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# **“Womonomics” in Japan: In Brief**

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## Overview

Confronted with decades of economic stagnation, strict immigration controls, and a rapidly aging population, Japanese Prime Minister Shinzo Abe has launched an ambitious plan—widely known as “Abenomics”—to restart Japan’s economy. The program has three main components: a large fiscal stimulus that was injected into the economy in early 2013; expansionary monetary policy that also began in 2013 and continues today; and a series of planned structural economic reforms, many of which have yet to be announced or implemented, that ostensibly will boost Japan’s productivity.

One of Abe’s planned structural reforms is a strategy to persuade more Japanese women to join the workforce, to remain in the workforce after they have children, and to advance higher on the career ladder. Japan’s gender gap is one of the largest among high-income countries, and some economists have argued for many years that narrowing this gap is a potential source of economic growth for Japan as well as a way to help offset the long-term demographic problems facing the country. Although some are optimistic that Abe’s government will be able to drive progress in the participation and advancement of women in Japan’s workforce, other observers believe that elements of Japanese culture, including office customs and traditional beliefs regarding gender roles, pose challenges for the success of the policy.

## Japan’s Gender Gap

Japan lags behind many other high-income countries in terms of gender equality, particularly in the workforce. In the World Economic Forum’s *Global Gender Gap Report 2013*, which measures and tracks gender-based disparities on a number of dimensions, such as labor force participation and compensation, Japan ranked 105<sup>th</sup> out of 135 countries, just below Cambodia and above Nigeria.<sup>1</sup> In comparison, the United States ranked 23<sup>rd</sup>. Several low- and middle-income countries ranked above Japan, such as Azerbaijan, Burkina Faso, China, India, Malaysia, and Russia. The only high-income countries ranked lower than Japan include South Korea and some countries in the Middle East.

The *Global Gender Gap Report 2013* finds that gender disparities in Japan are relatively small in health and education. For example, according to the report, Japanese women have the world’s highest healthy life expectancy, at 78 years.<sup>2</sup> Japan’s gender gap is most pronounced in economic participation and political empowerment. Key disparities include the following:

- **Low participation rate of women in the workforce.** Only 63% of women in Japan participated in the labor force, compared to 85% of men, one of the lowest rates for women among the Organisation for Economic Co-operation and Development (OECD) countries and 79<sup>th</sup> in the world. In the United States, the labor force participation rate for women is 67%. One factor affecting the female

<sup>1</sup> *The Global Gender Gap Report 2013*, World Economic Forum, 2013, <http://www.weforum.org/reports/global-gender-gap-report-2013>; *Closing the Gender Gap in Japan*, World Economic Forum in collaboration with McKinsey & Company, June 2014, <http://www.weforum.org/reports/closing-gender-gap-japan>.

<sup>2</sup> Calculated by the World Health Organization, this measure provides an estimate of the number of years women and men can expect to live in good health by taking into account the years lost to violence, disease, malnutrition or other relevant factors.

labor participation rate in Japan is the tendency of women to exit the workforce after having children. When women in Japan have their first child, 70% of them stop working for a decade or more, compared to 30% in the United States.<sup>3</sup>

- **A sizeable pay gap between men and women, including for similar work.** The *Global Gender Gap Report 2013* estimates that women in Japan earned on average \$22,727, compared to over \$40,000 for men.<sup>4</sup> Part of this gap can be explained by the concentration of women in lower-paying professions. However, researchers conducted a survey to enable comparisons in pay for similar work. Based on the cross-national survey, Japan had the 87<sup>th</sup> largest pay gap for similar work. The United States ranked 67<sup>th</sup>.
- **Poor representation of women in high-level positions.** Women occupied 9% of legislator, senior official, and manager positions in Japan, ranking 106<sup>th</sup> in the world. In the United States, 43% of these positions are held by women, ranking 13<sup>th</sup> in the world.

