



EU-JAPAN COMPARATIVE REPORT ON THE ECONOMIC EMPOWERMENT OF WOMEN

EXECUTIVE SUMMARY

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INTRODUCTION

Gender equality and the economic empowerment are central questions for both economic growth and social equality. Recognizing these imperatives, Prime Minister Shinzo Abe has made “Womenomics” and the creation of “a society where all women can shine” a policy priority. Realizing this goal, however, requires not only public policy but also initiatives by private corporations to promote greater female employment, particularly at the senior managerial level. In line with this recognition, this report has three objectives: first, to compare and contrast the level of economic empowerment in Japan and the EU. Secondly, to identify best practices in diversity among leading Japanese and EU companies. Finally, based on these findings, to offer policy proposals for both the private and public sector with a goal of increasing female economic empowerment in corporations.

PART 1:



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COMPARISON OF WOMEN'S ECONOMIC EMPOWERMENT IN JAPAN AND THE EU

Economic empowerment by the numbers

The report findings highlight that while female economic empowerment has increased in both EU and Japan, substantial inequality still remains between men and women, in several areas. To begin with, overall labor force participation by women lag that of men, in both Japan and the EU lag. In Japan, 48.8% of women were employed full-time in the labor force, which is roughly on par with the EU average of 52.5%. The crucial difference between Japan and the EU, however, is that Japan has a far larger share of women employed in part-time work (37.2%, as compared to the EU average of 21.3%).

The *high share of part-time labor force participation in Japan* is problematic because such positions are not subject to the same social security or pension benefits as full-time or regular employees. Part-time work in Japan is also seen as lower-status, as compared to full-time work, even when the nature of the job is equivalent. This lower status results in both less pay for equal work, as well as significant difficulty in gaining higher managerial positions. The negative implications of part-time work affect both men and women, however since a greater share of the female labor force is involved in part-time employment, the negative effects on the economic empowerment women are more acute.

In both the EU and Japan, *women continue to lag men in managerial and leadership positions*; this situation is particularly acute in Japan, where women make up only 7% of senior managerial positions, and 1.6% of board members. This can be compared to an EU average of 24% and 21.2% for female managers and board members, respectively. Japanese women similarly make up a lower share of professional level workers, and are instead over-represented in lower-level clerical work which is often either part-time, or explicitly designated as non-managerial track. Due to both their lower labor force participation overall, as well as their over-representation in lower-status and less well-paying part-time and clerical jobs, *women lag men in both overall pay, as well as old-age pension benefits*.



Cultural and Structural Barriers to Economic Empowerment

The main reasons for women's relatively lower economic empowerment in Japan appear to lie in both cultural and structural factors. To begin with, strong gender roles continue to be reinforced by Japanese cultural and structural institutions, including the media, the educational system, and the taxation and household registry. As a result, far more Japanese women identify with a career as home-makers and part-time makers, while relatively fewer female graduates actively considering a managerial career, as compared to women in the EU.

These strong gender roles are further reinforced by traditional working conditions and demands. Post-war Japanese corporate culture has been characterized by long working hours, the importance of "face-time" at the office, and extensive relationship building, often through after-work socializing. While women in all countries struggle with the competing demands of work and unequal household responsibilities, the long hours demanded by the traditional Japanese work place make such demands particularly difficult to reconcile.

Because of these barriers, many women see few incentives or motivations for pursuing full-time work and managerial careers. It is noticeable that while Japan has a higher percentage of women working in part-time careers, as compared to the EU, the number of *involuntary* part-timers (i.e. those that would prefer to work full-time) is lower than almost all EU countries. This suggests that many Japanese women are making a strategic choice to avoid the rigors and demands of full-time work, in favor of focusing on household duties. This effect is reinforced by the household taxation and pension systems, which effectively allow spouses who earn below a certain amount to be covered by their partner's pension benefits, tax-free. Taken together, this suggests that increasing female economic empowerment requires that Japanese corporations – and society as a whole – increase the incentives for women to take-up full-time work.

