

Why not Choose a Better Job?

Flexibility, Social Norms, and Gender Gaps in Japan

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June 7, 2023

Japan ranks 116th in 2022 gender gap, worst in East Asia, Pacific



KYODO NEWS - Jul 13, 2022 - 18:37 | All, Japan



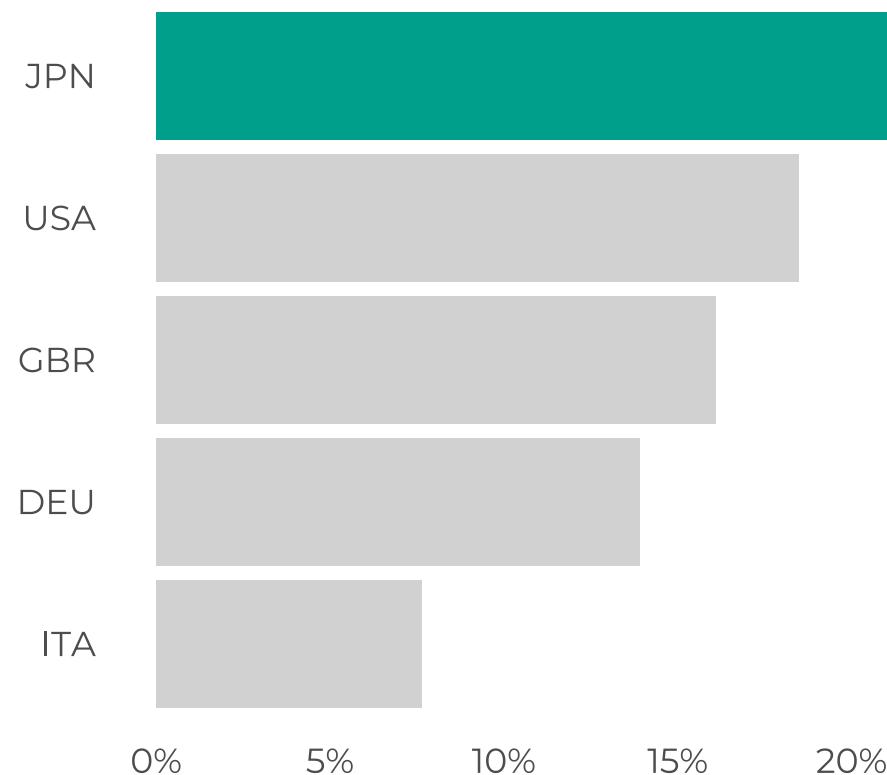
GENEVA – Japan ranked 116th among 146 countries in the gender gap rankings this year, at the bottom of the East Asia and Pacific group, and the Group of Seven major economies, a Swiss-based think tank said Wednesday.

The report by the World Economic Forum showed women's participation in the political and economic arenas remains particularly low in Japan. The country, however, attained high scores in access to education and health.

Japan ranked 120th among 156 countries in last year's rankings.

Female Workers in Japan

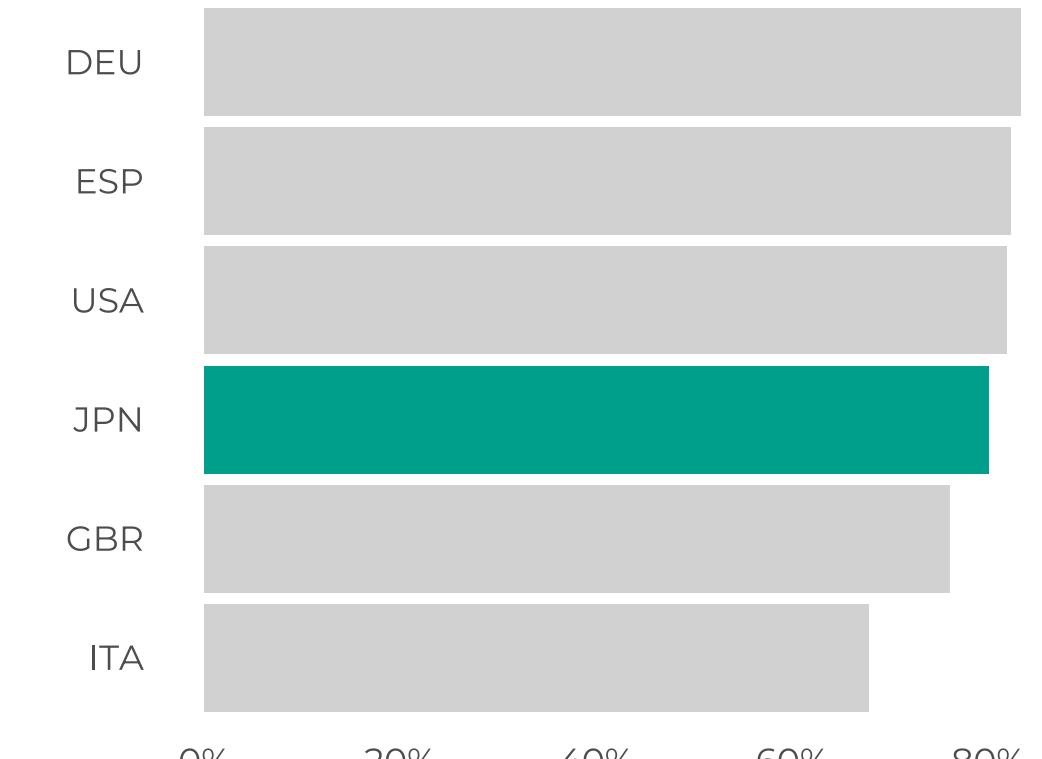
Gap in Median Earnings of Full-time
Workers in 2019



Fraction of Part-time in Female
Workers in 2019



Female Laborforce Participation in
2019



- Large gap in earnings and high ratio of part-time jobs
- Female participation is not low

Why is the gender wage gap large in Japan?

Why is the fraction of part-time workers large for women in Japan?

What Do I Do?

Document Female Employment in Japan

- Large gender diff. in participation, occupations, working hours, and wage
- Regular vs Non-regular job & Social norms on gender roles

Build a model

- Choices on occupations and working hours
 - Occupations differ in the way hours map into earnings (linear vs. convex)
- Utility cost associated to *social norms*
 - Wives earnings more than husbands

Model explains

- All gender gaps in participation
- 33% in occupational choices, 74% in labor hours, and 34% in wage

Facts

Data

Japan Panel Study of Employment Dynamics (JPSED)

- 57,284 men and women older than 15 in Japan
- Panel data 2015-2019
- Earnings, working hours, housework, labor contracts
- Use samples aged 25-59

Survey on Dual-Income Couples' Household Economy and Attitudes

- 2200 couples, women (men) aged 35-49 (30-55), in the Greater Tokyo Area
- One-year survey in 2014
- Earnings, working hours, housework, types of contracts

Regular and Non-regular Jobs

In Japanese statistics, a definition is used: Regular and Non-regular jobs

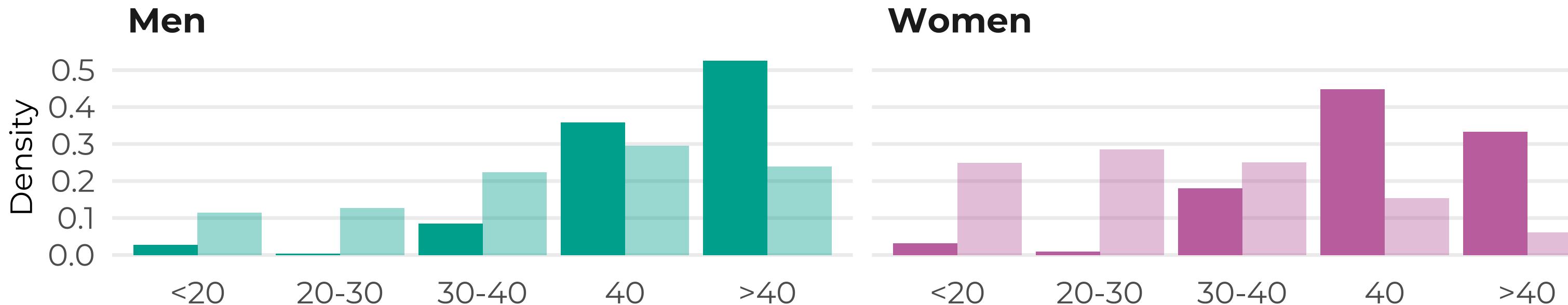
- Based on “how their occupations are classified in the company”
- There is no precise definition, but *typically*,

	Regular	Non-Regular
Contract	Permanent	Temporary
Hours (week)	40/40+	Lower and Dispersed
Wage	High	Low

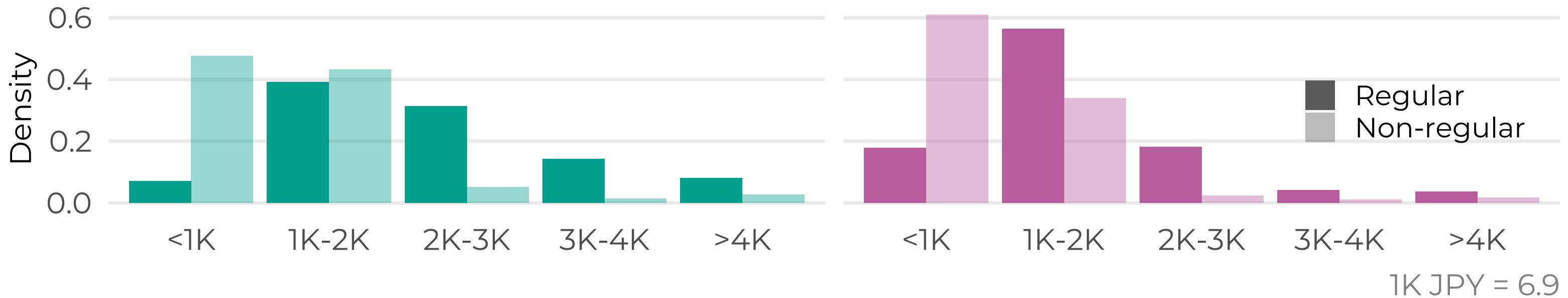
In JPSED,

- 92 % (91 %) of male (female) regular workers have permanent contracts
- 13 % (14 %) of male (female) non-regular workers have permanent contracts

