

Employment

IMPROVING THE LABOUR MARKET OUTCOMES OF WOMEN

- ▶ While female employment has been rising, the gender wage and employment gaps remain large.
- ▶ Women's labour force participation is limited by childcare shortages, aspects of the tax and social security system and the culture of long working hours.
- ▶ Labour market dualism penalises women, who account for two-thirds of non-regular workers.
- ▶ Facilitating female employment is particularly important given Japan's shrinking and ageing population, which has already contributed to labour shortages.

What's the issue?

The female employment rate in Japan has risen significantly since 2012, reaching 64.7% in 2015, well above the 58.5% OECD average. Nevertheless, total working hours of women have remained stable, as rising part-time employment has reduced their average working hours. The gender gap in employment remains large, with the rate for women 17 percentage points below that of men, the sixth-largest gap in the OECD. Only 9% of private-sector employees with management responsibility in 2014 were women. These factors contribute to the 27% gender pay gap, the third largest in the OECD (see Figure).

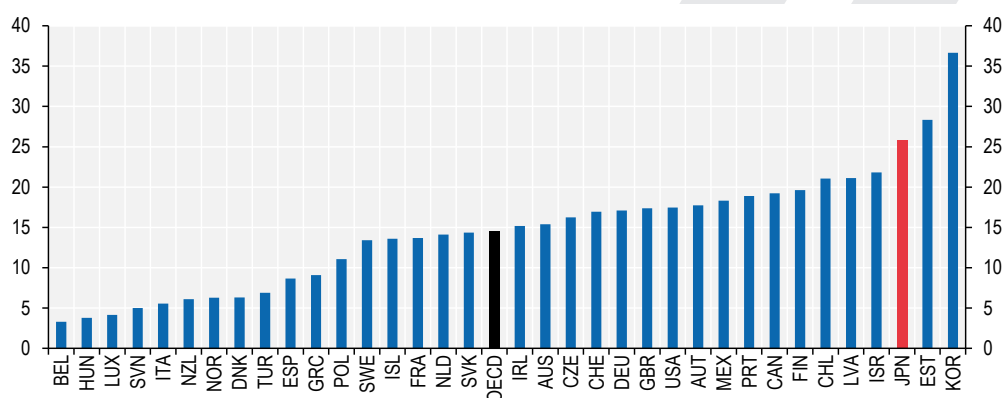
Female employment is held back by a number of factors, including childcare shortages in some urban areas. While childcare places for 0.5 million children are being added

over FY 2013-17, Japan's spending on early childhood education and care, at 0.5% of GDP, is less than half of some European countries. Public childcare centres could be supplemented by private-sector childcare by: (1) relaxing rules that discourage the entry of private firms; (2) reviewing the rationale for regulations set by some municipalities that exceed national standards, and thus limit entry by new suppliers; and (3) reducing childcare personnel shortages, in part by further promoting the return of qualified nursery teachers who are not currently employed in childcare centres.

In addition, the tax and social security system gives many women an incentive to work part-time. If the income of a second earner in a household is below 1.03 million yen, that income is tax exempt and the main

▶ The gender wage gap in Japan is the third largest in the OECD area

Gender wage gap in percent for full-time employees, 2014 or latest year available



Source: OECD Gender Data Portal <http://www.oecd.org/gender/data/>

earner can claim a spouse deduction. This deduction primarily benefits higher-income households. The threshold is being raised to 1.5 million yen (USD 13 300) in 2018 and the deduction will be limited to households with an annual income of less than 12.2 million yen. While this is a welcome step, a more comprehensive approach is needed in the long run to make the tax and social security system neutral with regard to work decisions by secondary earners.

A prevailing culture of long working hours makes achieving work-life balance difficult and limits labour market opportunities for many women. The number of overtime hours worked by regular workers has been on an upward trend during recent decades. In practice, a firm's management and labour union can agree to an unlimited amount of overtime. The government should introduce a binding ceiling on overtime hours. An overtime limit should be accompanied by greater emphasis on labour productivity and wage hikes so that workers can make a living without long hours of overtime. In addition, the government should lead by example by changing work habits and culture in the public service.

Finally, non-regular employment – a category that includes fixed-term, part-time and dispatched workers – rose sharply from 20% of total employment in 1994 to 38% in 2016. Women accounted for two-thirds of non-regular workers in 2015. Dualism does not only contribute to gender gaps in the quality of jobs but it also worsens inequality and poverty due to wide wage gaps: on an hourly basis, non-regular workers earn around 60% as much as regular workers (excluding bonuses). In addition, non-regular workers receive less firm-based training.

Why is this important for Japan?

Removing the obstacles that limit female employment is crucial to increase fairness and inclusive growth by allowing women to fulfil their potential. In addition, it would help mitigate the economic impact of demographic trends. Japan's future economic prosperity and the well-being of its people largely depend on how it manages the unprecedented demographic transition now underway. The population is projected to decline by almost 25% between 2010 and 2050 to below 100 million. Meanwhile, the share of the elderly (age 65 and over) will rise from around 26% in 2015 to almost 40%, remaining the highest in the OECD. Japan is experiencing labour shortages as the job offer to applicant ratio has remained above one since 2011 and the share of firms reporting shortages has increased markedly. If the female participation rate were to converge to that of men by 2060, the labour force would be 10% larger than if participation rates were unchanged, thereby helping to sustain per capita income levels.

What should policy makers do?

- ▶ Further increase childcare capacity, in part by facilitating the entry of private-sector providers.
- ▶ Reform aspects of the tax and social security system that reduce work incentives for second earners.
- ▶ Promote a culture of work-life balance, beginning in the government, and introduce binding ceilings on overtime work to promote better work-life balance.
- ▶ Break down dualism by relaxing employment protection for regular workers and expanding social insurance coverage and training for non-regular workers.



Further reading

OECD (2017), *OECD Economic Surveys: Japan*, OECD Publishing, Paris. <http://www.oecd.org/eco/surveys/economic-survey-japan.htm>

OECD (2013), *Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship*, [https://www.oecd.org/gender/C-MIN\(2013\)5-ENG.pdf](https://www.oecd.org/gender/C-MIN(2013)5-ENG.pdf)

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing, Paris. <http://www.oecd.org/gender/closingthegap.htm>