## Economic Arguments for Closing Japan's Gender Gap

Many observers and analysts have called for reforms to close the gender gap as a way to revitalize the economy after years of slow growth. This economic argument perhaps was first advanced in 1999 by Kathy Matsui, a strategist with Goldman Sachs in Japan who coined the term "womenomics."<sup>5</sup> Matsui and colleagues at Goldman Sachs have continued their research on the role of women in Japan's workforce over the past 15 years, advocating for the potential economic gains from greater equality in the workforce and making policy recommendations. Most recently, in May 2014, they estimated that closing the gender employment gap, such that the female employment rate matched the male employment rate, could boost Japan's GDP by nearly 13%.<sup>6</sup> Additionally, some economists argue that closing the gender gap in Japan could boost corporate performance. Research finds that Japanese corporations with higher performance consistently have greater female participation in senior management.<sup>7</sup>

Many economists also believe that closing the gender gap could address longer-term demographic challenges facing Japan. Japan's combination of a low birth rate, strict immigration practices, and a shrinking and rapidly aging population presents policy makers with a significant challenge. Japan's population has been falling since 2006, and is projected to fall from 127 million to 87 million by 2060.<sup>8</sup> The fertility rate has fallen to 1.25, far below the 2.1 rate necessary to sustain

<sup>3</sup> "Japanese Women and Work: Holding Back Half the Nation," *Economist*, March 29, 2014, <http://www.economist.com/news/briefing/21599763-womens-lowly-status-japanese-workplace-has-barely-improved-decades-and-country>.

<sup>4</sup> International dollars on a purchasing power parity (PPP) basis.

<sup>5</sup> Yoshiaki Nohara, "Goldman's Matsui Turns Abe to Womenomics for Japan Growth," *Bloomberg*, January 21, 2014.

<sup>6</sup> Kathy Matsui et al., "Womenomics 4.0: Time to Walk the Talk," *Goldman Sachs*, May 30, 2014, <http://www.goldmansachs.com/our-thinking/investing-in-women/womenomics4-folder/womenomics4-time-to-talk-the-talk.pdf>.

<sup>7</sup> *Closing the Gender Gap in Japan*, World Economic Forum in collaboration with McKinsey & Company, June 2014, <http://www.weforum.org/reports/closing-gender-gap-japan>.

<sup>8</sup> "Japan's Demographic Crisis: Any Way Out?" *The Diplomat*, March 26, 2014, <http://thediplomat.com/2014/03/> (continued...)

population size. Concerns about a huge shortfall in the labor force have grown, particularly as the elderly require more care. The ratio of working age persons to retirees is projected to fall from 5:2 in 2010 to 3:2 in 2040, reducing the resources available to pay for the government social safety net.<sup>9</sup> Japan's immigration policies have traditionally been strictly limited, closing one potential source of new workers. Some economists argue that greater utilization of women in the workforce could boost the size of Japan's labor market and help offset a shrinking working force.

Additionally, some economists also argue that greater participation of women in the workforce could actually increase fertility rates in Japan. Some studies have indicated that birth rates are high in countries where female employment is high (such as Sweden and Denmark) and low where female employment is low (such as in Italy and South Korea).<sup>10</sup> With over 20% of the population already over 65, higher birth rates could lower the costs of supporting an increasingly aging population.

Within Japan more specifically, demographic surveys suggest that Japan's population is falling in part because Japanese women are choosing to postpone or forgo marriage altogether. The mean age of marriage among Japanese women is 29 years old, and nearly a third of those in their early 30s are not married.<sup>11</sup> This is particularly pronounced in urban centers like Tokyo. In comparison, the median age of first marriage for women in the United States is 26.5.<sup>12</sup> Studies suggest that this may be due to the stereotypically unappealing life of a housewife, traditionally responsible for raising the children and possibly aging parents and in-laws, while the husband works and commutes long hours. For those women who do choose to continue to work after having children, often they remain responsible for housework as well. As marriage rates have fallen, so too has the birthrate. Policies that help women balance family and careers more successfully, some argue, could make marriage and children more attractive to women, and their subsequent boost in fertility rates would have positive economic benefits.

## Abe's "Womenomics" Strategy

Elected in December 2012, Prime Minister Shinzo Abe made it a priority of his administration to grow Japan's economy and eliminate deflation (falling prices), which has plagued Japan for many years. Abe announced an ambitious economic reform program, known as "Abenomics," to stimulate economic growth. The strategy focuses on three major economic policy tools, or "arrows," including expansionary monetary policies, fiscal stimulus, and structural reforms.

Abe has announced that a key component of the "third arrow," structural reforms, will focus on "womenomics," or boosting economic growth through reforms and policies to encourage the participation and advancement of women in the Japanese workforce. In an op-ed in the *Wall*

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<sup>9</sup> Lynann Butkiewicz, "Implications of Japan's Changing Demographics," National Bureau of Asian Research, Washington, DC, October 2012.

