

Insight Report

Closing the Gender Gap in Japan

In collaboration with McKinsey & Company

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Foreword

As the concept of gender parity has gained currency globally with political and business leaders, the conversation has evolved from understanding why closing gender gaps is important, to developing strategies to close them. With growing numbers of individuals, organizations and governments committing to achieving gender parity, demand is increasing for benchmarking tools, best practice exchange, multistakeholder collaboration and other solutions to accelerate this transformation.

Japan is no exception. In a special address at the 44th World Economic Forum Annual Meeting in Davos, Prime Minister Shinzo Abe underlined the importance of this topic in Japan, and stated his intention to make his country a place where women shine by ensuring that 30% of all senior leadership posts would be occupied by women by 2020.

Recent research and surveys by the World Economic Forum, McKinsey & Company, Keizai Doyukai and J-Win highlight the need for corporate Japan to focus on “soft” levers – including mindsets and talent development – to close the gender gap.¹ This briefing lays out the starting point; case for change; barriers to be addressed; and concrete actions that would facilitate change. It focuses on the role of the corporation at this critical juncture, and a path forward centred on enhancing the dialogue between stakeholders to realize gender diversity in Japan and unleash the full potential of its talent.

¹ The survey respondents consisted of 204 companies covered by the Keizai Doyukai survey and 78 companies by the J-WIN Consensus 2013 Survey.

The Starting Point

Despite the rising visibility of gender parity as an issue in Japan, the starting point is sobering. In the World Economic Forum's *Global Gender Gap Report 2013*,¹ Japan ranked 105 out of 136 countries included in the Global Gender Gap Index, a decline of four places since 2012. The overall score of 0.65 on a scale of 0 to 1 can be roughly interpreted as meaning that only about 65% of the gender gap between women and men has been closed.

Put another way, women have only 65% of the resources and opportunities available to men in terms of health, education, economic participation and political empowerment, the four areas measured by the index. While over 98% of the health and education gender gaps have been closed, only 58% of the economic gap and 6% of the political empowerment gap have narrowed. While Japan's score in the economic participation and opportunity component of the index has improved over the past eight years relative to itself (from 0.545 to 0.584), this change is slow; and Japan lost two places in the rankings (from 102 to 104) compared to last year as other countries made progress.

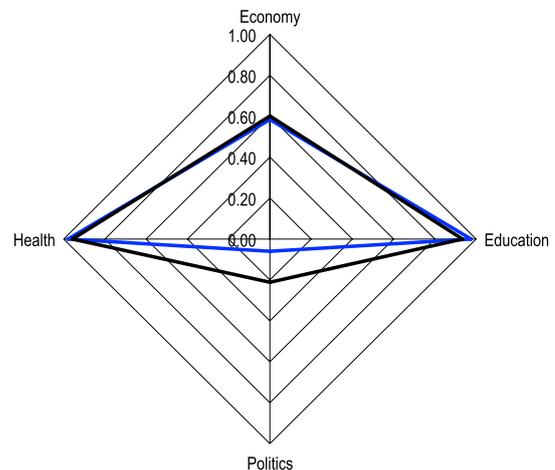
The key aspects of the economic gender gap are:

- **Participation gap** measured through the difference in labour force participation rates
- **Remuneration gap** measured through the ratio of estimated female-to-male earned income and survey data on wage equality for similar work
- **Advancement gap**, which captures the ratio of women to men among legislators, senior officials and managers, and the ratio of women to men among technical and professional workers

Currently, the rate of female participation in the labour force is only 63%, compared to 85% for men. It is one of the lowest female labour participation rates among OECD countries and 79th globally. Among the employed, 35% of women are in part-time employment, compared to 10% of men.

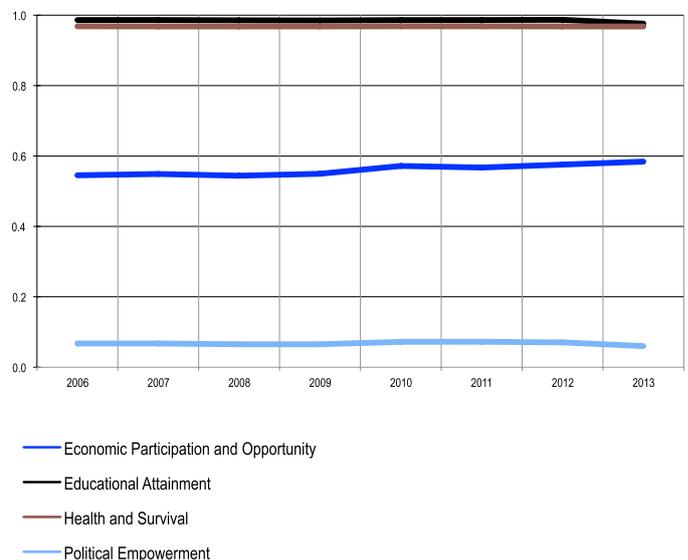
The salary gap in earned income is 79th in the world, with women's estimated earned income at \$22,727 in PPP terms, compared to over \$48,000 for men. While this may be partially explained by the concentration of women in lower-paying professions, data from a survey of executives finds that they rank Japan 87th in the world in terms of wage gaps for *similar work*.

