Gender Equality & Economic Growth in Japan
View from Europe


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WEF Gender Gap Report: Shocking Results

The World Economic Forum (WEF), which hosts the annual Davos meeting of world business leaders, has been publishing the *Global Gender Gap Report* annually since 2006. Based on the Global Gender Gap Index, developed by the forum itself and which benchmarks national gender gaps in economic, political, educational and health-related aspects, the report translates the results of the annual benchmarking exercise into country rankings. This allows for effective comparisons across regions and countries (now numbering 134) in the magnitude and scope of gender-based disparities.

TABLE

Gender Gap Index rankings for OECD & BRICs countries (2006 & 2009)

Country	2009 rank	2009 score	2006 rank	2006 score
Iceland	1	0.8276	4	0.7813
Finland	2	0.8252	3	0.7958
Norway	3	0.8227	2	0.7994
Sweden	4	0.8139	1	0.8133
New Zealand	5	0.7880	5	0.7509
South Africa	6	0.7709	18	0.7125
Denmark	7	0.7628	8	0.7462
Ireland	8	0.7597	10	0.7335
Netherlands	11	0.7490	12	0.7250
Germany	12	0.7449	5	0.7524
Switzerland	13	0.7426	26	0.6997
Britain	15	0.7402	9	0.7365
Spain	17	0.7345	11	0.7319
France	18	0.7331	70	0.6520
Canada	25	0.7196	14	0.7165
United States	31	0.7173	23	0.7042
Belgium	33	0.7165	20	0.7078
Austria	42	0.7031	27	0.6986
Portugal	46	0.7013	33	0.6922
Poland	50	0.6998	44	0.6802
Russia	51	0.6987	49	0.6770
China	60	0.6907	63	0.6561
Luxembourg	63	0.6889	56	0.6671
Chile	64	0.6884	78	0.6455
Hungary	65	0.6879	55	0.6698
Slovak Republic	68	0.6845	50	0.6757
Italy	72	0.6798	77	0.6456
Czech Republic	74	0.6789	53	0.6712
Brazil	81	0.6695	67	0.6543
Greece	85	0.6662	69	0.6540
Mexico	98	0.6503	75	0.6462
Japan	**101**	**0.6445**	**80**	**0.6447**
India	114	0.6151	98	0.6011
South Korea	115	0.6146	92	0.6157
Turkey	129	0.5828	105	0.5850

Source: WEF Global Gender Gap Report 2009

In the most recent edition of the report published in late 2009, Japan is ranked very low at 101st *(Table)*. The only other countries of the OECD membership of the world's 31 most economically developed nations that rank below Japan are South Korea and Turkey. This result must be shocking to the Japanese people, especially women, and perhaps surprising to the rest of the world. The low ranking of Japan (and South Korea) seems to suggest that economic growth can be achieved quite independently of progress in gender equality.

The rankings of other countries, however, suggest a strong correlation between economic development and gender equality. Nineteen OECD member countries rank above 50th. Notably 12 European OECD members are ranked above 20th with four Nordic countries at the top. Most of the remaining non-European OECD countries are also ranked well above 40th with the exception of Chile and Mexico, but these countries are not categorized as high-income countries. The United States, very often viewed as the benchmark country in Japan, is ranked 31st. Worthy of note is that the BRICs countries except India also rank above Japan. These results are summarized in the *Table*. As the *Table* also shows 2006 rankings and scores, it can be seen that while most other OECD and BRICs countries have improved their scores, Japan, South Korea and the lowest-ranking Turkey stand as exceptions with scores going down. It is probably the case that while in most other high-income countries, efforts were made to close the gender gap, little has been done in these three countries.

Gender Equality & Economic Performance

These results should raise concern for the economic and political leadership in Japan and presents an issue that calls for urgent reform if the country is to secure a way out of the persistent economic slump. It is now widely held that the most important determinant of a country's economic competitiveness is talent – the skills, education and productivity of its workforce. As the world heads to a knowledge society, mobilizing talent is all the more crucial in creating an innovative culture. As women account for half the potential talent pool in any country, a nation's economic competitiveness depends on fostering and utilizing female talent.

It follows from this that in the case of Japan, a quick and promising way out of economic stagnation is to mobilize female capacities. In fact, according to a recent study by Goldman Sachs Economic Research, closing the male-female employment gap is estimated to boost US GDP by 9%, eurozone GDP by 13% and Japanese GDP by as much as 16%. Reducing gender inequality could also play a key role in addressing future problems posed by the aging population and increasing pension burden, which are indeed very pertinent issues in Japan. Also, as often argued, in countries in which it is relatively easy for women to work and to have children, both female employment and fertility rates tend to be higher. In Japan the fertility rate has dropped at an alarming rate in recent years and stands at one of the lowest in the high-income group of countries. Moreover, studies exploring the link between innovation and corporate leadership have shown a positive correlation between gender diversity on top leadership teams and corporate financial results. Thus, recent insights do indicate a strong correlation between gender equality and economic growth.