<sup>10</sup> "Japan: The Worst Developed Country for Working Mothers?" *BBC News*, March 21, 2013, <http://www.bbc.com/news/magazine-21880124>.

<sup>11</sup> "The Decline of Asian Marriage," *The Economist*, August 20, 2011, <http://www.economist.com/node/21526350>.

<sup>12</sup> D'Vera Cohn et al., "Barely Half of U.S. Adults are Married—A Record Low," *Pew Research*, December 14, 2011, <http://www.pewsocialtrends.org/2011/12/14/barely-half-of-u-s-adults-are-married-a-record-low/>.

*Street Journal* in September 2013, Abe argued for the potential economic gains that could be realized by tapping Japan's most "underutilized resource—Japanese women."<sup>13</sup> Abe also focused on the need to incorporate women in Japan's workforce in speeches at the United Nations General Assembly in September 2013 and the World Economic Forum in January 2014.<sup>14</sup>

To advance its "womenomics" initiative, the government has established targets and proposed a number of policies to help women stay and advance in the workforce and promote gender parity. Examples of key policy proposals and initiatives, which are in varying stages of implementation, include the following:<sup>15</sup>

- **Establishing new targets for the participation and advancement of women in the workforce.** The Administration has pledged to increase the participation of women between the ages of 25 and 44 in the workforce to 73% by 2020, up from 68% in 2012. It also pledged to increase the percentage of women in leadership positions from 10% to 30% by 2020.
- **Increasing the availability of daycare and after-school care.** Although more than 2 million children are enrolled in childcare centers in Japan, more than 23,000 are on waiting lists. The government has pledged a "zero childcare waiting-list project," by increasing childcare capacity by 400,000 children by 2017. In order to reach this goal, the government has proposed opening more childcare centers by utilizing a rental system and government-owned land; hiring new childcare workers; subsidizing small-scale childcare businesses; assisting unregistered childcare centers seeking registration; and supporting on-site childcare centers on business premises. The government also is taking steps to increase the availability of after school care for elementary school children. There is an expression in Japan, "*sho-ichi no kabe*" or "the first-grade wall," that refers to the lack of places where school-aged children can spend time after school, and some believe the dearth of childcare options is a major reason why women leave their careers.
- **Encouraging the private sector to promote more women and provide data on the advancement of women.** The Prime Minister has asked company leaders to proactively promote women within their companies, requesting that companies appoint at least one female executive officer. The Administration has proposed supporting companies that encourage female employees to pursue both career and family through subsidies and tax measures. The government also is encouraging companies to disclose information concerning the promotion of women to executive and management positions. The government then publishes these statistics on a government website. Participation by private sector companies is voluntary. In March 2015, the government will require listed

<sup>13</sup> Shnizo Abe, "Unleashing the Power of 'Womenomics,'" *Wall Street Journal*, September 25, 2013, <http://online.wsj.com/news/articles/SB10001424052702303759604579091680931293404>.

<sup>14</sup> UN News Centre, "Japanese Leader Advocates 'Womenomics' in Address to UN General Assembly," September 26, 2013, <http://www.un.org/apps/news/story.asp?NewsID=46044>; Speech by Shnizo Abe, "A New Vision from a New Japan," World Economic Forum 2014 Annual Meeting, Davos, Switzerland, January 22, 2014, [http://japan.kantei.go.jp/96\\_abe/statement/201401/22speech\\_e.html](http://japan.kantei.go.jp/96_abe/statement/201401/22speech_e.html).

<sup>15</sup> "Womenomics: The Core of Japan's Growth Strategy," Embassy of Japan, Presentation at Congressional Research Service, May 2014; "Revision of Japan Revitalization Strategy: 10 Key Reforms," June 2014, provided by the Embassy of Japan.