Figure 1: Japan's Gender Gap 2013



Source: *Global Gender Gap Report 2013*; scores weighted by population

Figure 2: Japan's Evolution on the Global Gender Gap Index 2006-2013



Source: *Global Gender Gap Report 2013*

While women hold nearly half (46%) of all professional and technical positions, they occupy only 9% of legislator, senior official and manager positions. This includes only 2% women on corporate boards and less than 1% on executive committees.²

¹ Hausmann R., Tyson L. and Zahidi S., *The Global Gender Gap Report 2013*, World Economic Forum, 2013. <http://www.weforum.org/reports/global-gender-gap-report-2013>

² "Women Matter: An Asian Perspective", McKinsey & Company, 2012

The Case for Change

In addition to equity concerns, gender gaps must be addressed for Japan's economy to thrive. The most important determinant of a country's competitiveness is its human talent – the skills, education and productivity of its workforce – and women account for one-half of the potential talent base throughout the world. Integrating women into the economy is thus a more efficient use of a nation's human capital endowment, particularly in the context of demographic pressures.

With the investments that have already been made in closing the education gender gap – particularly as women's tertiary education enrolment nearly matches that of men's (56% vs 63%) – Japan is ideally poised to maximize opportunities for women's participation in the labour market. While this is the case for many countries that have already invested in health and education, the combined case for economic gender parity in Japan includes both demographic and economic drivers.

The Demographic Case

- **Labour force decline:** On the current trajectory, the Japanese population is projected to decline to 97 million by 2050³, with the labour force predicted to shrink by 15% between 2010 and 2030.⁴ Parts of the services sector are experiencing acute shortages of talent.⁵

³ National Institute of Population and Social Security Research

⁴ Japanese Ministry of Internal Affairs and Communications

⁵ Ministry of Health, Labour and Welfare of Japan

- **Fertility rates:** Japan has one of the lowest fertility rates in the world: at 1.41 births/woman and a population growth rate of 0.29%, Japan is well below replacement levels.⁶ Additionally, and perhaps counterintuitively, the experience of the Nordic countries and others in the OECD has shown that birth rates may increase rather than decrease as women's labour force participation grows and countries provide women (and men) with more ways to combine work and family. Those economies that do not provide these mechanisms can become caught in a "fertility trap" with low fertility and low female economic participation.⁷
- **Ageing:** The old-age dependency ratio – the number of elderly as compared to the working age population – is already at 36% and will grow to 49% by 2025 at current rates.⁸ For most families and households, such a scenario will create the need for dual incomes rather than single incomes.

⁶ Hausmann R., Tyson L. and Zahidi S., The Global Gender Gap Report 2013, World Economic Forum, 2013. <http://www.weforum.org/reports/global-gender-gap-report-2013>

⁷ Hausmann R., Tyson L. and Zahidi S., The Global Gender Gap Report 2013, World Economic Forum, 2013. <http://www.weforum.org/reports/global-gender-gap-report-2013>

⁸ The Human Capital Report 2013, World Economic Forum in collaboration with Mercer, 2013. <http://reports.weforum.org/human-capital-index-2013/>



The Economic Case

- GDP growth: Goldman Sachs' research⁹ has pointed to an upside potential for the GDP of Japan of fully 13% if the gender employment gap were to be closed through measures across government, the private sector and society.
- Corporate performance: Global research has shown that companies in the top quartile of female participation in top management outperform peers with no female participation by fully 56% in terms of earnings before interest and taxes.¹⁰ That trend holds in Japan, with clear evidence that corporations with higher performance consistently show greater female participation in senior management.¹¹ These gains are partly driven by evidence that women may have a propensity for engaging in less-risky behaviour and that gender-equal teams may be more successful through increased innovation and more informed decisions.^{12, 13}

⁹ "Japan: Time for Womenomics 4.0", Goldman Sachs, 2014.