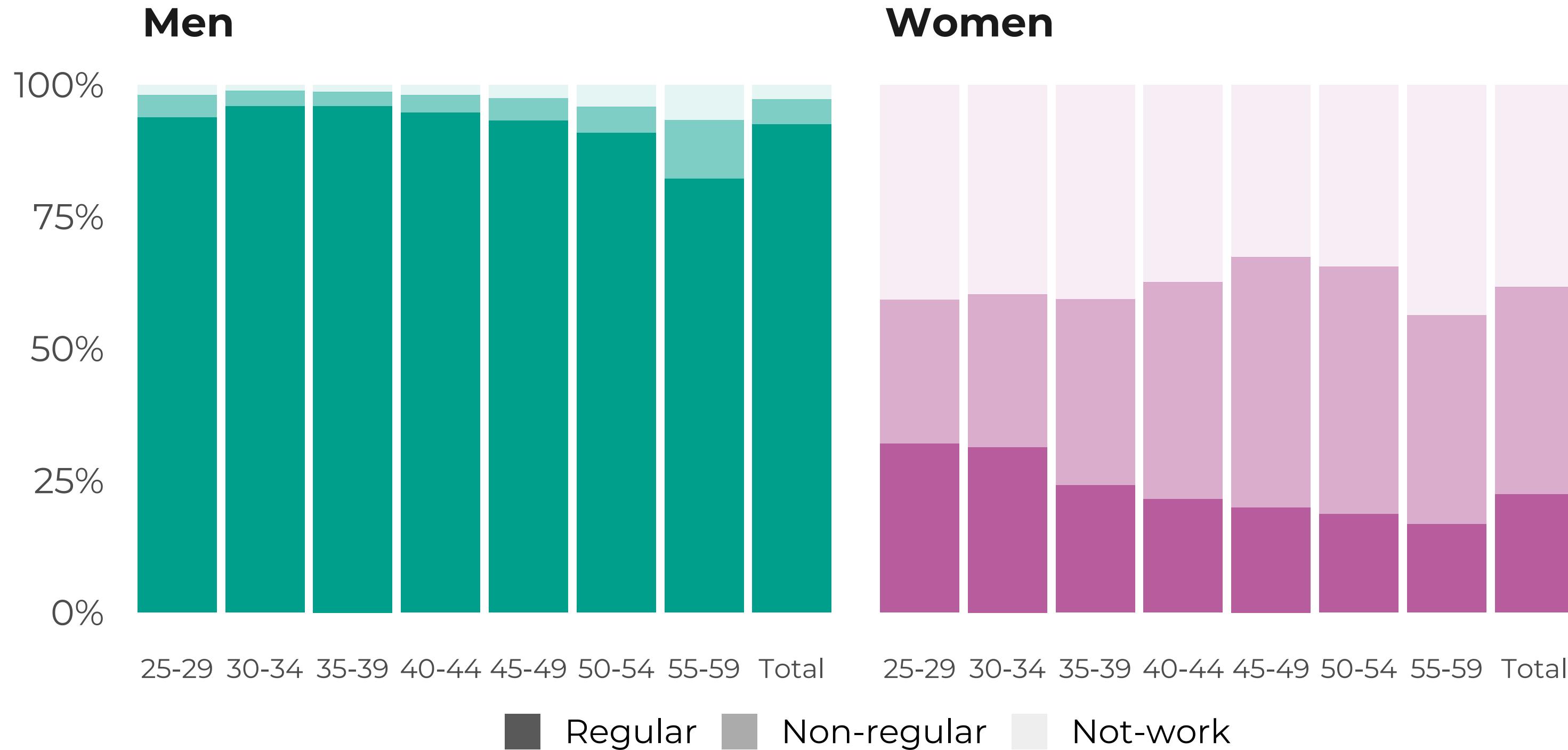
Weekly Working Hours



Hourly Wage

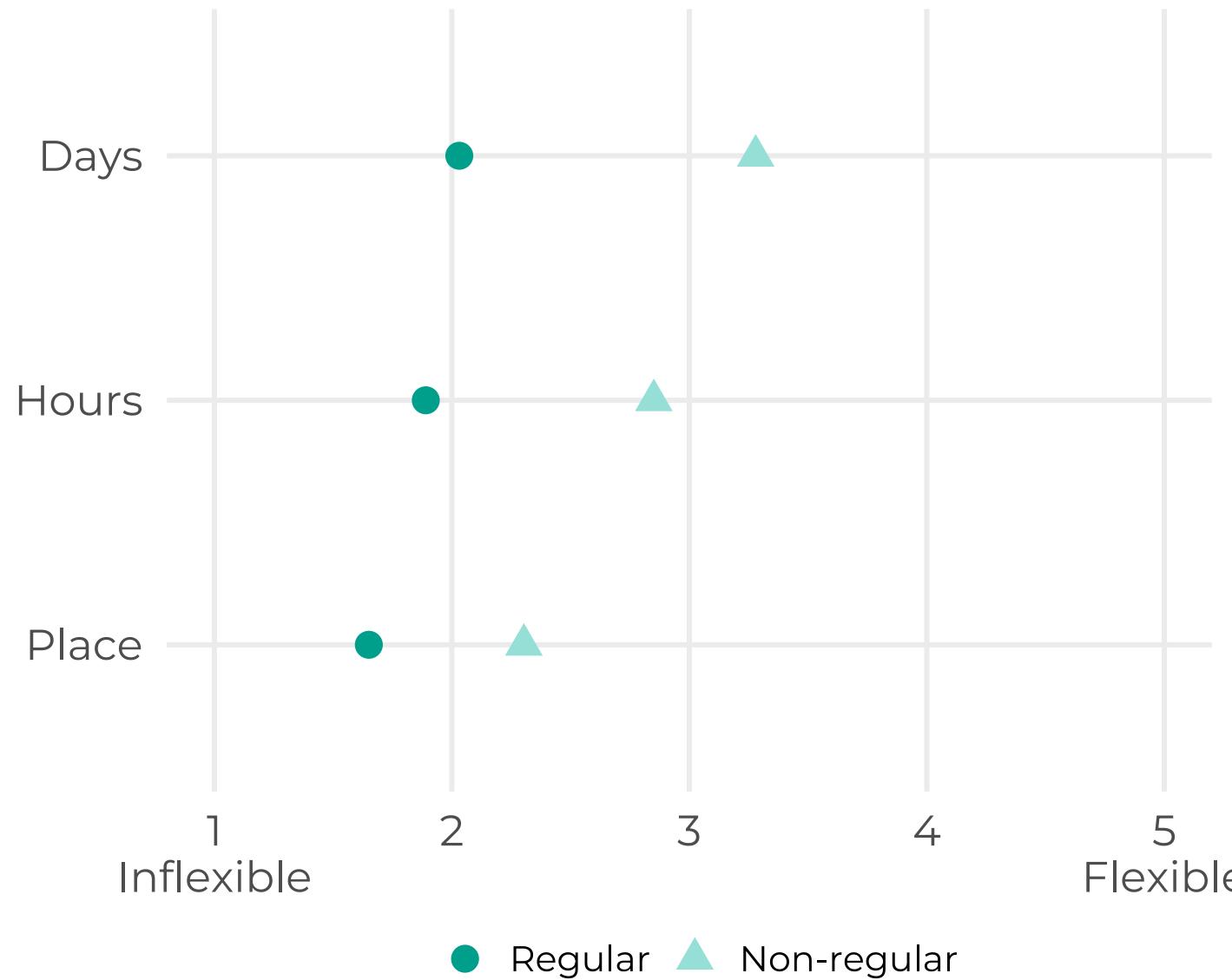


Occupational Choices of Married Men and Women

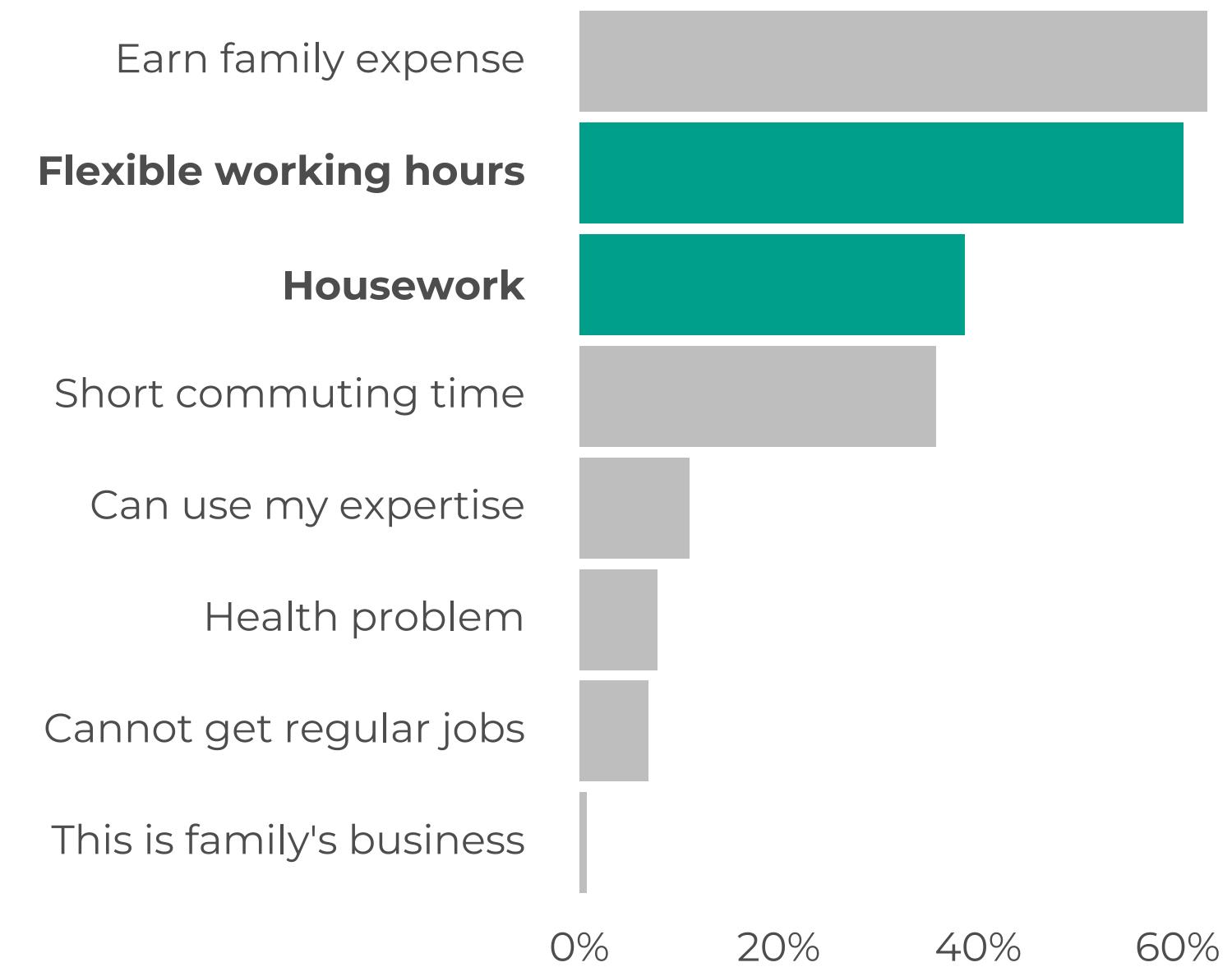


Why Do Women Choose Non-regular Jobs?

