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Why Such Few Women in Leadership Positions in Japan?

Japan

Kohei Asao, Purva Khera and Mahima Vasishth

SIP/2024/024

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ABSTRACT: The share of women in managerial and leadership roles in Japan – in both the public and private sector – are among the lowest across the globe. This paper empirically examines what drives these large gender gaps in leadership in Japan, using the SVAR model. Results suggest — (i) cultural norms where women take up significantly more burden of household and childcare work; (ii) Japan's unique employment practices (non-regular employment, long in-person working hours); and (iii) the availability of childcare facilities — are the key drivers. Further progress on workstyle reforms, more flexible labor markets, improving the quality of childcare facilities, and raising paternity leave usage will help close these gaps.

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Author's E-Mail Address:	KAsao@imf.org; PKhera@imf.org; mahima.vasishth@unibocconi.it

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Prepared by Kohei Asao, Purva Khera and Mahima Vasishth[1]

[1] The author would like to thank Yan Carrière-Swallow and the Japanese authorities for providing helpful comments. Mahima Vasishth is a postdoctoral scholar at the Laboratory for Effective Anti-Poverty Policies, Bocconi University.

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Approved By
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Prepared By Kohei Asao, Purva Khera (both APD) and Mahima Vasishth (Bocconi University)

CONTENTS

WHY SUCH FEW WOMEN IN LEADERSHIP POSITIONS IN JAPAN? 2

A. Introduction 2
B. Women Leaders and Gender Gaps: Recent Developments 3
C. Empirical Analysis: Key Drivers of Gender Gaps in Leadership 5
D. Policy Recommendations 9

FIGURES

1. Gender Gaps 4
2. Gender Gap in Home- and Family-Care 6

References 11

ANNEXES

I. Empirical Analysis 13

WHY SUCH FEW WOMEN IN LEADERSHIP POSITIONS IN JAPAN?[1]

A. Introduction

1. More gender diversity in leadership and management positions is associated with higher productivity, inclusivity, stability, and firm profitability. More gender-balanced boards improve a firm's performance, such as funding obtained, revenues, and profitability due to different risk tolerance and skills brought by men and women, respectively (Peterson Institute for International Economics, 2016; Kim and Starks, 2016). Gender wage gaps are also smaller when there is a higher share of female managers (Theodoropoulos and others, 2022). Moreover, greater representation of women in politics and government organizations has been associated with positive policy outcomes, such as an increase of investment in health and education (Comunale and others, 2023; Hessami and Lopes da Fonseca, 2020).

2. Yet female representation in leadership positions and senior management roles in Japan is among the lowest globally, in both the public and private sectors. While Japan has made considerable progress in achieving higher female employment in the last decade, more than half of women still work in non-regular jobs (that is, part-time and fixed-term with lower wages, job security and skill development) and are severely underrepresented in managerial roles. Lack of women role models can further reinforce negative gender stereotypes, thus creating a self-fulfilling cycle of persistent gender gaps in Japan's labor market.[2]

3. This paper analyzes the main drivers of persistent gender gaps in leadership in Japan and identifies public policies that can play a role in closing these gaps. Japanese companies with a greater ratio of female managers to total female employees are found to have higher levels of productivity (Nishihata and Yamamoto, 2021), and tend to achieve higher return on equity and return on assets (Ito and Monoe, 2016). Despite its economic relevance, analysis on the drivers of women leaders and managers in Japan is limited. There are a few existing studies, such as Yamaguchi (2013), that use firm-level or survey-based data to identify the key constraints to women's career advancement. These are insightful, but analysis tends to focus on career-related indicators (such as working hours) and does not investigate the linkage with policy change and socio-economic factors. We use both a standard OLS and Structural Vector Autoregression (SVAR) models for our empirical analysis, taking into account various factors that could potentially be playing a role.

[1] Prepared by Kohei Asao (APD), Purva Khera (APD) and Mahima Vasishth (Bocconi University).

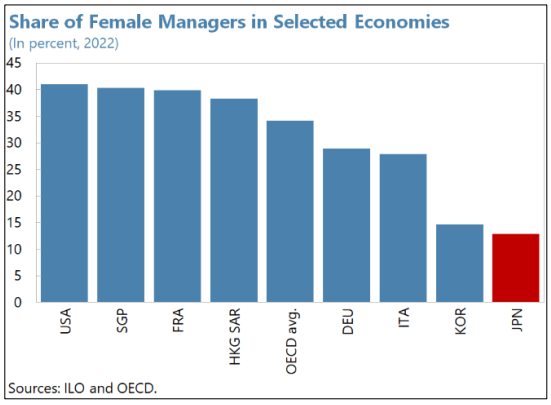
[2] There is also some evidence that indicates a multiplier effect among women leaders in the financial services industry, i.e., for every woman added to the leadership of an organization, many other women are inspired to rise to senior leadership roles.