¹⁰ "Women as a Valuable Asset", McKinsey & Company, 2012.

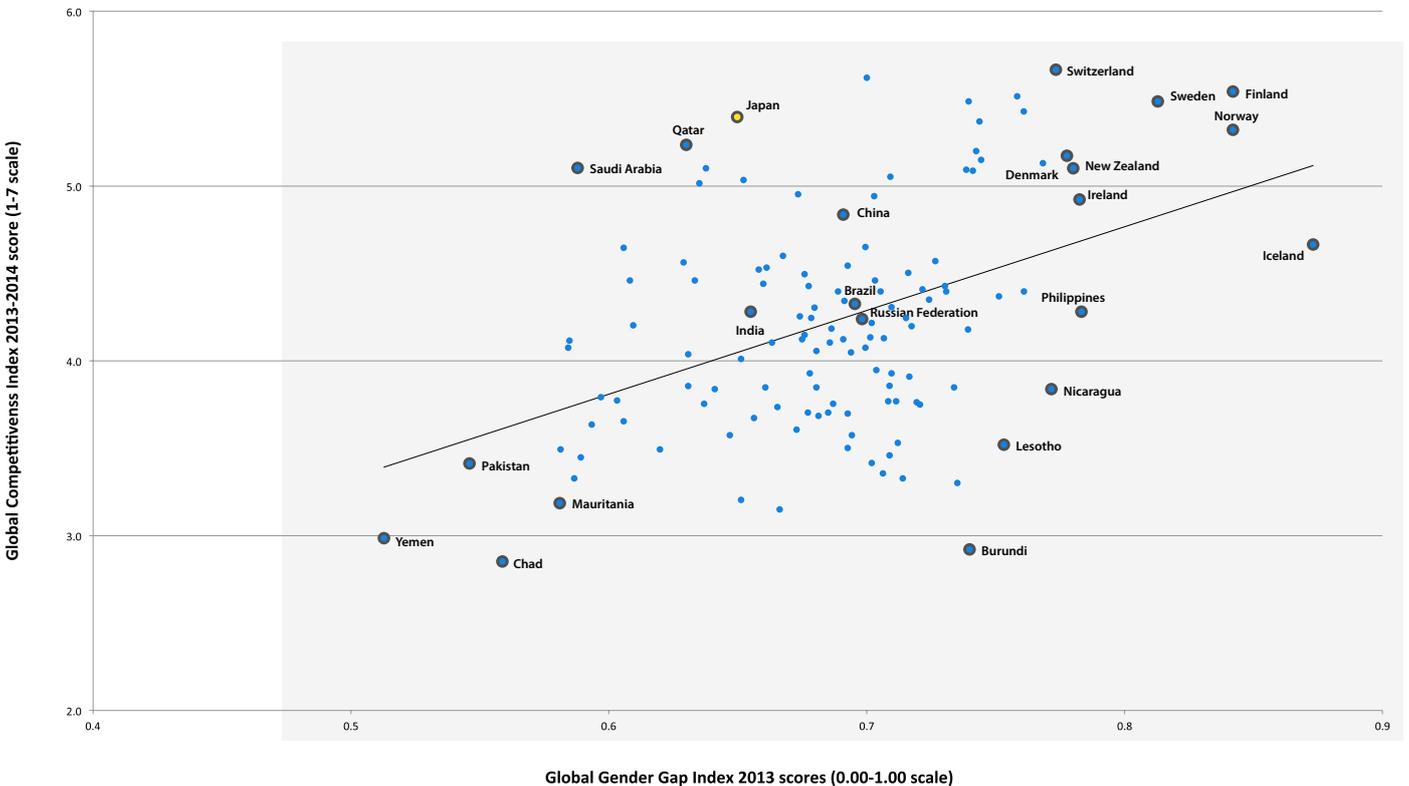
¹¹ "Women Matter: An Asian perspective – Harnessing female talent to raise corporate performance", McKinsey & Company, 2012.

¹² Hausmann R., Tyson L. and Zahidi S., The Global Gender Gap Report 2013, World Economic Forum, 2013. <http://www.weforum.org/reports/global-gender-gap-report-2013>

¹³ "Women Matter: An Asian perspective – Harnessing female talent to raise corporate performance", McKinsey & Company, 2012.