PART 2:

COMPARATIVE CASE STUDIES OF BEST PRACTICE DIVERSITY INITIATIVES AMONG FOUR LEADING EU AND JAPANESE FIRMS



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While women have not yet reached full equality in economic empowerment in either Japan or the EU, the situation has been improving in both regions. This improvement has often been driven by private firms, who have actively sought to promote and support women's positions within their organizations. A comparative case study of two Japanese companies (IHI and Calbee) and two European firms (Royal Dutch Shell and Unilever) reveals several common best practices for female economic empowerment, including:

- 1. *Emphasis on the business case for women:*** All of the case companies put heavy emphasis on the business case for women. At Calbee and Unilever, the emphasis is primarily output focused; in both Europe and Japan, women constitute key decision-makers when it comes to household purchases. By employing more women in managerial positions and R&D, the companies improve its ability to reach key customer segments. At the industrial companies IHI and Shell, the emphasis is primarily input-focused. Both companies require highly trained engineers, which are often in short supply. By explicitly searching for female engineers, which have traditionally been overlooked, the companies are better able to secure necessary top talent. By primarily linking the hiring of woman to bottom-line performance, rather than gender equality as such, or compliance, the companies gain significant support for diversity policies, both internally and among external shareholders.
- 2. *Changing work-styles:*** As noted above, the combination of long working hours and strong gender roles in the home constitute a major structural barrier for women's economic empowerment, particularly in Japan. In order to reduce these barriers, the case companies have changed internal working styles in order to emphasize flexibility and productivity. Common changes include the elimination of over-time work (both inside and outside the company), the introduction of flextime to help employees coordinate work with family commitments, and decentralization to allow quicker decision-making. In the Japanese companies, increasing emphasis has been put towards evaluation and promotion based on performance, rather than the traditional notion of "face-time" at the office. Calbee has even banned the use of regularly scheduled meetings, and the common practice of writing memos, in the belief that these simply create more work, without adding value. By doing so, the companies create more agile



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organizations, where women find it easier to combine work demands and household obligations.

- 3. *Ensuring an equal playing field for women:*** Previous research has found that positive discrimination policies which aim to ease the working burden on women may inadvertently produce negative effects. Reduced working hours for young mothers, for example, may limit their subsequent opportunities for advancement and promotion. Such well-meaning policies may be particularly problematic in Japan, where work is often done in teams and employees frequently feel a duty not to inconvenience their colleagues. The case companies seek to avoid such problems through policies that create more equitable circumstances, as opposed to simply supporting women. At IHI, for example, the company not only actively discourages over-time work for all employees, but also actively works to minimize the impact of maternity on women's evaluations and promotions. At Calbee, the company has emphasized that performance is measured in productivity and efficiency, hence any employee – male or female – is free to leave at any time, as long as their work is done. Similarly, the introduction of flextime at Unilever and Shell are not exclusively aimed at women, but also encompass men. Moreover, the companies offer child-care leave for both mothers and fathers. By introducing policies that level the playing field, as opposed to tilting them in favor of women, the case companies ensure both greater support from male employees, and reduce structural work inequalities within the organization.
- 4. *Role models and networking:*** Many women, particularly in Japan, lack female role-models and leaders that can provide not only advice but also proof that the balance between a professional career and a family are possible. All of the case companies work extensively to ensure senior female managers are both visible and active in supporting younger employees. At IHI, for example, female managers are tasked with forming and leading networks of female employees. The role of these networks is to exchange ideas and information, but most crucially to convince women that they too can aspire to become managers in the firm. Shell similarly convenes women-only networks across its company as forums for exchanging ideas and experiences. Unilever offers both local networking events for women employees, as well as a global Women's Leadership Program. Calbee, in turn, has introduced mentoring programs by senior executives.



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Through these women-specific support functions, female employees are exposed to valuable role models, mentoring, and important networks for advice and support. Such events serve in particular to strengthen a managerial identity among young female employees, who may not otherwise consider applying for managerial positions.

