

Inequality

GREATER GENDER EQUALITY FOR MORE INCLUSIVE GROWTH

- ▶ Young women in Japan are on average better educated than young men, but gender differences in the labour market remain large.
- ▶ Women are less likely to be employed than men and those who do work typically earn much less than their male counterparts.
- ▶ The gender pay gap is closely linked to men being more often in regular employment than women, with greater access to employer-provided training and benefits, as well as age and tenure-related pay increases.
- ▶ Japan has been modernising some of its work/life balance policies to support both parents to be in work, but investment in early childhood education and care is limited compared with other OECD countries.
- ▶ To achieve greater gender equality in employment and more inclusive growth, Japan needs to change the workplace culture and ensure that the tax and social security systems do not reduce work incentives for second earners in households.

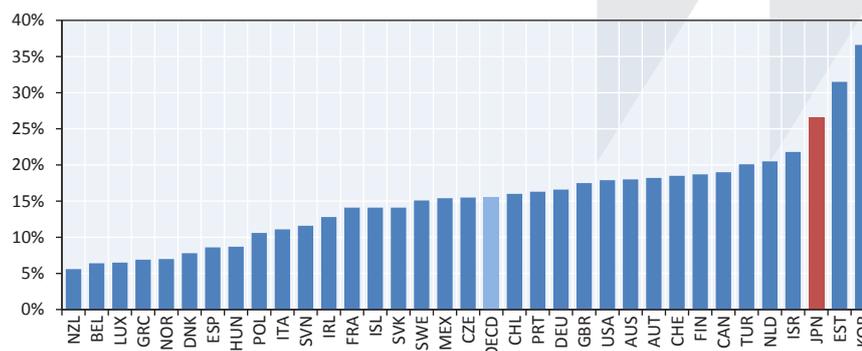
What's the issue?

Young women in Japan are more likely to have a university degree than young men: in 2013, 67% of women aged 25-34 years had a tertiary degree compared with 56% of men. But women are less likely to be employed than men. In 2013, the employment gap between men and women for the working-age population was almost 18 percentage points, compared to 12 percentage points in the OECD. Moreover, at the median wage, women earn almost 27% less than their male counterparts, the third-highest gender pay gap in the OECD (see Figure).

Women hold only 2.1% of seats on boards of directors in Japan, compared with 36% in Norway, around 30% in France and Finland and about 20% in Canada and the United States. Similarly, women filled only 3.3% of managerial positions in the central government in 2014, which is even lower than their 7% share in local governments. The government is still pursuing its 2003 target of having women occupy 30% of "leadership" positions by 2020, and now requires listed companies to disclose the number of women in executive positions.

Japan has the third highest gender pay gap in the OECD

Difference between median earnings of men and women relative to median earnings of men, full-time employees, 2013 or latest available year



Source: OECD Employment Database.

The pay gap is also strongly linked to gender differences in employment paths. Men are often in regular employment, receiving employer-provided training and benefits, and their compensation is strongly linked to age and tenure. Regular employees signal their commitment to their employer and career by putting in long hours, including unpaid overtime and taking little leave. This makes it very difficult for regular employees to actively engage in caring for children or elderly parents: Japanese men only spend just over an hour per day on unpaid housework compared to 5.5 hours per day by women. Even if women start their working life in regular jobs, due to culture and social norms they are often expected to leave them upon the birth of their first child and seldom can return to regular employment when they re-enter the labour market.

In addition, the tax and benefit system provides strong financial incentives for spouses to work part-time in non-regular employment and limit their earnings. In 2013, spouses with earnings below 1.05 million yen were exempt from income tax. Moreover, if their earnings were below 1.3 million yen (about a quarter of average earnings) they are covered by pension, health and long-term care insurance without making contributions.

Parents in Japan face difficulties in combining work and family life, despite some help from the government. Public spending on early childhood education and care in Japan was about 0.5% of GDP in 2011, only about one-fourth of the level in Denmark, Iceland and Sweden. This contributes to capacity constraints, high fees and waiting lists for many childcare facilities. To facilitate work by mothers, Japan plans to boost the number of childcare places by about 0.4 million by March 2018 and to create 0.3 million places in after-school care for older children by March 2020. Japanese policy generously provides for one year of paid leave to both parents as an individual entitlement, with two bonus months if both parents participate. However, less than 3% of fathers took parental leave in 2011.

Why is this important for Japan?

More than elsewhere, Japanese parents have to choose between their career and raising children. The difficulties of combining work and family life have contributed to low birth rates. The total fertility rate has been around 1.3 to 1.4 children per women since 1995. As a result, Japan is ageing rapidly and its working-age population is declining at a rate of 1.5% a year. If male and female labour participation rates remain at 2012 levels, the labour force will decline by 6.4 million between 2012 and 2025. More efficient use of everyone's skills can help address the looming labour shortages and generate more inclusive economic growth.

If Japan reaches the G20 target of reducing the gender gap in labour force participation by 25% by 2025, the labour force will decline by under 4 million workers. Fully closing the gender gap would imply that the labour force would actually increase by more than 1.5 million workers. This would generate additional growth in GDP per capita of 0.8 percentage points per annum.

What should policymakers do?

- ▶ Invest more in early childhood education and care and out-of-school-hours care over and above what is already planned whilst ensuring that such support reaches low-income families.
- ▶ Reform aspects of the tax and social security system that reduce work incentives for spouses.
- ▶ Intensify efforts to promote a change in workplace culture. In particular, encourage companies to reduce gender pay gaps to attract the best talent and make it easier for women to (re-)enter regular employment by facilitating the hiring of regular employees throughout the year and without age restrictions and by encouraging the take-up of leave by men and women (e.g. by having senior management leading by example and making middle managers accountable for staffers using their leave in full).
- ▶ Reduce the divide between regular and non-regular employment through a comprehensive strategy that includes upgrading training programmes, increasing the social insurance coverage of non-regular workers, and reducing effective employment protection for regular workers, in particular, by increasing transparency.



Further reading

OECD, ILO, IMF and World Bank (2014), *Achieving Stronger Growth by Promoting a More Gender-balanced Economy*. <http://www.oecd.org/g20/topics/employment-and-social-policy/ILO-IMF-OECD-WBG-Achieving-stronger-growth-by-promoting-a-more-gender-balanced-economy-G20.pdf>

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

OECD (2012), *Closing the Gender Gap – Act Now*, OECD Publishing. http://www.oecd-ilibrary.org/social-issues-migration-health/close-the-gender-gap-now_9789264179370-en