Flexibility of the Job



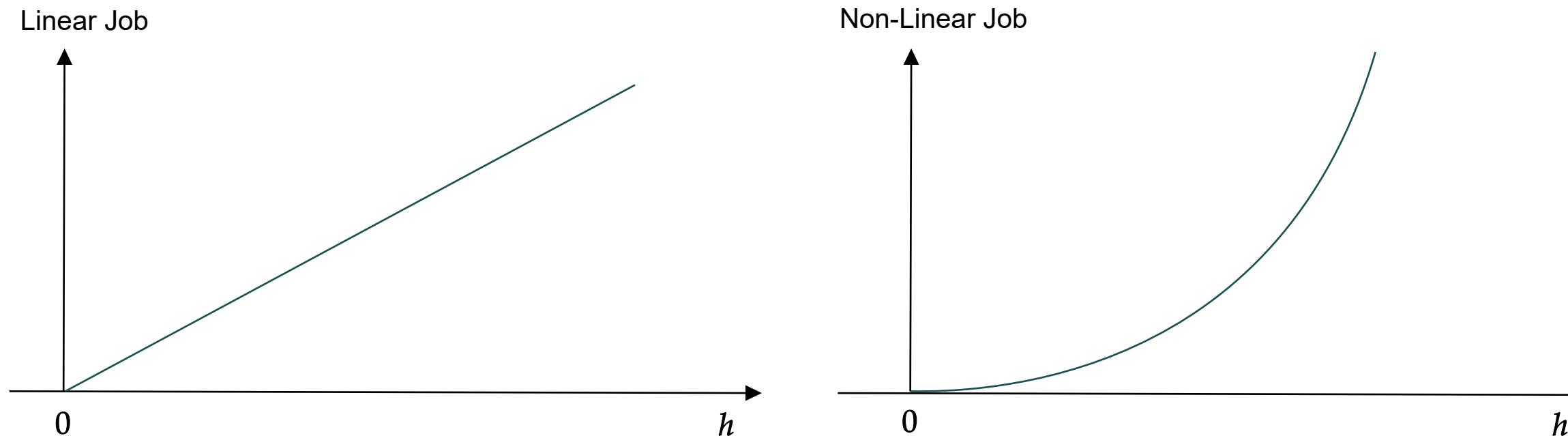
Reasons for Choosing Non-regular Job, Women



Job Flexibility and Convex Earning

Goldin (2014) defines the two types of jobs by **earning schedule**

- **Linear** jobs are lower wages and high flexibility
- **Non-linear (convex)** jobs are high wage and low flexibility



These characteristics correspond to **Regular** and **Non-regular** jobs!

▶ Regression

Social Norms

Bertrand, Kamenica, and Pan (2015)

- A gap in the density of the wife's share of earnings in couples at 50% in US
- Interpreted as the existence of social norms

Japanese Data

- A stark gap is seen in Japanese data
- Rising pattern just before 50%



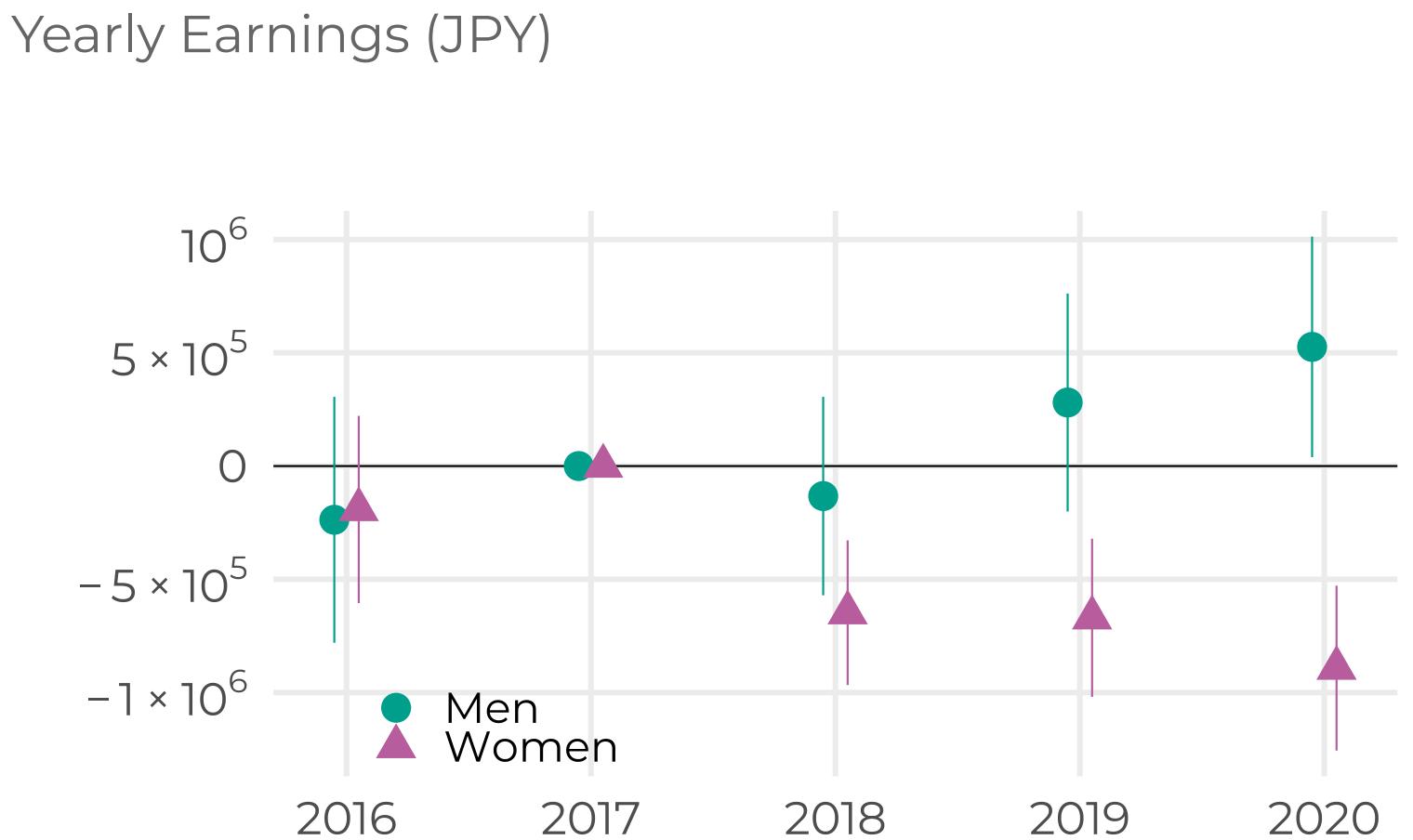
Marriage Penalty

If there are social norms regarding **wives earning more than husbands**, after the marriage, women might choose: lower working hours or changing/quitting jobs

Using JPSED2016-2020, I see

- Men and Women married at 2018
- Change in market outcomes in 2017
- Child Penalty as in Kleven et al. (2019)
- Female earnings decline by 4600€ 1-year after the marriage

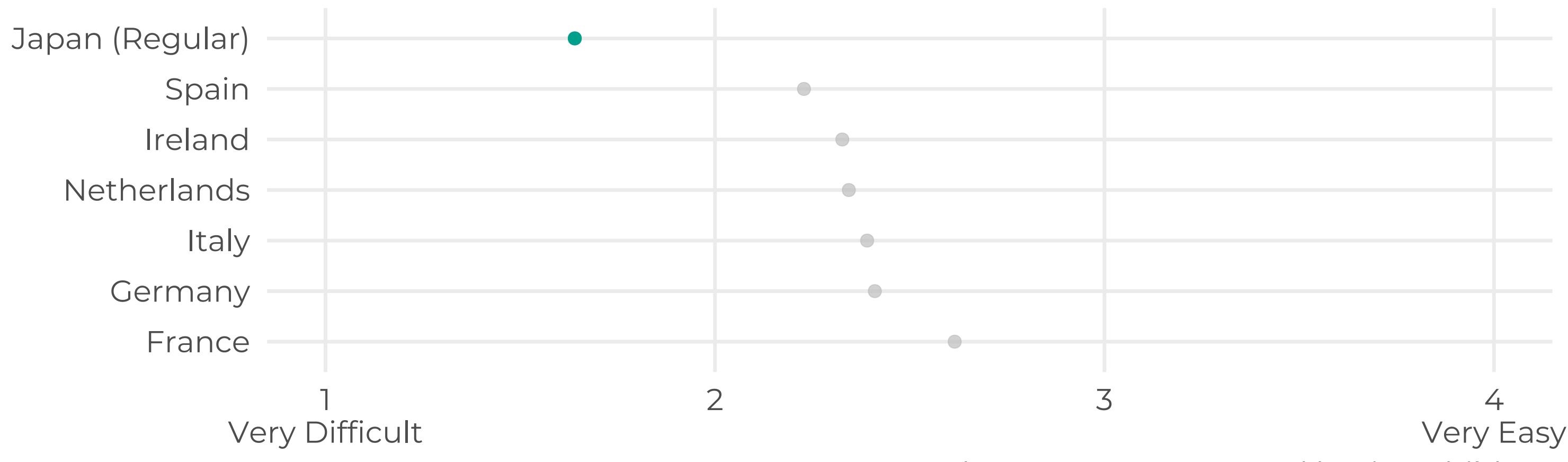
▶ Other Outcomes



Key Features:

1. Job Flexibility (Regular vs. Non-regular)
2. Social Norm on Wife's Earnings

**Persons in employment by level of difficulty
to take one or two days of leave at short notice.**

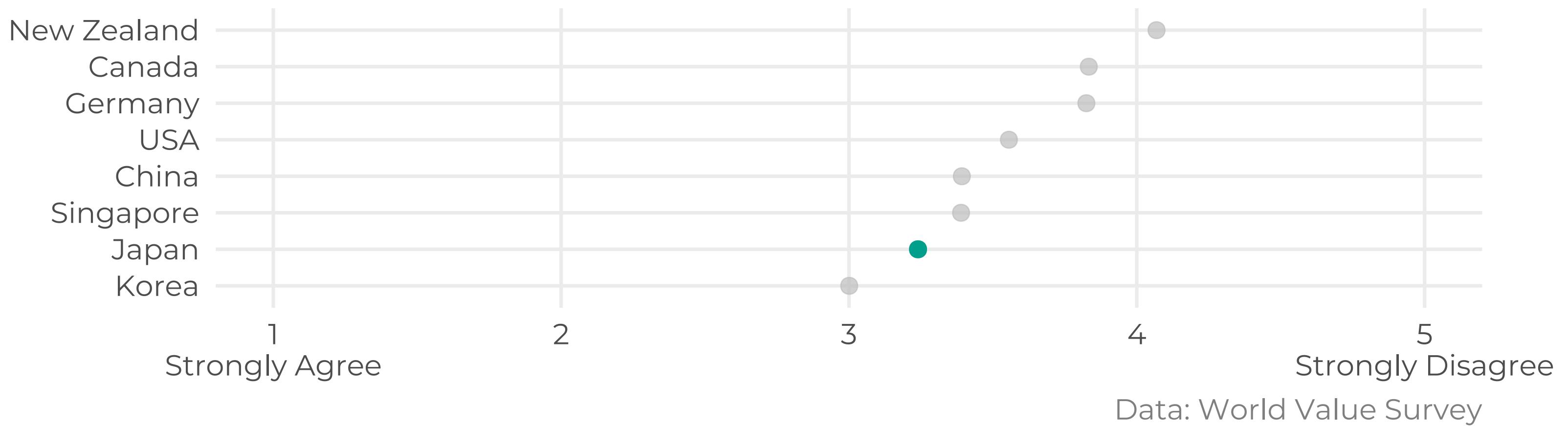


Data: Eurostat and JPSED, 35-49 age and having children

Key Features:

1. Job Flexibility (Regular vs. Non-regular)
2. Social Norm on Wife's Earnings

**If a woman earns more money than her husband,
it's almost certain to cause problems.**



Four Key Gender Gaps

	Description	Gap	Men	Women
Participation	Participation rate	0.27	98%	70%
Ocupation	Fraction of regular workers	0.59	89%	32%
Labor Hours	Mean of log weekly working hours	0.49	44.2h	20.3h
Wage	Mean of log hourly wage	0.76	2958 JPY	1534 JPY