B. Women Leaders and Gender Gaps: Recent Developments

4. Female labor force participation and employment have notably increased in recent years. Japan's female labor-force participation rate (15-64 years old) has been rising steadily in the past four decades, but experienced a notable acceleration from 2012 onwards. The rate surged to 74 percent in 2022 from 63 percent in 2012, while the male labor force participation increased from 84 percent to 87 percent during the same period. The rise in female labor force participation has contributed to the growth of the total labor force in Japan, despite the decline in the total population since 2010, particularly in service industries.

5. However, a majority of women still work in non-regular jobs. As of 2021, 54 percent of female employment is in non-regular jobs with lower wages, poor job security, limited training, and inadequate career advancement opportunities which limits their opportunities for senior managerial roles. The ratio is significantly higher than the 22 percent of male employment in non-regular jobs. In 2021, among the 25-54 age group, there were 4.9 times more women employed in part-time positions than men, while the OECD average stood at 3.6. Japan's gender wage gap of 22 percent (the difference between median earnings of men and women relative to median earnings of men) is 86 percent higher than the OECD average and was the highest among G7 countries in 2021. While men work 29 percent more hours than women in Japan, Hara (2023) shows that the gender wage gap is significantly larger than what can be explained by gender differences in human capital and working hours.

6. Only few women occupy leadership positions in the private and public sectors. While there has been some improvement, the proportion of female workers in managerial roles in the private sector is 13 percent, significantly below the OECD average of 34 percent and the target of 18 percent set by the government. The female managers in the private sector are particularly limited in large corporates. Moreover, the Tokyo Shoko Research survey shows that only 15 percent of all firms in Japan are owned by women.

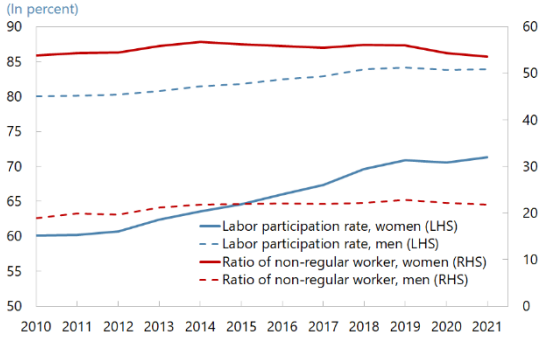


7. Women are also underrepresented in policy-making positions. In the national parliament, the percentage of women in parliament (lower house) is 10 percent with Japan ranking 164th globally. The percentage of women in the upper house is higher at 25.8 percent. In local parliaments, the percentage stands at 15 percent, and the ratio is even lower in rural areas.

Figure 1. Japan: Gender Gaps

Female labor force participation has risen significantly, but a large share are employed as non-regular workers…

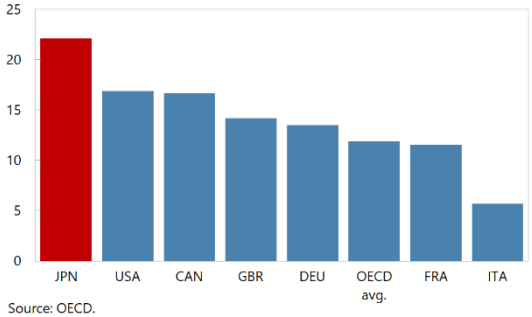
Labor Participation and Non-Regular Employment
(In percent)



Source: MHLW.

…leading to the widest gender gap in wages among peer economies.

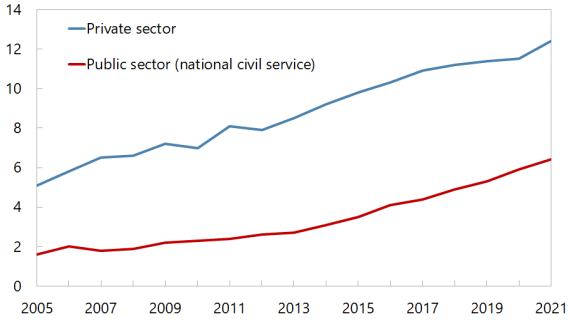
Gender Wage Gap
(In percent, difference between median earnings of men and women relative to median earnings of men, 2021)



Source: OECD.