Figure 3: Relationship between the Global Competitiveness Index 2013-2014 and the Global Gender Gap Index 2013



Source: *Global Gender Gap Report 2013*



Barriers to Address

Most research conducted in Japan, including joint surveys with Keizai Doyukai, J-Win and independent research by McKinsey & Company, points to four types of barriers that must be addressed to make progress on gender parity:

- The double burden: Holding down a job while looking after their family is a particularly acute issue for women in Japan, particularly as women are often expected to take sole responsibility for family and household duties. On average, men spend less than an hour daily on unpaid work, while women spend more than three times as much.¹⁴
- The “anytime/anywhere” performance model: The traditional corporate culture which emphasizes physical office presence is only partially disrupted by new technologies, which can sometimes accelerate an existing culture of availability to 24 hours a day, 7 days a week. This has a disproportionate impact on women trying to balance work and home responsibilities in much of the world – and Japan in particular – exacerbating what is already a significant burden.
- Lack of public/societal support mechanisms: Keizai Doyukai’s research flagged public/societal support, especially for childcare, as a top issue for corporations as they think through strategies to increase the participation of women in top management. This is reflected in surveys of women, who echo the same theme as a critical issue in sustaining a work/life balance.
- Lack of role models and opportunity: A corollary to the lack of women in top management (around 4.2% at or above division-head level, according to the 2013 J-Win *Diversity Census Report*¹⁵) is that women who aspire to take on top management roles lack role models to whom they can refer as they shape their own path in a given company or entity. The World Economic Forum’s *Corporate Gender Gap Report*¹⁶ asked heads of human resources of the largest companies in Japan to identify the biggest barriers to women’s rise to leadership positions. The three top barriers were lack of role models; general norms and cultural practices; and lack of opportunities for critical work experience and responsibility.

¹⁴ OECD based on data from National Time Use Survey. <http://www.oecd.org/gender/data/balancingpaidworkunpaidworkandleisure.htm>

¹⁵ Diversity Consensus Report, J-Win, 2013.

¹⁶ Ibarra, H. and Zahidi, S. The Corporate Gender Gap Report 2010. World Economic Forum, 2010. http://www3.weforum.org/docs/WEF_GenderGap_CorporateReport_2010.pdf

Corporate Actions to Facilitate Change

Gender diversity is recognized as a necessity for reputation and serves as an impetus for change in some companies. Others have made gender diversity a strategic priority to leverage the gains from diversity-fuelled innovation and improve insights into consumer behaviour.

If companies want to see more women at the top of the corporate hierarchy, cultural and organizational issues that prevent women from moving successfully through the corporate pipeline need to be addressed. This requires taking a holistic approach to gender parity and addressing a number of broad areas of practice that can make a significant difference. Given the specifics of Japan's context and the findings from the survey research, these include at least five relevant levers:

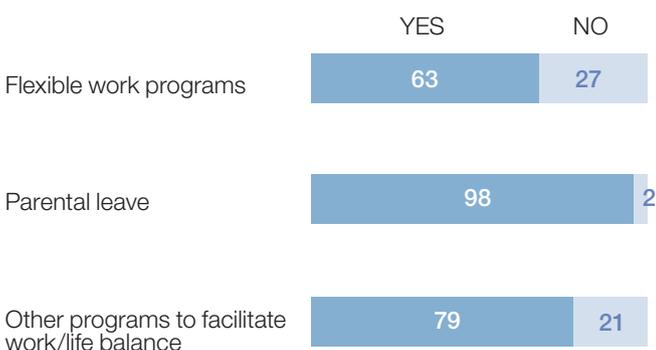
Work environment and work-life balance: The greatest drop-off point observed for women is around 30 years of age – with a full 21-point drop (from 31% to 10%) according to J-WIN's 2013 *Diversity Consensus Report* – as many women start families while facing their first entry into junior management roles.¹⁷

Ensuring smooth on- and off-ramping; appropriate childcare options; communication about work-life balance policies to all employees; and mentoring for women going through a transition are important levers to ensure a sustained career progression towards management.

The “hard” elements are often in place: the survey conducted with Keizai Doyukai showed 98% of corporations offer parental leave, 63% offer flexible working hours and 79% have other work-life balance programmes (see Figure 4). The next step lies in accelerating their use and acceptance by all employees, male and female.

¹⁷ Diversity Consensus Report, J-Win, 2013.