Data: married, 25-59 aged in JPSED2016-2020

Model

Households' Problem

- Economy consists of couples, including husbands ($g = m$) and wives ($g = f$)
- choose an occupation j_g from regular R , non-regular NR , not-working NW
- Endowed one unit of time, and choose working hours h_m, h_f , home hours T_m, T_f , and leisure $1 - h_m - T_m, 1 - h_f - T_f$

$$\max_{h_m, h_f, T_m, T_f, j_m, j_f} U = \log c + \gamma \log H(1 - h_m - T_m, 1 - h_f - T_f) - \delta \mathbf{1}\{e_m < e_f\}$$

subject to

$$\begin{aligned} c &= e(h_m, j_m) + e(h_f, j_f) \\ T &= T_m + T_f \end{aligned}$$

$H(\cdot)$: Joint leisure function

$e(h, j)$: Earning

T : Home hours requirement

δ : Utility cost

Productivity

Each husband and wife is endowed **job specific** productivity:

$$\begin{pmatrix} a_{m,R} \\ a_{f,R} \\ a_{m,NR} \\ a_{f,NR} \end{pmatrix} \sim \log \mathcal{N} \left(\begin{pmatrix} 0 \\ 0 \\ \mu_{NR} \\ \mu_{NR} \end{pmatrix}, \begin{pmatrix} \sigma^2 & \rho_{mf}\sigma^2 & \rho_{R,NR}\sigma^2 & \rho_{R,NR}\rho_{mf}\sigma^2 \\ \cdot & \sigma^2 & \rho_{R,NR}\rho_{mf}\sigma^2 & \rho_{R,NR}\sigma^2 \\ \cdot & \cdot & \sigma^2 & \rho_{mf}\sigma^2 \\ \cdot & \cdot & \cdot & \sigma^2 \end{pmatrix} \right)$$

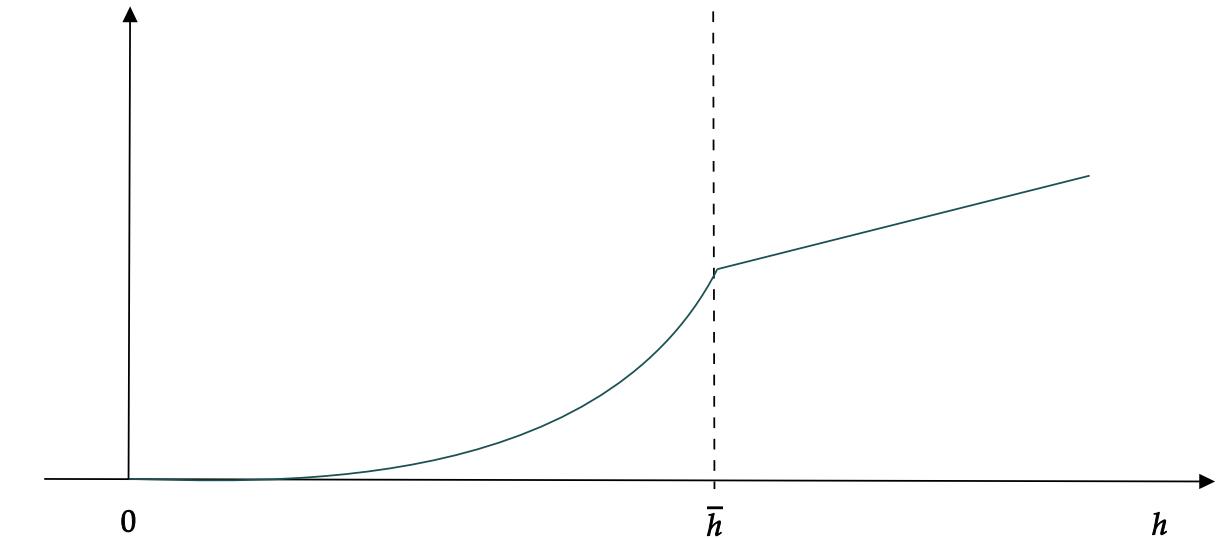
- $\mu_{NR} < 0 \Rightarrow$ Non-regular workers earns less than regular worker
- $\rho_{mf} > 0 \Rightarrow$ Assortative Mating
- $\rho_{R,NR} > 0 \Rightarrow$ Regular and Non-regular abilities are linked

No Gender Difference in Productivity

Convex Wage Schedules

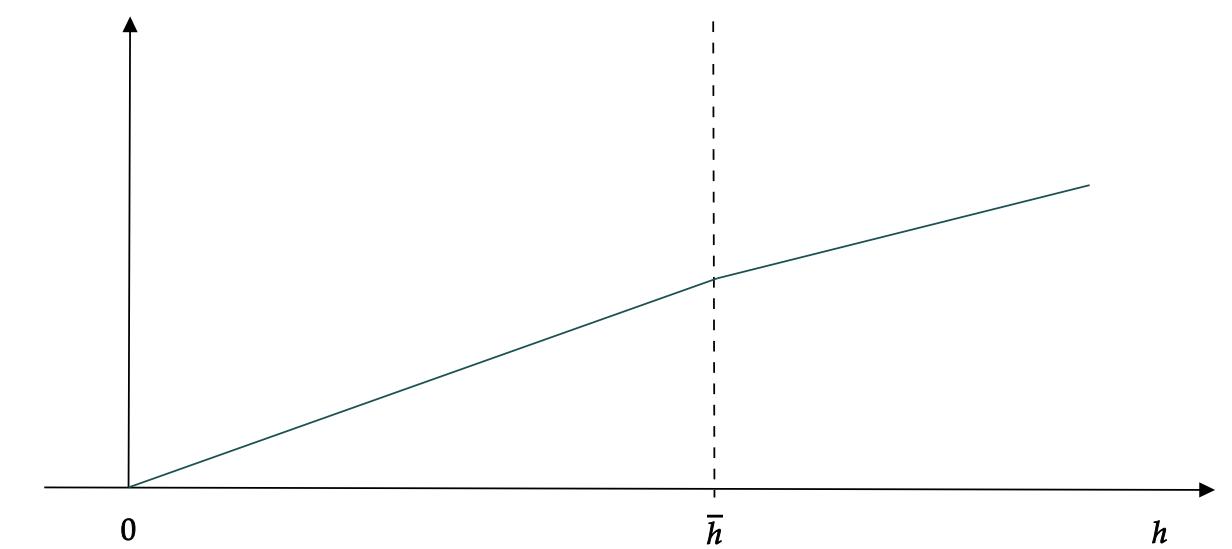
Regular Jobs

$$e(h, R) = \begin{cases} a_R h^{1+\theta} & h < \bar{h} \\ a_R (\bar{h}^{1+\theta} + \lambda_R \bar{h}^\theta (h - \bar{h})) & h > \bar{h} \end{cases}$$



Non-regular Jobs

$$e(h, NR) = \begin{cases} a_{NR} h & h \leq \bar{h} \\ a_{NR} (\bar{h} + \lambda_{NR}(h - \bar{h})) & h > \bar{h} \end{cases}$$



Leisure Function

$$H = (\nu(1 - h_m - T_m)^\xi + (1 - \nu)(1 - h_f - T_f)^\xi)^{1/\xi}$$

ν : share parameter. Each household is endowed $\nu \sim Beta(\alpha_\nu, \beta_\nu)$

ξ : complementarity. $\xi < 0 \Rightarrow$ complement

Home Hours Requirement

$$T = T_m + T_f$$

$$\frac{1}{2}T \sim Beta(\alpha_T, \beta_T)$$

- Households has a home hours requirement $T \in [0, 2]$
- T does not increase the utility
- captures the heterogeneity of home hours requirements (children)

Estimation

Calibration Strategy

15 Parameters

$$\{ \underbrace{\lambda_R, \lambda_{NR}, \theta}_{\text{production function}}, \underbrace{\mu_{NR}, \sigma^2, \rho_{R,NR}, \rho_{mf}}_{\text{productivity}}, \underbrace{\gamma, \xi, \alpha_\nu, \beta_\nu}_{\text{leisure}}, \underbrace{\alpha_T, \beta_T}_{\text{home hours}}, \underbrace{\alpha_\delta, \beta_\delta}_{\text{social norm}} \}$$

Method of Simulated Moments

1. Model produces occupations, working hours, and wages of household
2. Compute 15 moments (e.g. ratio of regular workers, mean of working hours, gender correlation of wage...)
3. Minimize the distance between moments from data and model

Estimation

Parameter	Value Target	Data	Model
λ_R	0.57 mean of h_f for regular workers	0.50	0.48
λ_{NR}	0.63 mean of h_f for NR workers	0.30	0.27
θ	2.96 share of regular workers, females	0.32	0.37
μ_{NR}	-3.15 share of NR workers, females	0.38	0.28
σ	1.03 s.d. of $\ln w_f$ for R workers	0.72	0.72
$\rho_{R, NR}$	0.14 mean diff. of $\ln w_{f, R}$ and $\ln w_{f, NR}$	0.62	0.62
ρ_{mf}	0.01 corr. of log wages, R×R couples	0.49	0.50
γ	0.84 s.d. of h_f for regular workers	0.11	0.11
ξ	-8.29 s.d. of h_f for NR workers	0.14	0.15
α_v	13.04 mean of T_m for regular workers	0.14	0.13
β_v	1.15 mean of T_m for NR workers	0.13	0.14
α_T	1.59 mean of T_f for regular workers	0.28	0.21
β_T	3.57 mean of T_f for NR workers	0.32	0.37
α_δ	0.59 share of couples with $e_m < e_f$	0.07	0.08
β_δ	11.81 corr. of working hours, couples	0.19	0.18

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- $E[\nu] = 0.92 > 0.5$
- Husbands have a higher weight on joint leisure