- 5. *CEO leadership*:** All of the case companies are characterized by strong and dedicated CEOs and top leaders who “walk the talk”. Concretely, these leaders emphasize diversity and inclusion as central to the firm’s strategy, across functions. For example, Calbee’s CEO Akira Matsumoto features regularly in the public media emphasizing the importance of diversity for the continued success of the company. Similarly, Unilever’s Paul Polman has spoken at diversity-related events and conferences. CEOs not only emphasize diversity in public, they also make it clear to their own top leaders that they expect diversity to play a central role in their managerial decisions and everyday operations.
- 6. *Targets and measures, but not quotas*:** All of the companies have set specific aspirational targets for the number of female managers and board members. While such targets have recently become mandatory for Japanese corporations, it’s notable that both IHI and Calbee introduced targets before the passage of the recent law. In addition to such overall targets, the case companies have also introduced internal measures to gauge diversity implementation. Shell, for example, employs an annual global diversity survey that aims to measure employee satisfaction with the current diversity strategy. IHI similarly conducts polls and surveys with both staff and managers to ascertain diversity. Importantly, these measures are used as information and aspirational targets, not as quotas or explicit performance measures. By doing so, the companies emphasize diversity as corporate strategy and a cultural value, rather than simply a measure of compliance.

Recommendations

Taken together, the above insights suggest that increasing the economic empowerment of women requires a corporate culture and work-style that allows employees to balance work-demands with household roles, without negatively impacting opportunities for



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promotion. Moreover, such corporate cultures and work-styles should not exclusively target women, but rather be applied across the board, to both men and women, such that neither group faces undue advantages or disadvantages. In order to ensure such corporate cultures, organizational leaders – particularly CEOs – must take the lead in promoting diversity, while the organization as a whole must provide role-models and networking opportunities to inculcate managerial identities and aspirations among female employees. Based on these insights, this report offers the following recommendations for how both private corporations and public policy makers can enhance women's economic empowerment:

For private corporations:

- 1. CEOs must take an active and visible lead in promoting diversity:** This includes in both public and private communications. Diversity should be a recurring theme that runs through all aspects of the business model and managerial activities, rather than a separate topic of its own.
- 2. Clarify and emphasize the business-case for greater female empowerment:** Corporations should specify exactly where in their business model, and how, greater increase in female participation will improve company performance. Such performance may include talent management, product innovation, productivity, or bottom-line profitability.
- 3. Introduce work-styles that allow employees to balance work and household activities:** Such work-styles may include flextime, greater emphasis on performance, or limits on over-time work. The crucial point is that they must cover all employees, thereby creating a more equitable environment in which women have increased opportunities for promotion, and male workers have more time to dedicate to household activities.
- 4. Cultivate and show-case female role-models:** Companies should highlight successful female managers as evidence to younger employees that the company is committed to diversity and that women managers are welcome and encouraged.
- 5. Foster managerial aspirations:** Using mentors, networks, and training programs, corporations can ensure that female (as well as male) employees aspire to full-time positions and managerial positions within the company.



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- 6. Engage male sponsors:** In firms where the number of female managers or board members are low, senior management should enlist male sponsors to act as sponsors that support the advancement of women towards more senior level positions.

For public policy makers, the report offers the following suggestions:

- 1. Introduce policies that make it easier for men and women to reduce household work burdens:** Local and central government could for example expand daycare options (either by creating more daycare facilities or offering financial incentives for private firms that establish them in-house), deregulate the market for household help and home care, and create tax deductions for families that use household services.
- 2. Increase incentives for paternity leave:** By incentivizing men to take time off for care of children (for example by introducing exclusive paternity benefits that are not transferable to the mother), policy makers can contribute to dismantling traditional gender role and promoting more shared time at home. An increase in paternity leave in companies would create a more level playing field for women who take maternity leave and subsequently seek to gain managerial positions.
- 3. Tax reforms to incentivize full-time work:** As noted in the report, Japanese women appear to strategically choose part-time employment, which in turn reduces their economic empowerment. Tax reforms of the current tax and pension system – for example individual taxation instead of household taxation – can increase incentive to work and make part-time work less appealing.
- 4. Strict enforcement of over-time work regulations:** By enforcing existing regulations, policy makers can help transform Japanese corporate cultural practices away from an emphasis on long working hours. Reduced working hours would, in turn, make it easier for women (and men) to balance work and household commitments.