While the share of female managers has increased over time…

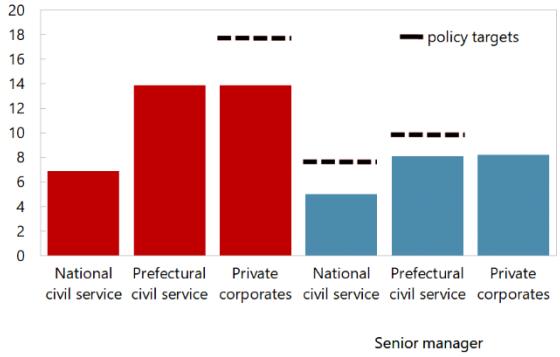
Share of Female Managers
(In percent)



Source: CAS, MHLW. Note: Share of kacho in private sector and honsho-kashitucho in public sector.

…it still remains low and far below the government's targets.

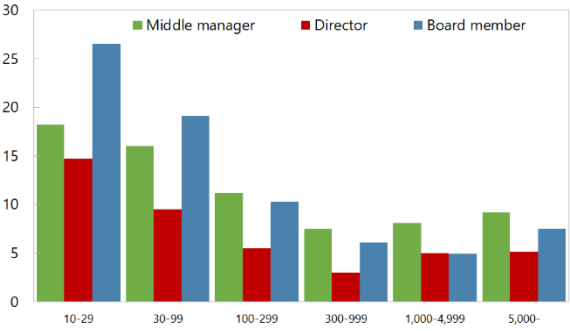
Share of Women in Managerial Roles vs. Policy Targets
(In percent, 2022)



Sources: MHLW and CAS.

The share of female managers is lower in larger corporates.

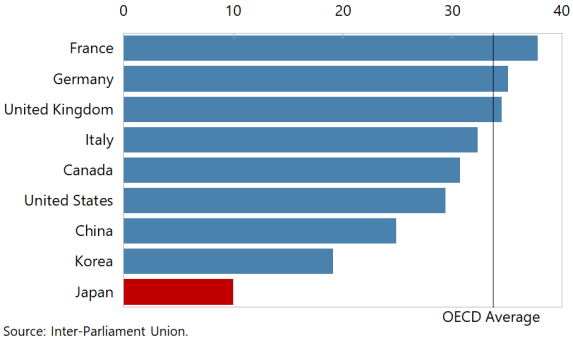
Share of Female Manager by Company Size
(In percent, 2022)



Source: MHLW.

Representation of women in policy-making positions is also lagging.

Share of Parliamentary Seats in Single or Lower Chamber Held by Women
(In percent share, as of Jan 1, 2023)



Source: Inter-Parliament Union.

C. Empirical Analysis: Key Drivers of Gender Gaps in Leadership

The Annex lays out the empirical strategy and Annex Table 2 discusses the underlying data. Annex Table 1 reports the results of the OLS estimation and Figure 3 shows the impulse responses from the SVAR model. The latter approach complements the OLS analysis by assessing the impact of each variable even in the presence of strong correlation.

Results suggest that reducing the large gender gaps in homecare and the quality of employment, and further increasing the availability of public childcare facilities will promote higher share of female managers in the private sector.

Setting of policy targets by the government for achieving higher female representation in managerial roles is also found to be effective in leading to a structural shift towards the intended objective (Annex and para 12). A more detailed discussion is provided below.

Gender Gap in Home- and Family-Care

8. Large gender gaps in housework in Japan are found to be a significant hindrance to women's career growth. This is largely driven by:

- **Cultural norms.** There is a strong persistence of traditional division of labor in which the burden of childcare, elderly-care and household tasks is chiefly borne by women. Women do about 5 times the unpaid work/caregiving than men, while men do about 2 times the paid work than women.