- companies to disclose the number of women in executive positions in their financial reports.
- **Recruiting and promoting women in government.** The government proposes recruiting and promoting more women in government, and supporting women as they balance both career and family life. The government has promoted female public officials to top-ranking national positions. In 2013, a woman was appointed as the Vice Minister of the Ministry of Health, Labor, and Welfare for the first time in 16 years. For the first time ever, a woman was appointed as Executive Secretary to the Prime Minister.
  - **Expanding child care leave benefits.** Effective April 2014, the government increased payment to new parents from 50% to 67% of their salary during the first six months of parental leave. (Pay for the remaining six months of parental leave was kept constant at 50% of salary.) The government also provided incentives to encourage fathers to take child care leave, and set a goal to increase the proportion of fathers taking paternity leave from 2.6% in 2011 to 13% by 2020.
  - **Reviewing the tax and social security system.** Japan's current tax and social security system provides disincentives to married women from participating more fully in the workforce. Developed in 1961, the tax system allows the head of a household (usually the husband) to claim a dependent exemption for a spouse (usually the wife) as long as the spouse's income does not exceed ¥1.03 million (about \$10,300).<sup>16</sup> Additionally, if the spouse's income stays below ¥1.3 million (about \$13,000), the spouse also can claim a national pension without paying any premiums. The government has pledged to review the tax and social security system to be neutral with regard to how women choose to participate in the labor market.
  - **Allow foreign housekeepers in special economic zones.** Japan's strict immigration policies currently only allow foreign diplomats to employ foreign housekeepers.<sup>17</sup> The government plans to allow more foreign housekeepers in Japan's special economic zones, which include Tokyo and Osaka among other areas, to help families balance careers and family. Many of the details of the proposal, such as how many workers will be allowed, what countries the workers will come from, and under what conditions they will be allowed to work, are still to be announced.<sup>18</sup>

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<sup>16</sup> Kathy Matsui et al., "Womenomics 4.0: Time to Walk the Talk," *Goldman Sachs*, May 30, 2014. Accessed at <http://www.goldmansachs.com/our-thinking/investing-in-women/womenomics4-folder/womenomics4-time-to-talk-the-talk.pdf>.

<sup>17</sup> Reiji Yoshida, "Cabinet Adopts Economic Plans," *Japan Times*, June 24, 2014, <http://www.japantimes.co.jp/news/2014/06/24/national/cabinet-adopts-economic-plans/#.U9uCnYW61yU>.

<sup>18</sup> Eric Johnston, "Osaka Zone a Litmus Test of Foreign Worker Policy," *Japan Times*, July 20, 2014, <http://www.japantimes.co.jp/news/2014/07/20/national/osaka-zone-a-litmus-test-of-foreign-worker-policy/#.U9uGt4W61yU>.

## Prospects and Challenges

There are several reasons for optimism that Abe's "womonomics" policies could have a positive impact on gender equality in Japan. Abe appears eager to make the issue of women's involvement and leadership one of the key aspects of his legacy. Abe and his Liberal Democratic Party (LDP), together with their coalition partners, New Komeito, have solidified their political position and do not face mandatory parliamentary elections until 2016. Abe has staked his political future on delivering on his economic promises and faces no major challenge to his position as the head of the party. Abe also has made women's empowerment a key feature of his international diplomacy: in a Wall Street Journal op-ed and in his speech at the U.N. General Assembly, Abe's emphasized the potential gains from greater economic participation of women in developing countries, particularly countries in Africa. Japan is hosting a women's conference in Tokyo in September 2014 modeled on the World Economic Forum in Davos to underscore its initiative to bring women leaders to the fore.

In addition, Japan in some ways has a strong foundation to bring more women into the workforce. From its constitution (drafted by the United States during the post-war occupation of Japan) to its non-discrimination laws, Japan has a strong progressive legal framework, which can be used to support and further advance gender equality goals. Japanese women are well-educated—more than half of women attend college—and polls indicate that many women wish to return to work after having children, though fewer than half do, reportedly because of a lack of opportunity, tax incentives to remain at home, and lack of childcare availability. Japanese women also have the longest life expectancy in the world at 87 years, suggesting that once in the workforce, they have the potential for lengthy and productive careers.

On the other hand, some analysts express concerns about potential challenges that could limit the success of the "womonomics" initiatives, particularly related to the work culture and political climate in Japan.

## Japanese Work Culture

Since Japan's "economic miracle" in the 1970s and 1980s, the Japanese workplace has been known for its disciplined workforce. In practice, this usually means long hours at work, followed by late nights drinking alcohol with colleagues to encourage office cohesion. These customs have endured among the overwhelmingly male workforce but are generally not considered compatible with raising a family, and particularly young children. Most Japanese offices do not offer flexible work hours that would allow parents to adjust their schedules to meet child-rearing demands. Although Japan offers parental leave for fathers as well, government statistics show that less than 2% of male workers opt to use the leave (2013 statistics), reinforcing the notion that it is the woman's role to care for a new baby.<sup>19</sup> Further, there is no widespread practice of using regular babysitters or nannies to provide for childcare, due in some part to Japan's restrictive immigration policies that limit the number of potential caretakers from foreign countries.