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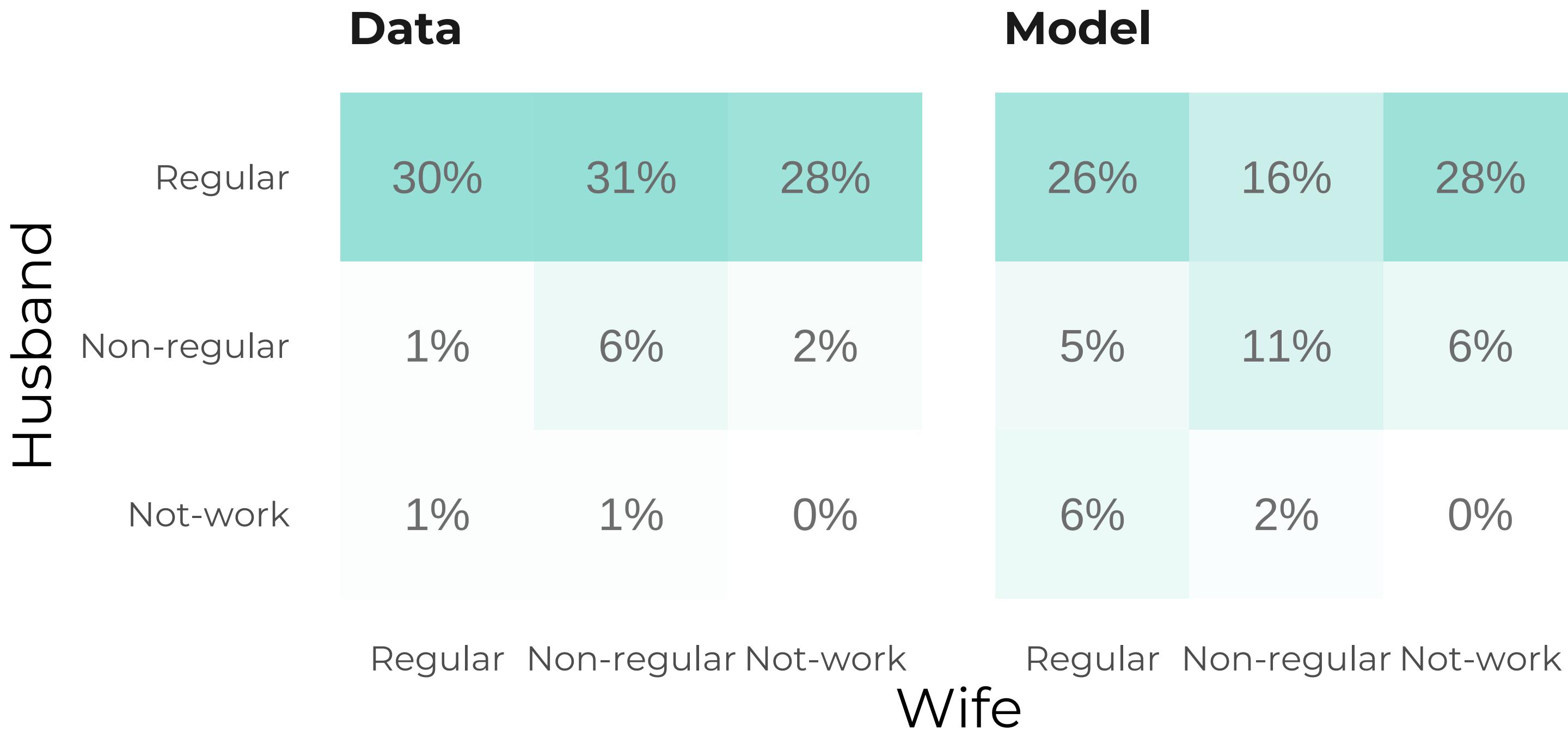
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- $E[\nu] = 0.92 > 0.5$
- Husbands have a higher weight on joint leisure

$$\alpha_T = 1.59, \beta_T = 3.57$$

- Home hours requirement is 49 hours per week

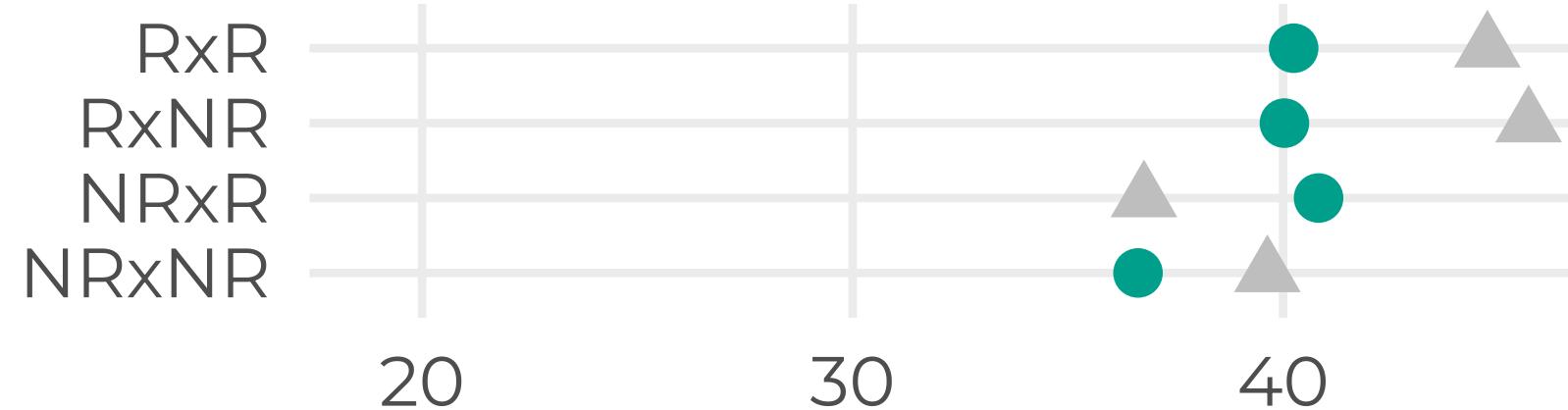
Occupational Choices (Not-Targeted)



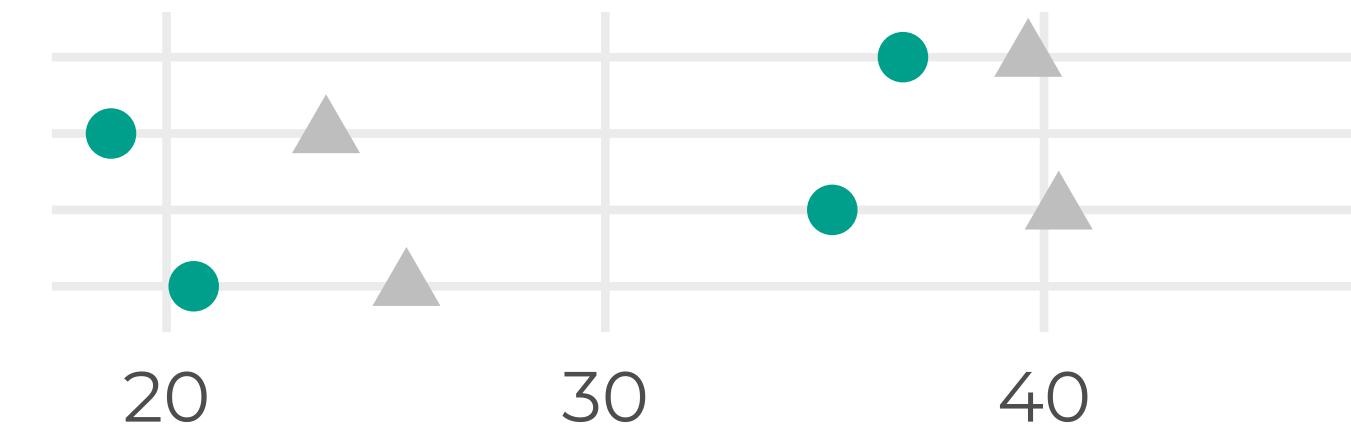
Time Allocations (Not-Targeted)

Hours Worked

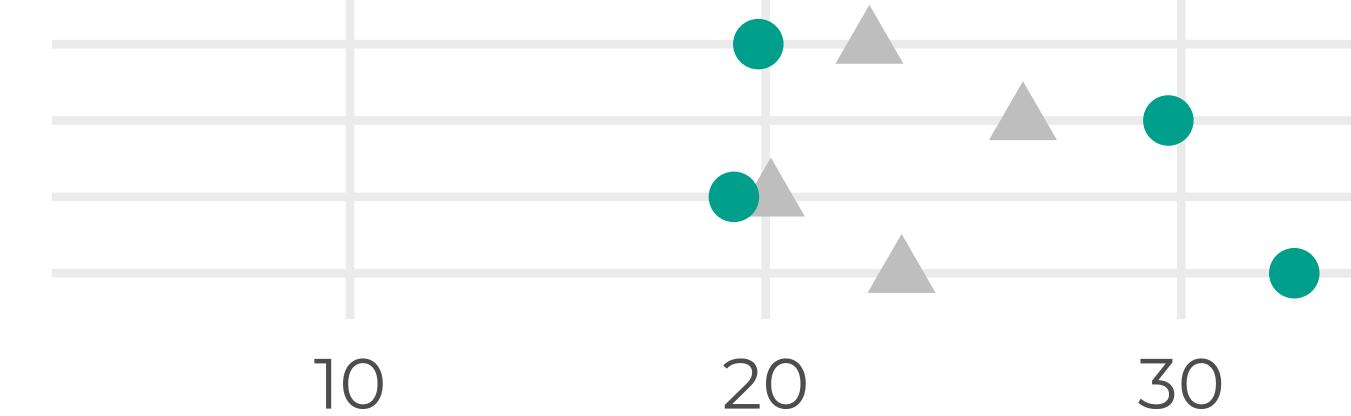
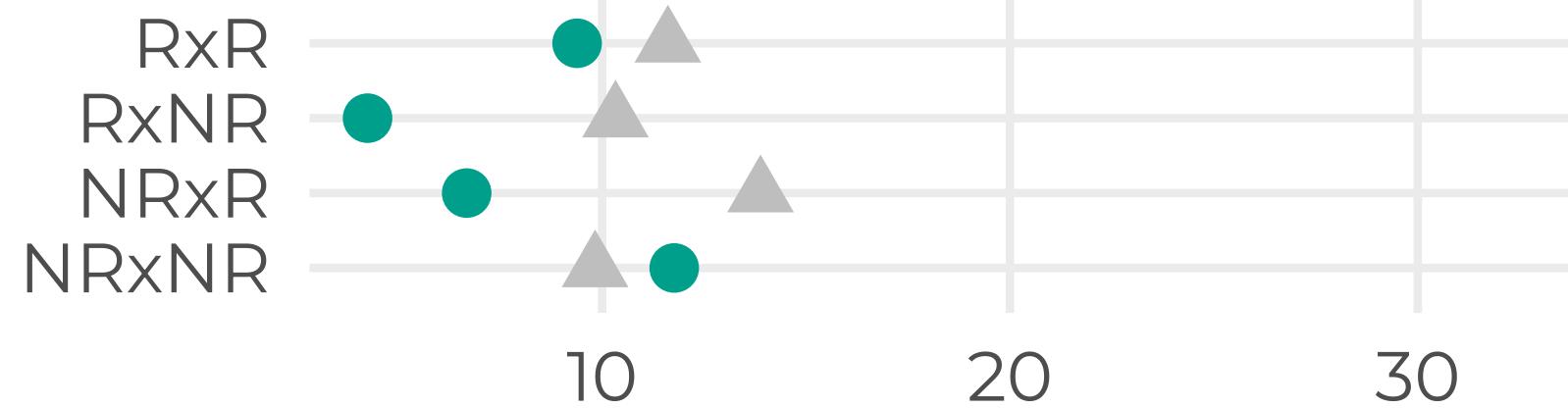
Husband