- Limited paternity leave usage. Parental and childcare leave causes career disruptions for women in Japan, in contrast to men who typically continue working. This discrepancy in career continuity leads to an imbalance in career progression, making it challenging for women to attain managerial positions. Although men in Japan have access to up to one year and two months of paternity leave (one of the most generous in the OECD), there is very low take up. Only 17 percent of new fathers take paternity leave, in comparison to 80 percent of women in FY2022, and most take less than one month leave. The second most common reason (25.9 percent) cited for not taking paternity leave is attributed to "the company/supervisor's atmosphere discouraging paternity leave or a lack of understanding about it" (survey conducted by MHLW, 2020[3]). While the top reason refers to the lower wages during parental leave, OECD data shows that Japan's average payment rates for paternity leave is 61 percent, which is higher than the G7 average at 45 percent in 2022.[4]

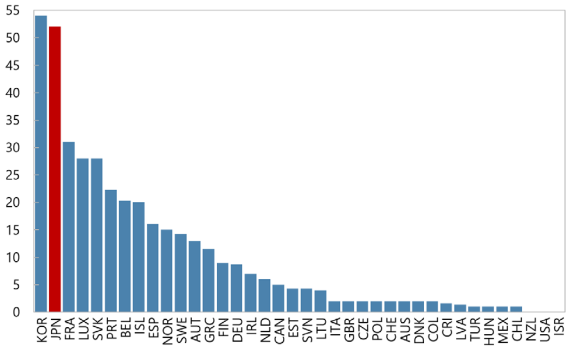
[3] Survey available in Japanese: https://www.mhlw.go.jp/content/11900000/000791048.pdf

[4] In May 2023, Prime Minister Kishida announced to raise the effective parental leave payment rates to about 100 percent (if we include the effect of tax/social security premium exemption, otherwise about 80 percent) in the first 180 days if both parents take parental leave. The MHLW plans to implement this measure from FY2025.

Figure 2. Japan: Gender Gap in Home- and Family-Care

Despite having one of the most generous paternal leave allowances…

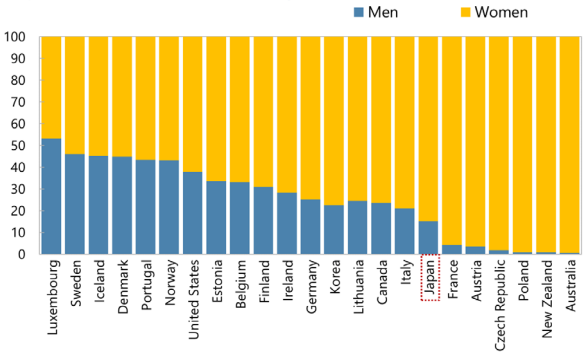
Paid Family Leave Reserved for Fathers
(In weeks, 2022)



Source: OECD.

…usage by men, although low in several countries, is severely underused in Japan.

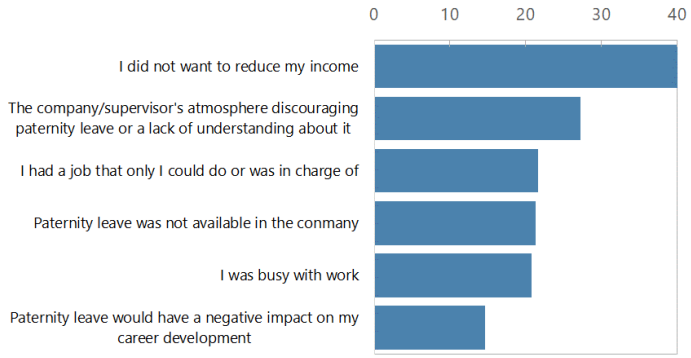
Gender Distribution of Users of Parental Leave
(In percent share, 2021 or latest available year)



Source: OECD.

Cultural norms and fear of negatively impacting their career and income are the primary drivers of men not using paternity leave

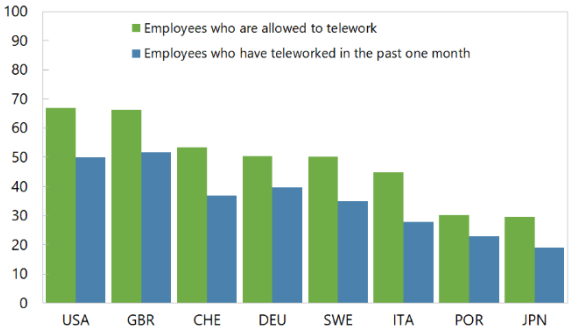
Reasons Why Fathers under Regular Employment Take No Paternity Leave
(In percent, 2020)



Source: JMA Research Institute (commissioned from MHLW). Note: Multiple answers allowed. Answers marked above 15 perents are listed. (n=409).