Other established hiring practices restrict women's ability to rise in their fields. Despite the 1986 passage of the Equal Employment Opportunities Law, many of Japan's companies use a two-track

<sup>19</sup> "Woman and Men in Japan 2013," Gender Equality Bureau Cabinet Office, [http://www.gender.go.jp/english\\_contents/pr\\_act/pub/pamphlet/women-and-men13/pdf/1-4.pdf](http://www.gender.go.jp/english_contents/pr_act/pub/pamphlet/women-and-men13/pdf/1-4.pdf).

system of hiring: one for elite, specialized workers (*sogoshoku*) and one for clerical or administrative jobs (*ippanshoku*). In 2011, only 11.6% of specialized hires were women,<sup>20</sup> effectively limiting women's careers at the outset. Because of the anticipation of women leaving the workforce to have children, critics claim, many companies resist hiring women for the elite track due to the investment in training. A 2011 study conducted by the New York-based Center for Work-Life Policy found that college-educated Japanese women quit their jobs mostly because their career was not satisfying, and nearly half of them said that they felt actively stymied by their managers and work environment.<sup>21</sup> In addition, some women report bullying if they do return after having a child, a phenomenon known as "*matahara*," short for "maternity harassment."<sup>22</sup>

## Political Climate

Politics also nearly exclusively is run by men. In Japan's national parliament, known as the Diet, women hold 78 of the 722 seats. The ruling party itself has not prioritized electing women; despite a proclaimed goal of having 30% of its members be female by 2020 (a pledge announced in 2006, during Abe's first term at Prime Minister), when the LDP won the Lower House elections in 2012, the percentage of female lawmakers actually decreased. Further, Abe's current cabinet has only two female ministers (Masako Mori as Gender Equality Minister and Tomomi Inada as Administrative Reform Minister), neither of which are particularly high profile posts. A survey by the Inter-Parliamentary union placed Japan 124<sup>th</sup> out of 188 countries in terms of female participation in legislatures. In local elections, women fare even more poorly: in 2011, 0.8% of town and village mayors were women.<sup>23</sup>

The male dominance in political life is more than just numbers: many observers point to open hostility toward women in leadership. A recent event highlights the challenge that Abe faces, including within his own party, trying to promote gender equality and women in the workforce. A female politician was heckled by several male lawmakers in the Tokyo Metropolitan Assembly as she made a presentation on maternity leave and infertility during a hearing, including statements like "Hurry up and get married!" and "Can't you have babies?"<sup>24</sup> Her posts about the heckling on social media prompted a public outcry; eventually one lawmaker admitted his involvement and resigned from the ruling LDP party, though he maintained his seat. While the uproar indicates greater public awareness of equality and workplace issues, the incident reveals a deeply ingrained political culture that, according to many critics, disrespects female leaders and sees their role as largely in the home. The exchange also may reflect what some commentators say is the tendency of the government to frame women's lack of participation in the workforce as an economic

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<sup>20</sup> "'Womenomics' Push Raises Suspicions for Lack of Reality," *The Japan Times*, June 15, 2014, <http://www.japantimes.co.jp/news/2014/06/15/national/womenomics-push-raises-suspicions-lack-reality/#.U9JYjIW61yU>.

<sup>21</sup> "Japan's Working Woman Problem," *Time*, December 12, 2011, <http://ideas.time.com/2011/12/11/japans-working-woman-problem/>

<sup>22</sup> According to the Japan Trade Union Confederation, up to 30% of women report such bullying. Source: *Japan Times*, <http://www.japantimes.co.jp/news/2014/07/30/national/social-issues/japans-mmidnight-hours-thwart-abes-plans-working-moms/#.U9j8YfldXxo>.

<sup>23</sup> "You Mean Women Deserve Careers?" *Time*, September 30, 2013, <http://world.time.com/2013/09/30/you-mean-women-deserve-careers-patriarchal-japan-has-breakthrough-moment/>.

<sup>24</sup> "Tokyo Assemblyman Apologizes for Heckling Female Councillor," *Wall Street Journal Blog Japan Real Time*, June 23, 2014, <http://blogs.wsj.com/japanrealtime/2014/06/23/tokyo-assemblyman-apologizes-for-heckling-female-councillor/>.

problem for the country, rather than as a social imperative that women deserve equal treatment and opportunity.

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