Wife



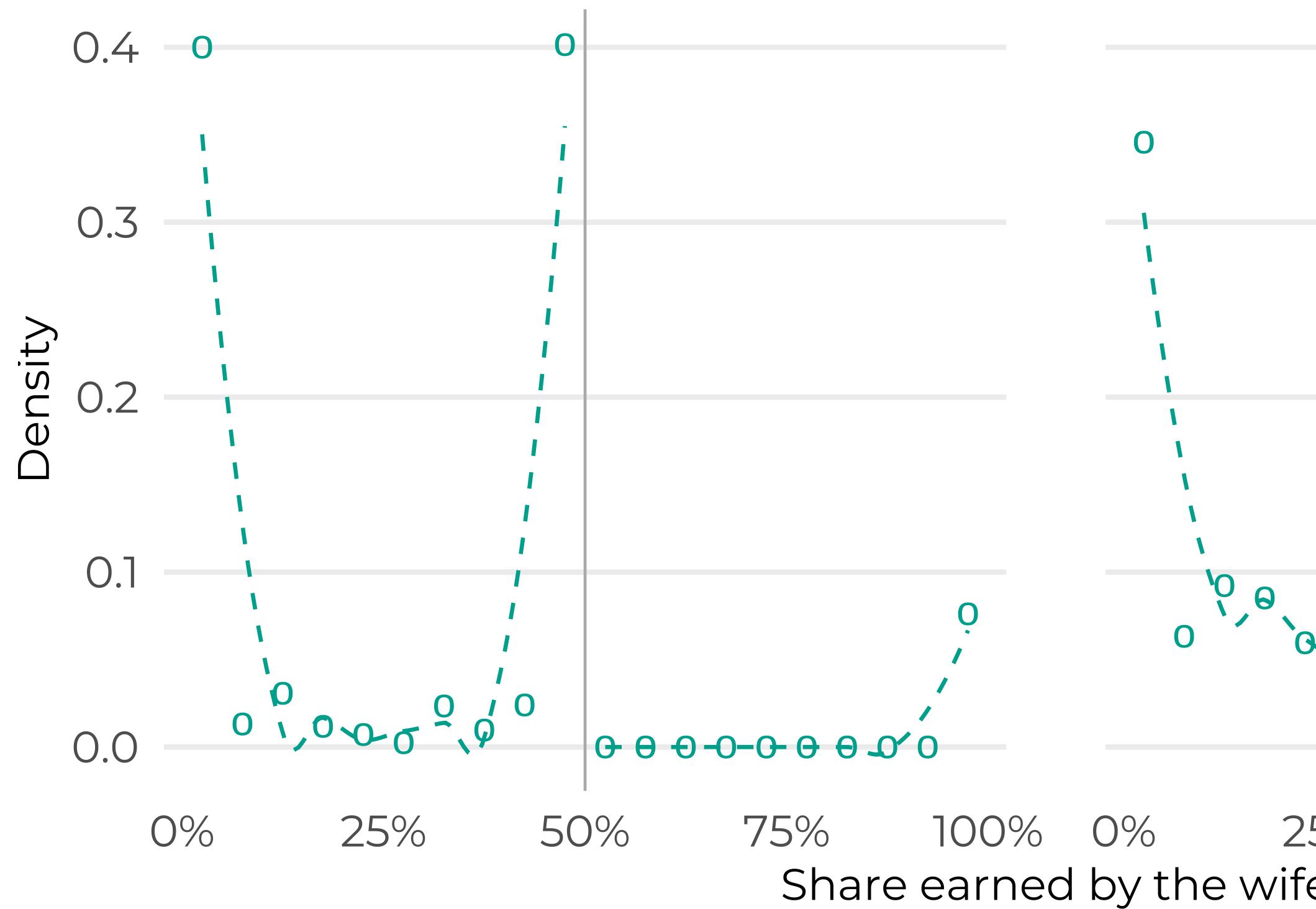
Home Hours



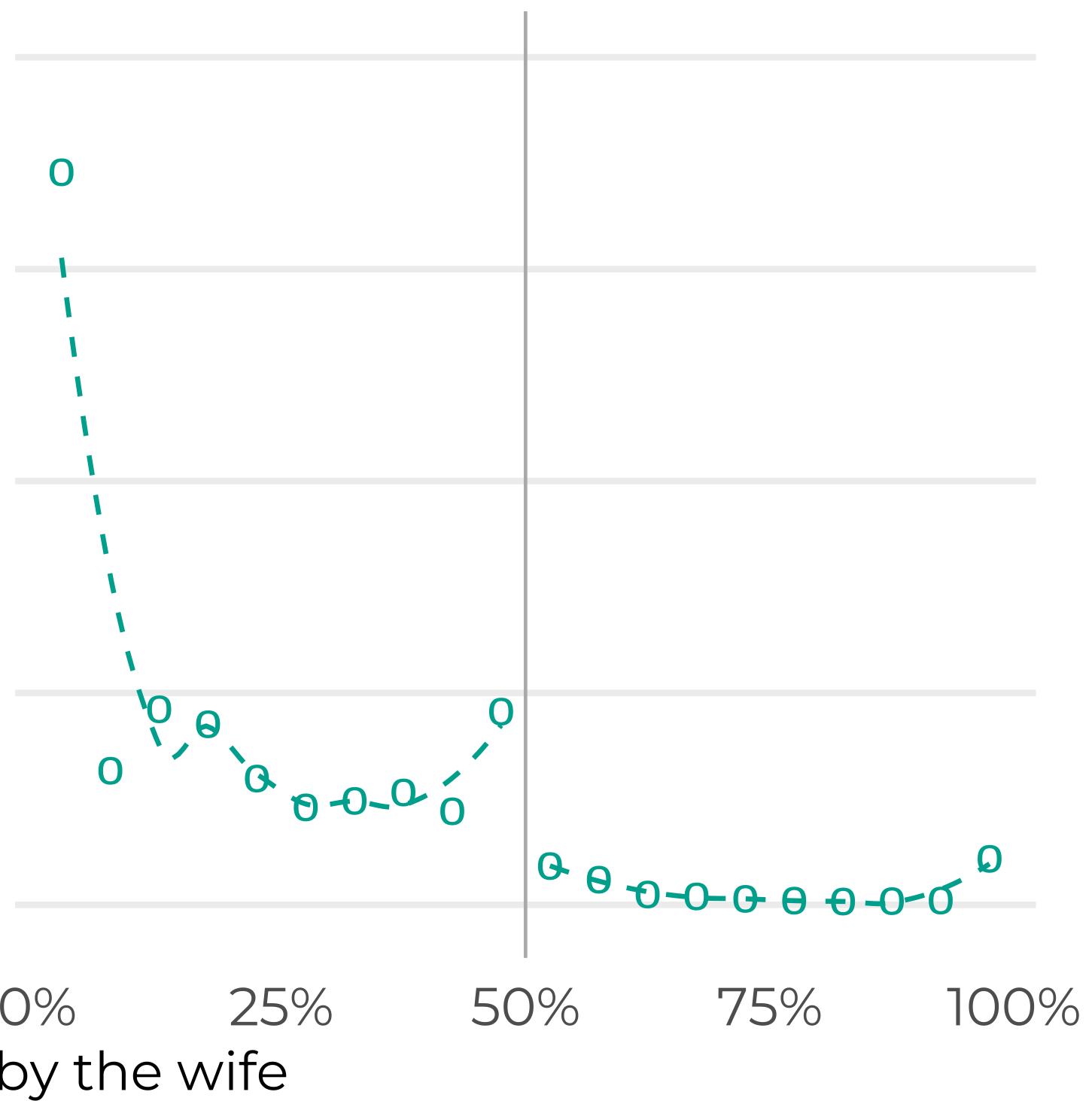
● Model ▲ Data

Social Norms

Model



Data



Gender Gaps

	Data	Model	Model / Data	Pct.
Participation	0.27	0.27		99%
Occupation	0.59	0.19		33%
Labor Hours	0.49	0.36		74%
Wage	0.76	0.26		34%

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Model explains

- Almost all the gap in the participation rate

Gender Gaps

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Model explains

- Almost all the gap in the participation rate
- Significant proportion of other gender gaps

Mechanism

Why Are the Gaps Large in Japan?

1. Inflexibility of Regular Job θ

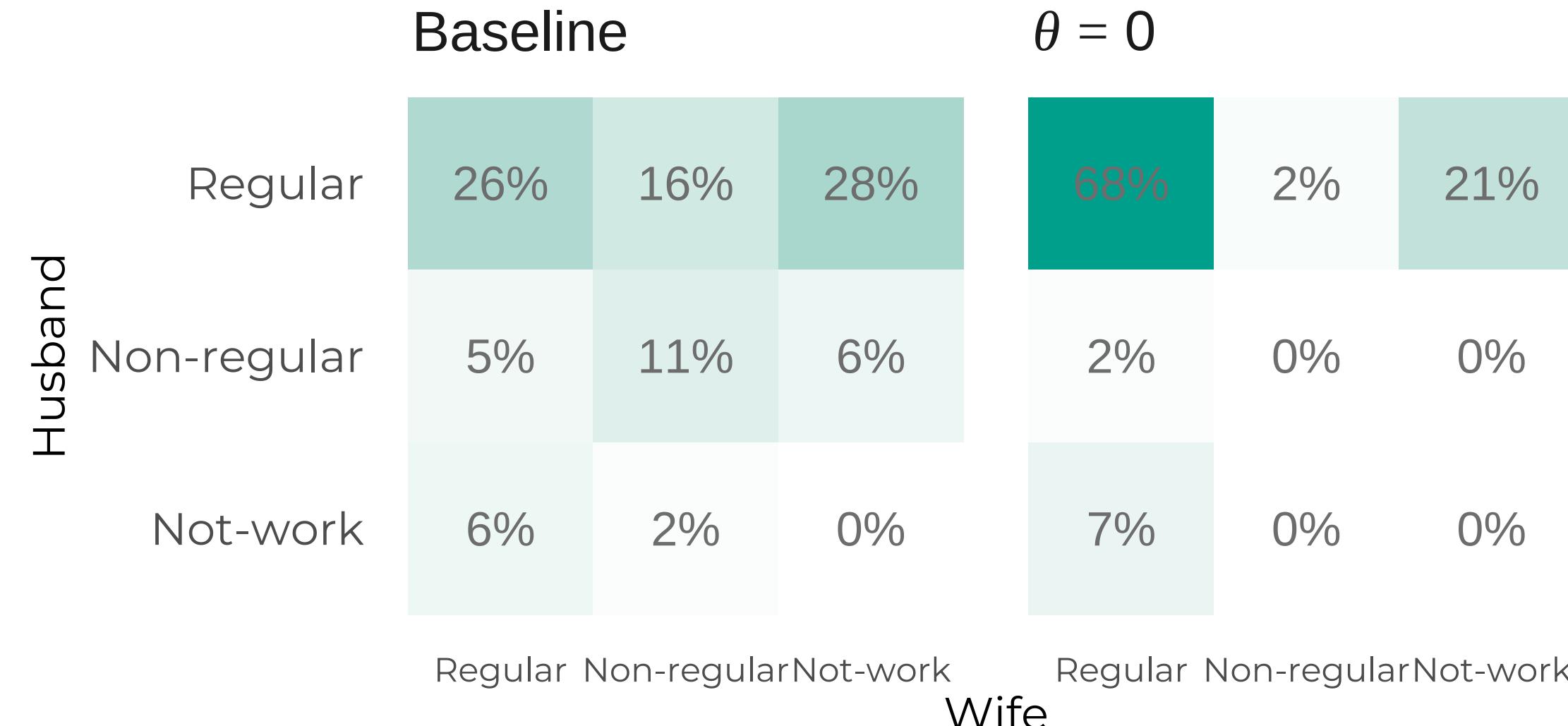
Given a large amount of housework, women might not choose regular jobs