Figure 4: Adoption of Hard Interventions for Gender Parity



Source: WEF/Doyukai survey

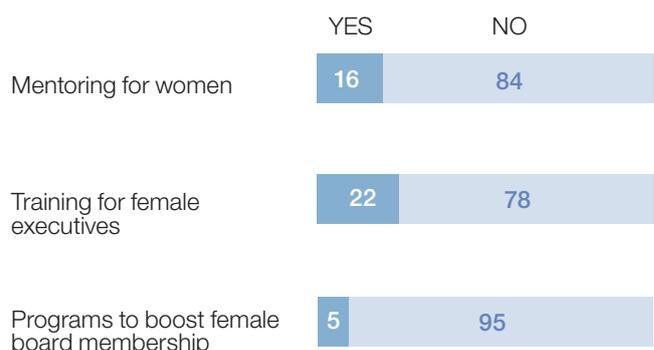
Awareness and capacity-building: In addition to the hard elements of promoting gender parity, “soft” elements need to be nuanced in execution but are nevertheless critical for success. These elements focus on training – for both women and men – to build the leadership skills of women and the right environment within the broader employee base for women to successfully lead.

These elements lend themselves to rich industry-wide and cross-sector opportunities for collaboration. This is an area in Japan where additional measures are particularly needed, given the perceptions of the role of human resources, which focus more on systems and administration as opposed to talent development and training.

The survey conducted with Keizai Doyukai shows that only 16% of Japanese corporations have mentoring programmes for women, and only 22% have executive training designed for women (see Figure 5). In addition, the level of priority placed on these programmes is low – with only 12% of corporations selecting them as most appropriate to address the gender gap (see Figure 7).

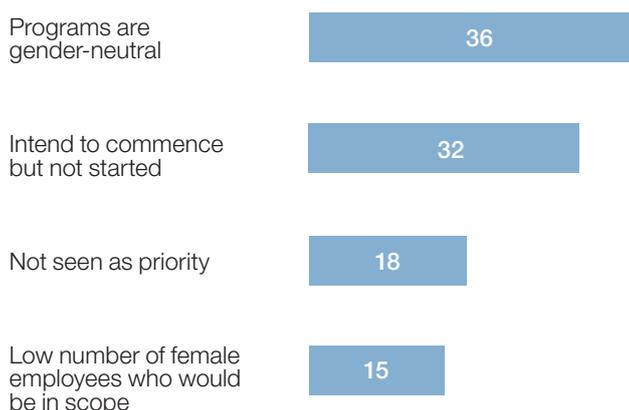
However, the existence of “gender-neutral” programmes is the most often given reason for the lack of soft interventions (see Figure 6) – showing the need for further exploration of how programmes of this nature can be tailored to address the needs of female executives.

Figure 5: Adoption of Soft Interventions for Gender Parity



Source: WEF/Doyukai survey

Figure 6: Reasons for Lack of Soft Interventions



Source: WEF/Doyukai survey

Measurement and target-setting: Given the targets announced by Keizai Doyukai and Prime Minister Abe of 30% women in management by 2020, this is an area of positive progress in Japan. However, only 12% of companies currently place high priority on applying measurement and target-setting policies relating to gender (see Figure 7) and only 5% have a targeted focus on recruiting women to their boards (see Figure 5).

Leadership and company commitment: Visible leadership by the chief executive and top management on supporting women in management has proven to be one of the most important levers for progress in achieving gender diversity in a corporate context. This includes concrete and symbolic actions by top management and, in many cases, establishment of a position or department to lead diversity efforts. Of the companies surveyed, 23% responded that they have such commitment at the top. The survey also flagged that the case for change is not yet fully understood, with 48% of respondents believing that awareness of the case for gender parity still needs to be built at either management or working level to make progress (see Figure 7).¹⁸

Incentives and accountability: Ensuring that all recruiting and evaluation processes are “de-biased” is critical. Nearly 50% of survey respondents pointed to early management advancement as a critical area to address. Recruiting efforts also need change in regard to part-time workers and women who have had leave at different junctures in their career.

Figure 7: Interventions Seen as Most Appropriate



Source: WEF/Doyukai survey

It is important to emphasize that these levers do not work as a checklist of actions that will each independently produce results. The right leadership context is critical, and it must be accompanied by a holistic set of priorities that are implemented thoroughly and with a deep understanding of the root causes in each corporate context.

The survey research clearly highlighted an issue of balance: there is broad adoption of the “hard” elements such as parental leave and other work-life balance policies, but around 80% of companies have yet to establish programmes on the soft elements that change corporate culture. However, Japanese companies can look to a growing body of best practices – from within Japan and abroad – on how to execute gender parity strategies across a company.

