer Listing) compiled by Toyo Keizai; and (iv) Corporate Proxy Statement Data compiled by Development Bank of Japan. Our fixed-effect estimates reveal that the introduction of Work-Life Balance (WLB) policies has no significant effect on gender equality in management—yet another evidence for the inefficacy of WLB policies in boosting careers of women.

In contrast to the absence of any impact on gender equality of WLB, we find evidence that the introduction of Performance-Based Pay and Promotion (PBPP) leads to diminished gender equality in management. To explore why gender inequality rises in the advent of PBPP, we augment the baseline model by an interaction term involving PBPP and MBO (Management by Objectives). The fixed effect estimates shows that the inequality-enhancing effect of PBPP is mediated and in fact nullified by the use of MBO. The significant mediating role of MBO suggests that the adverse impact on gender equality of PBPP may have something to do with gender discrimination in performance evaluation—the introduction of PBPP often represents a shift from traditional Seniority-Based Pay and Promotion (SBPP) to PBPP, and since SBPP is less subjective than PBPP, PBPP has more room for gender discrimination than SBPP. MBO, establishing more formal evaluation procedure, reduces room for gender discrimination in evaluation. Likewise, we find evidence that transparent management with open and frequent sharing of information mediates the negative effect on gender equality of PBPP. In contrast, we find that when the firm delegates authorities to self-managed teams and practices a high-performance system, the gender inequality-enhancing effect of PBPP will be amplified. We interpret the result, based on the gender behavior theory. Lastly, the efficacy of PBPP is found to be diminished when the firm still hangs onto traditional lifetime employment, for lifetime employment is complementary to SBPP not to PBPP.

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