2. Social Norms δ

Social norms might lead wives to work less or not

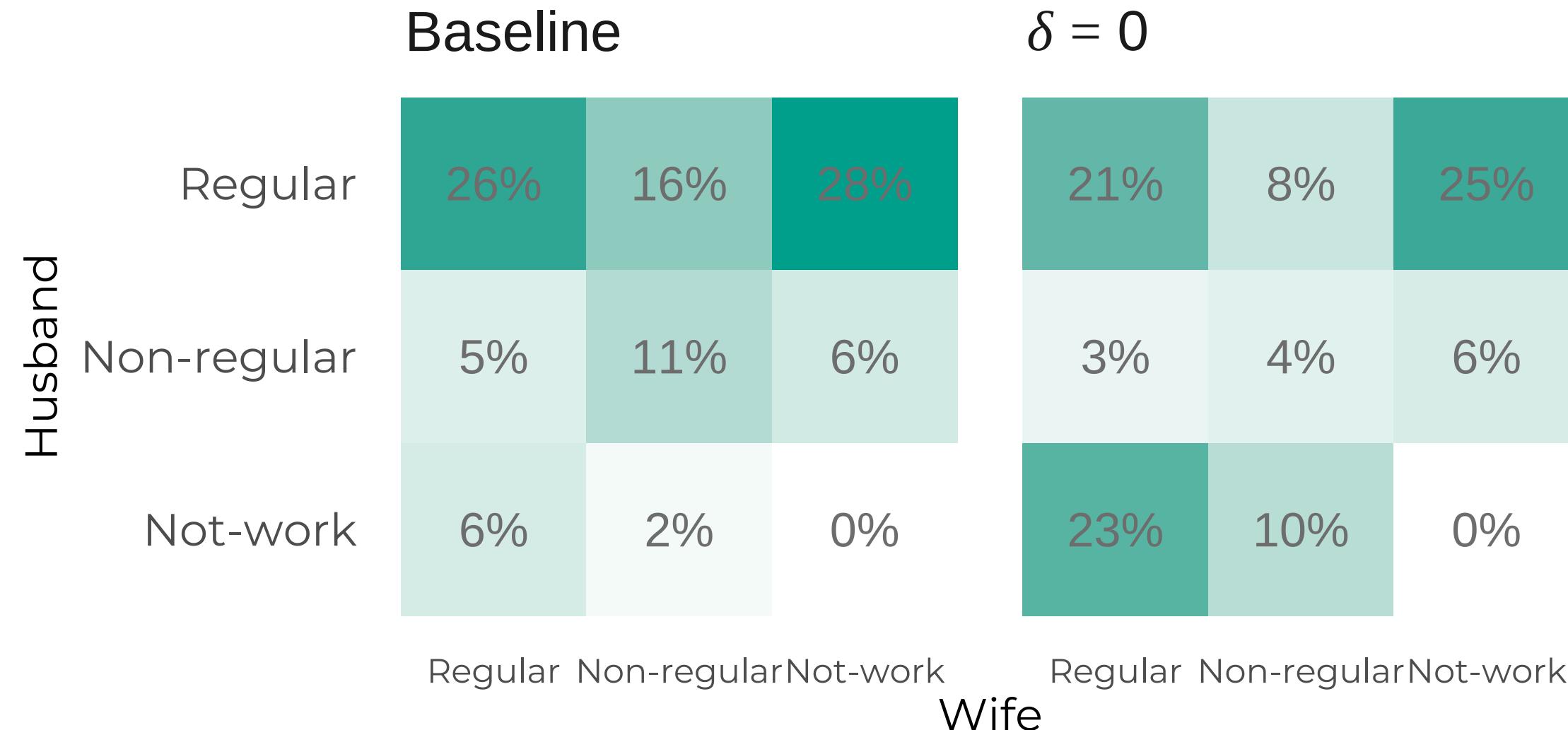
To verify these arguments, I conduct experiments of $\theta = 0$ and $\delta = 0$

Flexible Regular Job: Occupational Choices



Eliminating inflexibility encourages wives to have **regular** jobs

No Social Norm: Occupational Choices



- More wives choose **regular job**
- More husbands choose **not to work**

Mechanism

	Baseline	$\theta = 0.0$	$\delta = 0.0$	Gap θ	Gap δ
Participation	0.27	0.14	-0.04		
Occupation	0.19	0.01	0.18		
Labor Hours	0.36	0.64	0.17		
Wage	0.26	-0.03	0.22		

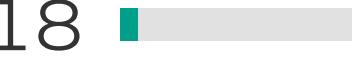
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Job inflexibility θ

- The main element prevents women from having **regular jobs**
- Wage gap comes from occupational differences

Mechanism

	Baseline	$\theta = 0.0$	$\delta = 0.0$	Gap θ	Gap δ
Participation	0.27	0.14	-0.04		
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Job inflexibility θ

- The main element that prevents women from having regular jobs
- Wage gap comes from occupational differences

Social Norms δ

- Explains **intensive** and **extensive** margin of male and female participation

Conclusion

Build a Model

- Regular (inflexible, high wage) vs. Non-Regular (flexible, low wage)
- Social Norms (wives' higher earnings)

Model Explains the Gender Gaps

- Almost all of participation rate
- 33% in occupational choices, 74% in labor hours, and 34% in wage

Mechanism

- Job flexibility and social norm play an important role in gender gaps
- Housework services could reduce the gaps under job inflexibility and social norm

▶ Appendix

Outsourcing of Housework

Outsourcing of Housework

Outsourcing housework could increase women's labor supply

Raz-Yurovich and Marx (2019), Halldén and Stenberg (2014)

Also discussed as the impact of low-skilled immigrants

Cortés and Tessada (2011), Barone and Mocetti (2011), Farré, González, and Ortega (2011)

However, those housework services are *rarely* used in Japan

- Japan has a restrictive policy on immigration
- 2+ member households pay 7.3 EUR per YEAR on average

Baseline Model with Housework Service

$$\max_{h_m, h_f, j_m, j_f} U = \log c + \gamma \log H - \delta 1(e_m < e_f)$$

subject to

$$c + pt = e(h_m, j_m) + e(h_f, j_f)$$

$$H = (\nu(1 - h_m - T_m)^\xi + (1 - \nu)(1 - h_f - T_f)^\xi)^{1/\xi}$$

$$T = T_m + T_f + t$$

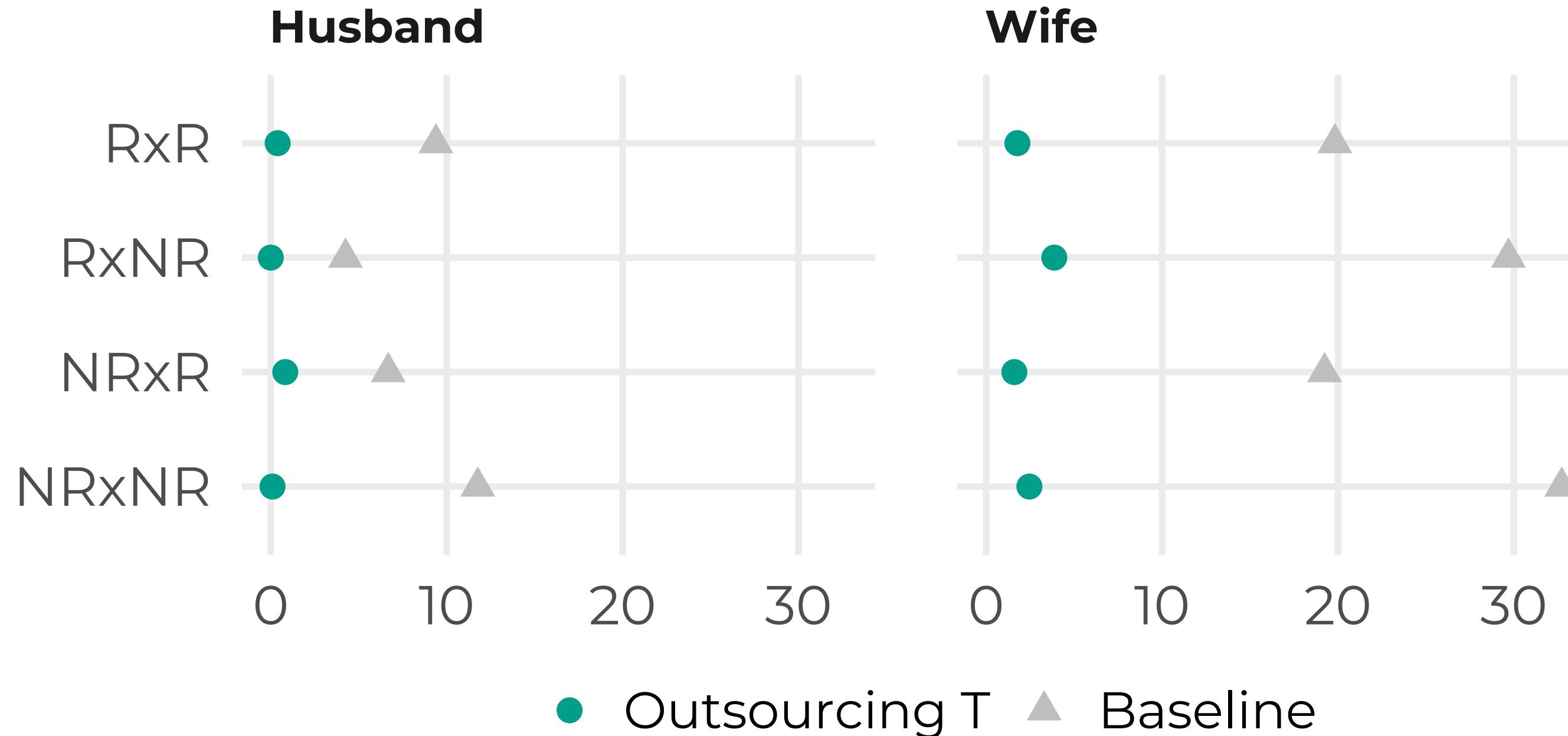
t : housework service

p : price of housework service

Experiment

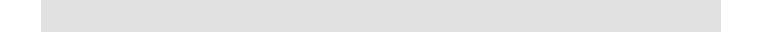
- Fix parameters in the baseline model
- Set price as the median wage of non-regular job ($p = \exp(\mu_{a_{NR}})$)

Outsourcing T : Home Hours



Workers use outside services to do most of the home work

Outsourcing T : Gender Gaps

	Base	Outsourcing t	Gap remained	Pct.
Participation	0.27	-0.02		-7%
Occupation	0.19	0.03		15%
Labor Hours	0.36	0.06		17%
Wage	0.26	0.25		97%

Given social norms, housework services

Outsourcing T : Gender Gaps

	Base	Outsourcing t Gap remained	Pct.
Participation	0.27	-0.02	-7%
Occupation	0.19	0.03	15%
Labor Hours	0.36	0.06	17%
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Given social norms, housework services

- Reduce gender gaps in participation, occ. choices, and labor hours

Outsourcing T : Gender Gaps

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Participation	0.27	-0.02	-7%
Occupation	0.19	0.03	15%
Labor Hours	0.36	0.06	17%
Wage	0.26	0.25	97%

Given social norms, housework services

- Reduce gender gaps in participation, occupational choices, and labor hours
- Do not reduce **wage gap**

▶ back to main

Appendix

Related Literature

Home Hours and Gender Gaps

- Erosa et al. (2022)
 - Models couples' decisions on occupations with different job flexibility
- Cubas, Juhn, and Silos (2019)
 - Women are penalized for the lack of work in the peak hours (8am-5pm)

Social Norms and Occupational Choices

- Bertrand, Kamenica, and Pan (2015)
 - A sharp gap in the wife's earnings relative to the husband's earnings

Gender Gaps in Japan

- Kitao and Mikoshiba (2022)
 - Role of fiscal policies on female labor force participation and occ. choices