Teleworking is not as widespread, making work-life balance challenging…

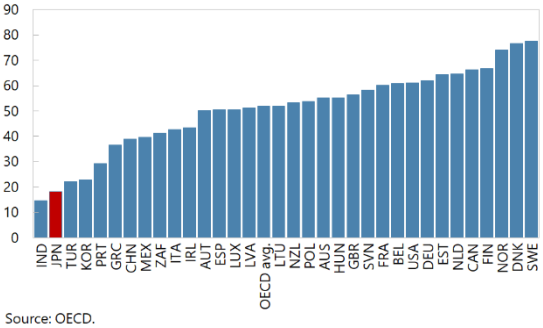
Share of Tele-working Employees by Country
(In percent, July-August 2023)



Source: Nomura Research Institute.

…particularly for women due to their disproportionate share of the family care burden.

Gender Gap in Unpaid Work
(In percent of time spent in unpaid work by men relative to by women, latest available year)

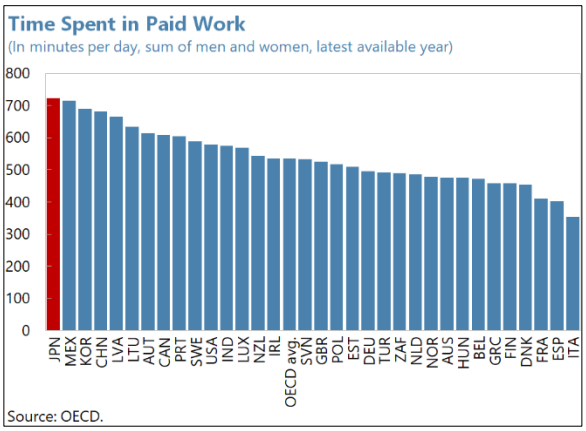


Source: OECD.

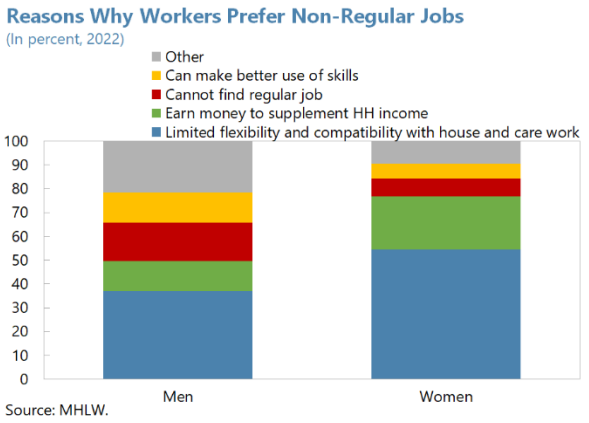
Gender Gap in the Quality of Employment

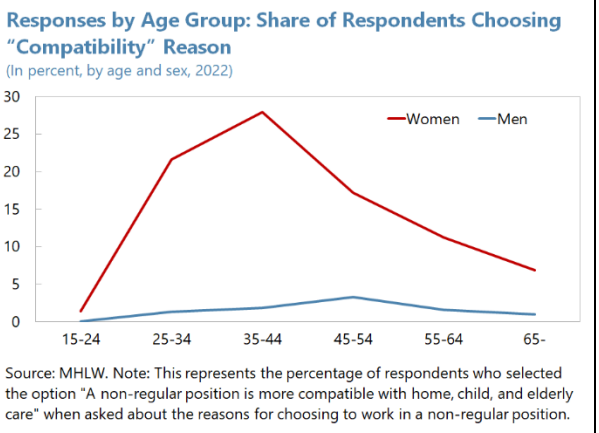
9. The gender gap in regular full-time employment is also found to negatively impact the share of female managers. This is driven by the following factors:

- **The culture of long working hours in regular employment.** Japan ranks at the top among OECD economies in terms of the time spent in paid work. Consequently, women seeking to balance work and homecare responsibilities are often inclined to opt for part-time/non-regular employment. In fact, close to 30 percent of women mentioned "compatibility with household and care-related work" as the main reason for opting for non-regular employment in the age groups of 35-44.[5]



- **Limited flexibility in working arrangements.** Low prevalence of telework and requirement of physical presence in the office constrains flexibility in working arrangements (e.g., low prevalence of flexible core working hour). A MHLW survey shows that only 8 percent of Japanese firms have adopted flexible time arrangements for work as of 2022. Yamaguchi (2013) shows that corporates that have better work-life balance tend to have higher female management. This is because enhanced flexibility in work arrangements enables more women, especially mothers, to expand their working hours and assume greater responsibilities.





- **Policy anomalies.** The distortions created by the current design of benefits in tax and social welfare system for second-income earners (for example, spousal deductions and exemption of pension contributions when income is below a certain threshold) is found to discourage women

[5] According to a survey by Japan's MHLW.

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