As the WEF Global Gender Gap Index benchmarks economic participation and opportunity as well as political empowerment in addition to educational attainment and health and survival indices with several sub-indices under each of the four main groups, it is possible to compare in detail where Japan lags, especially behind European countries. While there is little difference between European countries and Japan in terms of the health and survival index, differences emerge in other aspects. As for educational attainment, Japan as well as most European countries is at gender parity up to secondary education enrollment. However, when it comes to enrollment in tertiary education, whereas more women than men go into tertiary education in many European countries as well as in the United States, this sub-index score in Japan stands at 0.88 (1.00 is parity), indicating fewer women go into tertiary education than men. This score ranks 98th among the 134 countries covered, indicating that a large majority of countries score higher than Japan on this sub-index.

The rankings get worse in the remaining two indices of economic participation and opportunity and political empowerment. A look at the sub-indices of the economic participation and opportunity index show Japan's score at less than sample average (of the 134 countries) in all aspects except in labor force participation and the number of professional workers. In the remaining three sub-indices of wage equality for similar work (assessed by survey), estimated earned income (on US dollar purchasing power parity), and the number of legislators, senior officials and managers, Japan scores lower than sample average, ranked 99th, 100th and 109th respectively. The European countries score above average on this index, including most of the sub-indices.

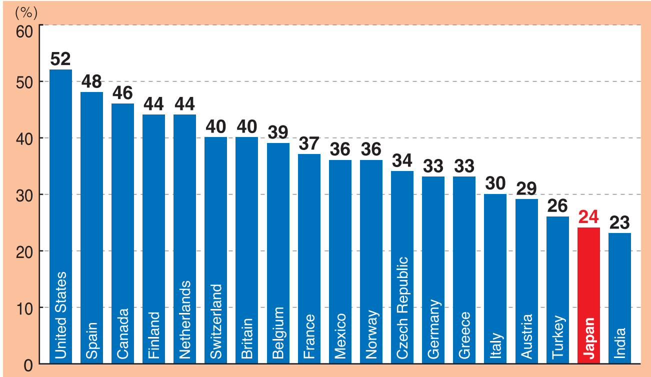
In terms of political empowerment, the situation is similar. Japan scores lower than sample average in terms of the number of women in parliament, women in ministerial positions and years with a female head of state in the last 50 years, and is ranked 110th in this index. Although a female head of state is still relatively rare in the world except in Northern Europe, most European countries score above sample average in the number of women in parliament and in ministerial positions.

It is clear that gender equality in Japan is most wanting in the economic and political spheres. In fact, although most other high-income countries perform much better than Japan in these indices on average, WEF gender gap analysis indicates that 60% of the economic outcome gap and only 17% of the political outcome gap have been closed, where as 96% and 93% respectively of the health outcome and educational attainment gaps have been closed. There remains a lot to be done worldwide on the economic and political fronts, but we can say that Japan has a longer way to go than most others.

Gender Gap in Corporate Sector

As gender equality in the economic sphere is probably the most pertinent to growth performance, WEF has attempted to shed more light on the economic participation and opportunity gap in the just published *Corporate Gender Gap Report 2010,* which aims to understand comprehensively the current representation of female employees in some of the largest companies in the world's biggest economies. A survey containing questions regarding hiring, career development and work/life balance was designed and sent to respondents including the 100 largest employers in each of the OECD member countries as well as Brazil, Russia, India and China. Twenty countries provided more than 20 completed surveys and for which country profiles were drawn up in the report. Included are the major European economies and two Nordic countries as well as the United States in addition to Japan, which allows for some interesting comparisons.

CHART
Percentage of women employees by country



Source: WEF Corporate Gender Gap Report 2010

Japan has the second-lowest percentage of female employees at 24% next to India's 23%. Only two other countries, Turkey and Austria, have percentages below 30%. At the higher end are the United States, Spain, Canada and Finland. The results for the 20 countries are found in the *Chart*. In almost all countries, there is a clear pattern across the levels of positions (entry, middle, senior management and board levels) in that female employees tend to be concentrated in entry or middle-level positions. It may be noted that in the case of Japan, most companies reported having women in only up to 10% of management positions, with only 22% of the respondents indicating up to 10% women at the board level. The profiles of other countries are more diverse, although the overall trend is the same. Female representation at the board level is poor in all countries except Norway, where the percentage of women on the board of directors is above 40% for the majority of respondents. This is due to a government regulation that mandates a minimum of 40% of each gender on the boards of public companies. Legislation aiming to increase the share of women at the board level of large enterprises is also being considered in France.

Although in total, 72% of the companies surveyed do not monitor the potential salary gaps between women and men at all, this ratio in Japan is 100% with 89% citing no gaps between male and female employees' salaries and the rest saying it is not the company's current policy to track salary gaps. However, as pointed out previously, the gender gap sub-index of wage equality for similar work does show a significant gender gap and Japan is ranked 99th on that score. The source of this discrepancy could be the particularities of the respondents, which also mean the differences in actual practice between large and smaller companies, but it would be interesting to establish the exact reason. Another interesting comparison on this point is that although France ranks even lower than Japan in wage equality, all the respondents in

France do monitor salary gaps, with 70% also implementing corrective measures, a stark contrast to Japanese respondents.