Job Flexibility and Convex Earning

To see the convex and linear wage schedules, run

$$y_{it} = a_i + \lambda_t + \left(\sum_{h \in H, h \neq 40} \beta_h I_{ith} \right) + \gamma X_{it} + \varepsilon_{it}$$

y_{it} : yearly earnings of individual i at time t

a_i : individual fixed effect

λ_t : time fixed effect

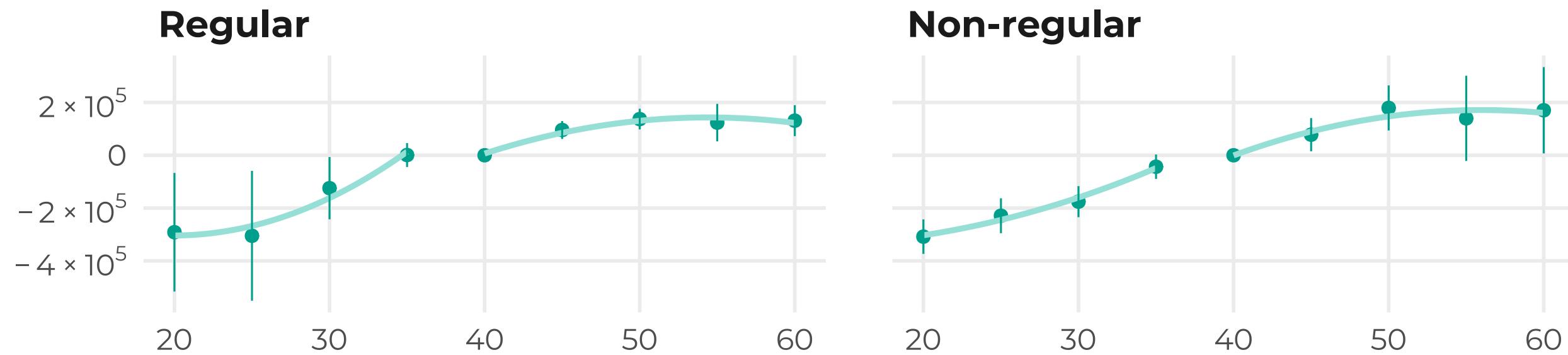
X_{it} : age, age-square, educational attainment, industry

$H = \{20-24, 25-29, \dots, 60-64\}$: 5 hour bins for weekly working hours

I_{ith} : indicator if i 's working hours in the bin $h \in H$ at time t

This is in the line of Bick, Blandin, and Rogerson (2022)

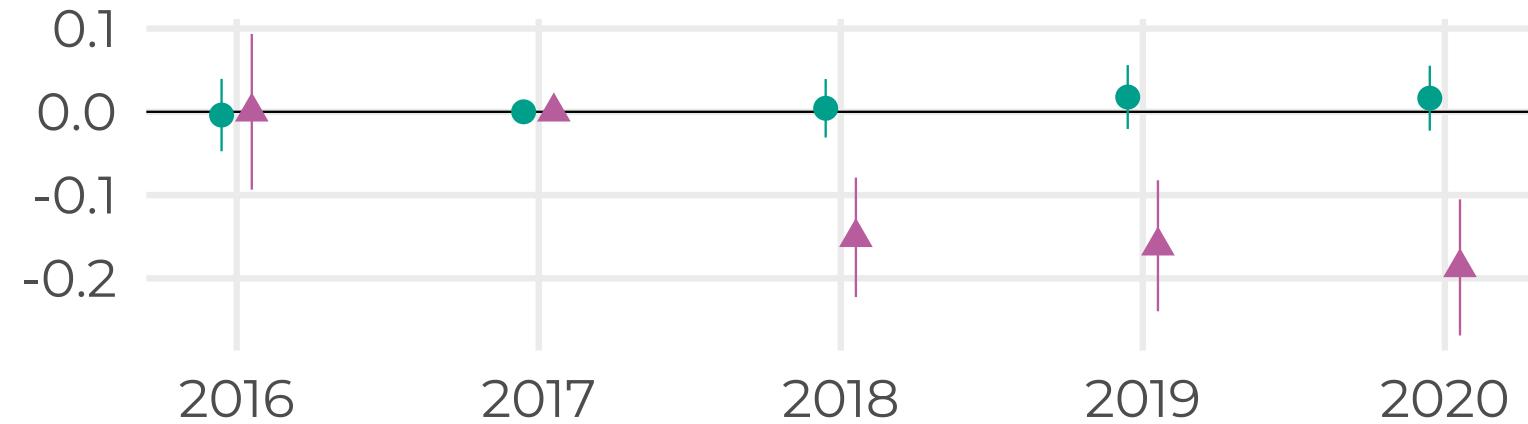
Earning Curves



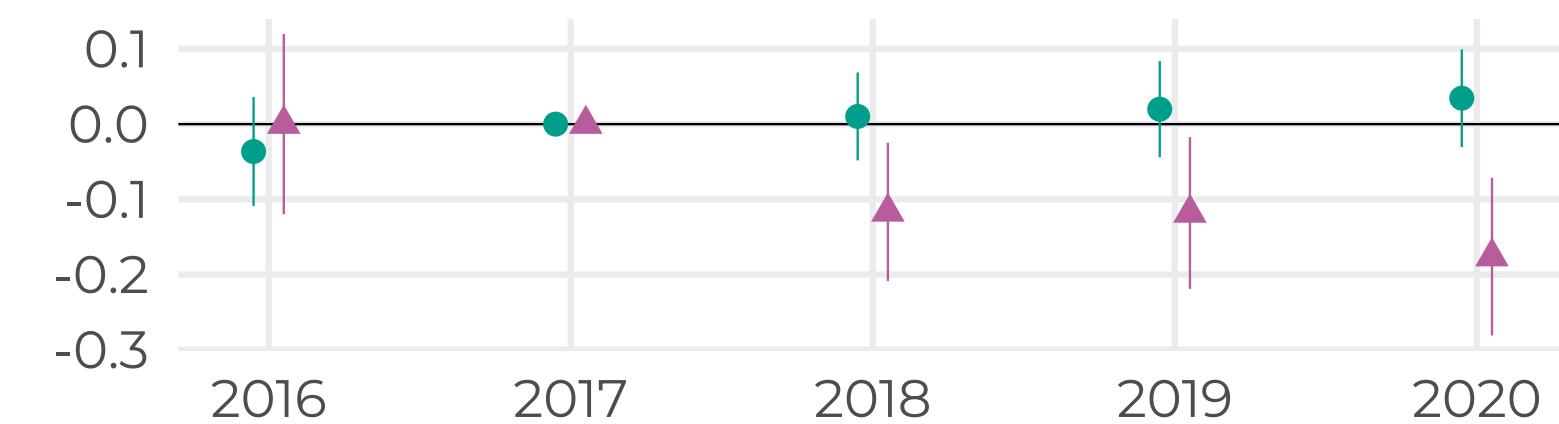
- Regular Jobs
 - Convexity before 40 hours ⇒ Concentration at 40 hours
 - After 40 hours, the slope is different from the below-40-hour
- Non-regular Jobs
 - Almost linear relationship

Marriage Penalty

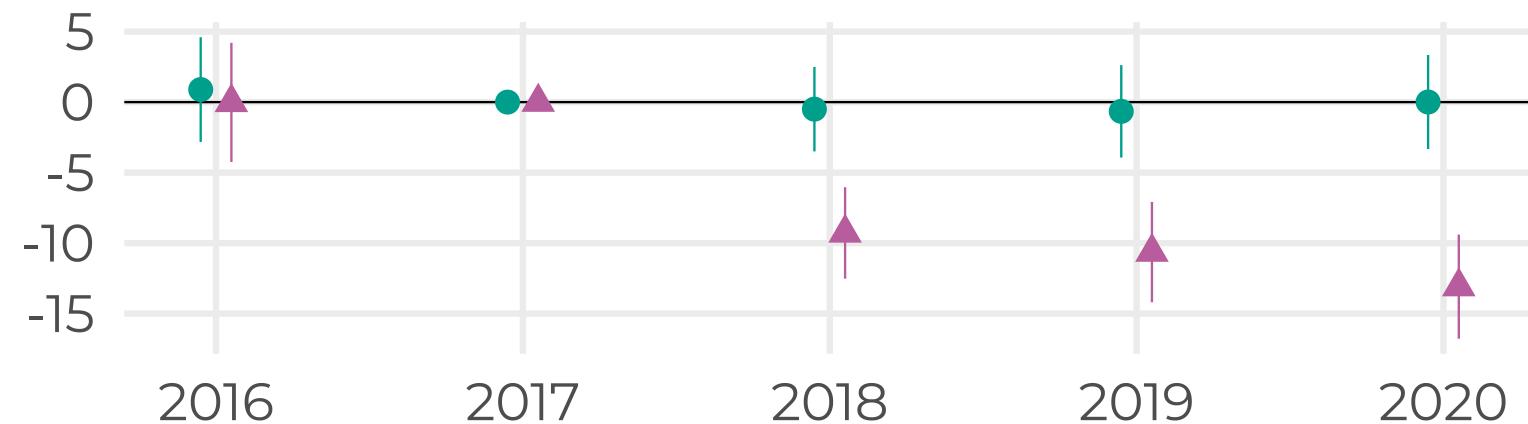
Participation Rate



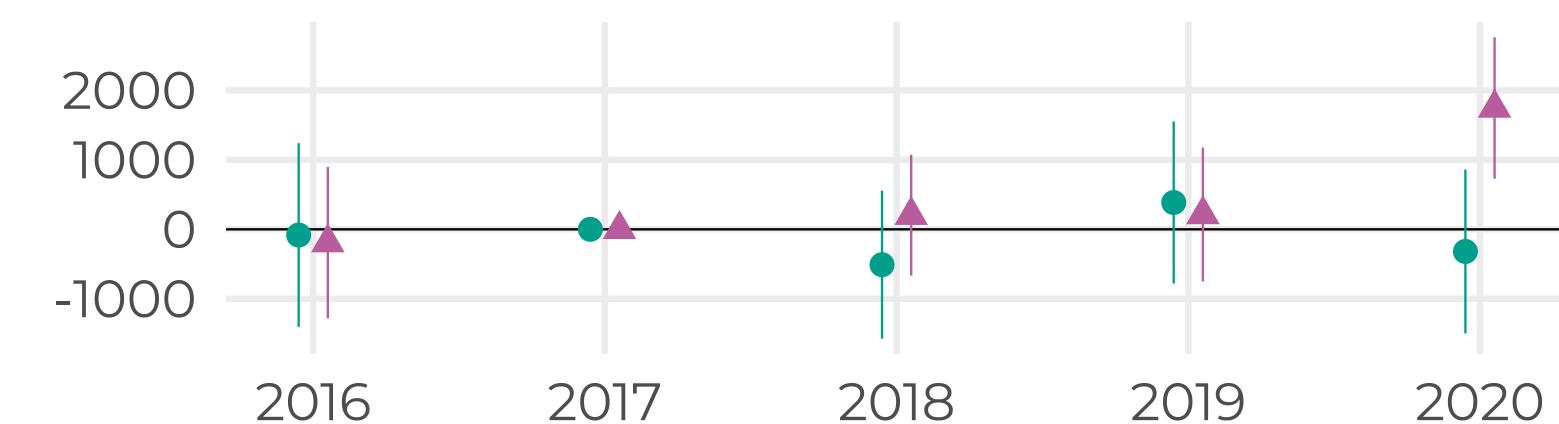
Ratio of Regular Workers



Weekly Working Hours



Hourly Wage (JPY)



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