¹⁸ “Creating Diversity on Decision-making Boards Appointing Female Managers and Executives to Strengthen Corporate Competitiveness”, Keizai Doyukai, 2012. <http://www.doyukai.or.jp/en/policyproposals/2012/pdf/120528a.pdf>

Business Toolkit for Closing Economic Gender Gaps

1. Measurement and target-setting

- ✓ A gender-disaggregated database to understand the status quo in the organization, evaluate the causes of gender imbalances and track progress
- ✓ Achievable diversity targets at all levels with embedded accountability mechanism (e.g. in leadership performance contracts)
- ✓ Transparent salary bands to track and address male and female salary gaps

2. Awareness and capacity-building

- ✓ Training programmes for human resources and relevant managers on how to attract, retain and promote female talent
- ✓ Training programmes and guidelines on the value of diversity and gender sensitivity as an underlying culture of the organization (e.g. unconscious biases and diversity dividend)
- ✓ Training programmes for leadership to manage a more diverse workforce (work-life balance, flex time, working remotely)
- ✓ Formalized mentoring and sponsoring schemes for women and men in leadership positions to develop female talent
- ✓ Training senior women leaders through leadership and management opportunities (e.g. foreign assignments, line management roles)

3. Incentives and accountability

- ✓ Reform and standardize the recruitment and promotion processes to ensure transparency
- ✓ Transparency on career path opportunities and requirements (e.g. advertisement of all open positions on intranet for equal access to information)
- ✓ Encourage team consultations on the most efficient work-life balance strategies and report to HR

4. Work environment and work-life balance

- ✓ Ensure that maternity/paternity leave does not impact career progression
- ✓ Ensure that those who work part-time (or extended flex time and remote work) also have career opportunities
- ✓ Onsite childcare facilities or allocations/subsidies to support parents and families
- ✓ Allocations/subsidies for elderly care to support caregivers and families
- ✓ Develop and communicate clear guidelines on the implementation of work-life balance policies
- ✓ Mentoring, best practice exchange and peer-counselling on work-life balance

5. Leadership and company commitment

- ✓ Set the tone at the top through regular communication by senior management on gender equality and related issues
- ✓ Ensure that management policies, processes, systems and tools do not harbour gender-based discrimination
- ✓ Ensure representation of women in leadership positions, especially boards and senior management

6. Along the value chain

- ✓ Charter on diversity (reflecting the organization's commitment) to be signed by suppliers, distributors and partners
- ✓ Gender sensitivity training provided to suppliers, distributors and partners
- ✓ Set targets and prioritize businesses owned by women when identifying potential suppliers
- ✓ Training to support women-owned businesses in the organization's value chain

7. External influence on gender issues

- ✓ Ensure a gender angle on all philanthropic programmes and activities
- ✓ Ensure that all advertising is gender-neutral and respectful of women
- ✓ Hold public events focused on girls and young women to present possible career paths
- ✓ Develop partnerships with and support gender parity-focused civil society and public-sector initiatives

This compilation is based on corporate best practices from Japan and around the world, consolidated in the World Economic Forum's online repository of successful practices from business to close the economic gender gap. The full repository can be found at: <http://www.weforum.org/gender-parity/closing-gender-gap>

The Path Forward: Multistakeholder Action

With impetus provided by strong political support and leadership by industry bodies in Japan, the environment and timing is right for the bold launch of cross-cutting initiatives to provide transparency, mutual accountability, knowledge sharing and support for companies taking the initiative on closing the gender gap.

In addition to wide adoption of the company-level initiatives outlined in this report, industry-wide analysis and action are needed to accelerate impact. In particular, best-practice sharing between companies that are meeting gender parity targets and those that are embarking on a change programme is critical.

Cross-company dialogue must also be supplemented by public-private discourse, which is crucial for sharing information on the type of ecosystem and mechanisms that facilitate women's economic participation within large corporations and the SME sector. The World Economic Forum's Japan Gender Parity Task Force aims to serve as a platform for such dialogue.

While some of changes will entail adaptation in the short term by families, companies and the public sector, in the long term, the expanding opportunities for women have the potential to transform Japan's economy, society and demography. A multistakeholder process that engages the media, academic experts and civil society representatives will help to ensure transparency on the critical choices that need to be made and success in the transformation process.

Macroeconomic, political, microeconomic and social vectors have aligned to create a positive environment for promoting gender diversity in Japan. Business leaders have a unique opportunity to take advantage of this environment and lead in making gender diversity a reality in Japan.

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