In terms of practices for the work/life balance, these vary widely across the 20 countries and the companies in the length of maternity leave and the salary rate during maternity leave. However, relatively uniform responses are seen in some European countries and the United States on one or both of these. In Norway, which leads the sample in terms of the length of maternity leave and the salary rate, 94% of its companies offer more than 40 weeks of leave and 89% pay up to 100% salary during maternity leave. In France, all the respondents pay 100% salary during maternity leave, indicating a statutory requirement, but the length of maternity leave ranges from 5-10 weeks to 20-30 weeks, with 47% offering 15-20 weeks. In Finland, while 92% of the respondents offer more than 30 weeks of maternity leave with half offering more than 40 weeks, the salary rate varies considerably across the sample. Likewise, the sample US companies offer either 5-10 or 10-15 weeks of maternity leave, but the salary rate varies greatly.

We see a very scattered pattern of responses from the Japanese corporate sector, which probably reflects the absence of enforced statutory measures. While 15% offer more than 40 weeks of maternity leave, 12% offer less than 10 with close to 70% offering either 10-15 or 15-20 weeks. The salary rate shows even wider variation with 42% paying up to 100%, but as much as 27% paying nothing, and the rest paying anywhere up to 80%. These figures suggest the presence of companies that accommodate female employees until retirement age and those that do not.

A View from Europe

It is clear that European countries have been relatively successful in closing the gender gap, including in the corporate sector. The fact that Nordic countries fare especially well suggests that market economies with robust social welfare policies have been able to make the most progress. Indeed, compared to the United States, most European countries have adopted more active policies aiming at social equity, even if these may not be especially targeted at gender equality.

We may also note that European Union (EU) policies have stressed the centrality of the European "social model." Moreover, European integration extends well beyond economic and monetary union, involving the integration or harmonization of institutions and policies affecting other aspects of the lives of EU citizens. As mobility for employment has become the norm in the EU and the European Economic Area (EEA) as a region, member countries' gender and employment policies need to converge. The convergence is towards the best performers as they are indeed EU or EEA countries. As seen in the *Table,* the fact that European countries are closing the gender gap quite rapidly suggests that this type of convergence is indeed taking place. The EU and individual European countries do formulate and implement a diverse array of gender equality policies.

At the European level, there exists a large body of European legislative texts dedicated to equality between women and men, including various treaty provisions and directives concerning access to employment, equal pay, maternity protection, parental leave, social security and occupational social security, and the burden of proof in discrimination cases and self-employment. Another current European policy measure is gender mainstreaming, i.e., integrating gender equality measures in all areas of policy. The European Commission has adopted a "Roadmap for Equality" between women and men in which objectives and actions for member governments are identified in six areas: equal economic independence for women and men, reconciliation of private and professional life, equal representation in decision-making, eradication of all forms of gender-based violence and trafficking, elimination of gender stereotypes, and promotion of gender equality in external and development policies.

It is seen in the *Table* that among the European countries, France has indeed improved its ranking and score considerably since 2006. While this may be attributed largely to the French government increasing the number of women in ministerial positions in recent years, the government has implemented over the longer term policies to facilitate female labor market participation as well as improving the fertility rate, which at one point dropped alarmingly. These included expanding public facilities for childcare from the age of 4 months, and tax measures and subsidies that made the cost of raising and educating a third child almost free. The fertility rate did recover significantly.

In the corporate sector, large French companies have pursued corporate social responsibility (CSR) measures that stress the "social" dimension, including "diversity" policies for which gender equality is a key component. For example, French cosmetics giant L'Oréal, which has implemented active diversity policies in recent years, now employs more women than men. At the company, 57% of its managers, all levels included, are female, and 36% of its management board positions are held by women. Also, half of its 23 international brands are headed by women. Outside the company, it also promotes women in science through an award scheme in cooperation with UNESCO as a part of its corporate philanthropy. While L'Oreal may be exceptional, its diversity measures as a part of CSR practices and its excellent business performance will not go without influencing other large companies.

Japan Should Act Now

Evidence abounds as to the positive contribution of gender equality in enhancing economic performance, especially when viewed from Europe. It needs to be recognized that Japan lags considerably in this aspect, both as a country and in the corporate sector. However, the country can find consolation in that it does possess a huge potential resource which it could tap quickly to save its floundering economy.

European countries as well as the EU as a region have taken active measures to close the gender gap, and the Japanese government as well as the corporate sector needs to act with determination to do the same. During the immediate postwar decades, Japan surprised the world by rapidly becoming an economic power even if its natural resources were scarce. Indeed, it is not an exaggeration to say that it was Japan that demonstrated to the world that not hard resources but talent and human capital are fundamental to economic growth. If Japan were able to achieve that growth with half its human capital, it could well work miracles again when the other half is sufficiently mobilized. JS

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