

## Article

# Poverty and Income Polarization of Married Stay-at-home Mothers in Japan

## Part II: What Drives Japanese Women to Be Full-time Housewives despite Poverty?

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### I. Why do full-time housewives choose not to work?

Poverty imposes serious disadvantages for children's outcomes in terms of nutrition, health, education, or even maltreatment. Research has shown that children of low-income families actually benefit from making use of day nurseries in their childhood. Put differently, mothers living in poverty can make use of opportunities to send their children to a day nursery and go out to work to create a positive influence on the health and education of their children in the medium to long term (Zhou 2019). Despite this, a highly significant number of women living in poverty choose to be full-time housewives in order to provide care for their children.

Figure 1 shows the reasons given by full-time housewives for not being in employment. Respondents could select up to two main reasons from responses. More than 80% of the respondents selected reasons related to childrearing (responses 1, 2 or 3). This is much larger than the proportion that selected reasons such as poor health or problems within the family (responses 4, 5 or 6), or reasons related to the availability of jobs that were suited to them (response 7 or responses 9 to 11). Among full-time housewives living in poverty, 73.1% selected reasons related to childrearing. A breakdown of their reasons (Table 1) indicates that response 1. "I want to concentrate on childrearing" (48.1%) was the most commonly selected, followed by 2. "There are no jobs that fit with my time constraints" (21.2%) and 3. "There is no childcare available" (13.5%).

A comparison of these results with those

for full-time housewives overall reveals that full-time housewives living in poverty place a somewhat lower emphasis on childrearing as a reason, and somewhat higher emphasis on factors such as health or problems within the family, as shown in Figure 1 (see further III).



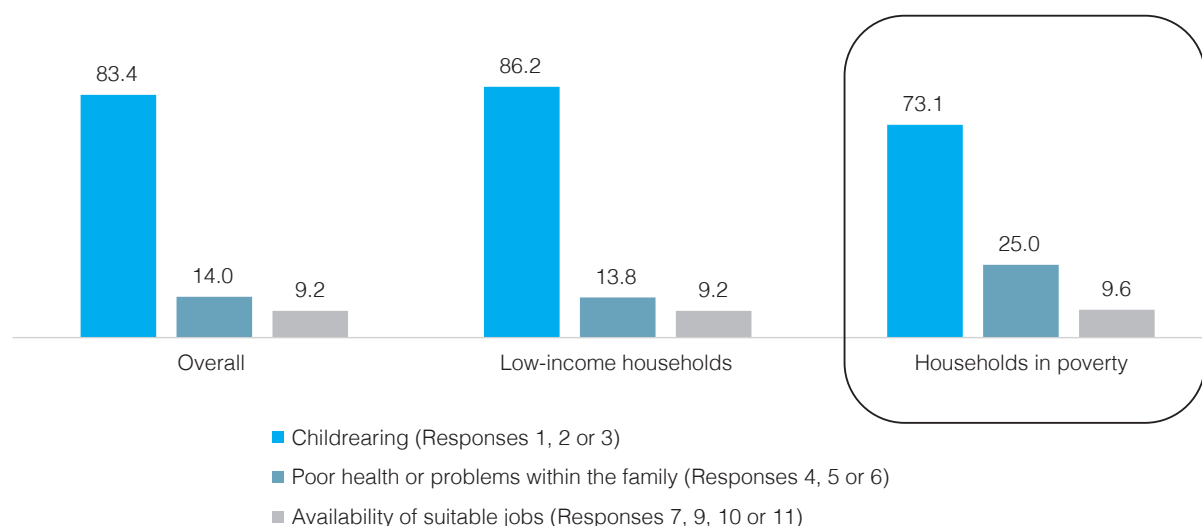
### II. Forgone benefits while choosing to be a full-time housewife

In Western countries, if a woman has opted to be a full-time housewife to care for her child, it is natural to assume that the specific reasoning for this is the high cost of childcare. In Japan, however, this does not apply. Authorized day nurseries (children's daycare centers accredited by local municipalities) account for around 90% of the market for childcare services in Japan. The out-of-pocket expense for guardians ranges between 0 and 85,000 yen (about US\$770) per month, depending on the household income, age of the child, number of siblings, and municipality of residence. Children from poor or low-income households are able to use authorized day nurseries for free or for an extremely low cost (Zhou, Oishi, and Ueda 2003). The services provided by authorized day nurseries are in fact a large in-kind income transfer for low-income families. Since the utilization of authorized day nurseries is essentially limited to working mothers, choosing to be a full-time housewife despite poverty in itself means abandoning this large income transfer.

Such behavior by Japanese women can be

**Table 1. Full-time housewives' main reasons for not working (% , MA up to 2 choices)**

|   | Overall | Low-income households | Households in poverty |
|---|---------|-----------------------|-----------------------|
| 1. I want to concentrate on childrearing                                      | 56.5    | 58.6                  | 48.1                  |
| 2. There are no jobs that fit with my time constraints                        | 25.9    | 17.2                  | 21.2                  |
| 3. There is no childcare available  | 19.4    | 25.3                  | 13.5                  |
| 4. I am unable to work due to health reasons                                  | 7.0     | 9.2                   | 13.5                  |
| 5. I am facing issues within my family  | 3.9     | 2.3                   | 7.7                   |
| 6. I have to take care of an elderly family member                            | 3.9     | 2.3                   | 5.8                   |
| 7. There is no work suited to my age  | 4.1     | 4.6                   | 3.8                   |
| 8. I have no need to work for financial reasons                               | 11.4    | 3.4                   | 3.8                   |
| 9. I don't know how to look for work  | 1.6     | 2.3                   | 3.8                   |
| 10. There is no work meeting my income requirement                            | 2.6     | 3.4                   | 1.9                   |
| 11. There is no work that will allow me to utilize my knowledge or experience | 1.0     | 0.0                   | 0.0                   |



Source to Table 1 and Figure 1: Statistics using the microdata of the National Survey of Households with Children (NSHC) conducted by JILPT in 2014 (results restricted to married women). To secure a sufficient sample size, statistics on households in poverty are computed by using both the 2014 and 2012 NSHC.

Note: "Low-income households" are households with an annual income of under 5 million yen, while "households in poverty" are those that have an equivalent disposal income that is below the poverty line.

**Figure 1. Three types of reason (from responses shown in Table 1)**

explained using the theory of "scarcity" developed by behavioral economist Sendhil Mullainathan of Harvard University. Consider how people behave when their daily lives are a struggle with various kinds of "scarcity" that push them to their limits. Arranging to place children in childcare inevitably involves many troublesome tasks, such as gathering accurate information on authorized day nurseries, narrowing down a list of day nurseries to apply for and putting together the application documents. These procedures occur in parallel with starting to look for employment and the preparation of

necessary items for job-hunting, such as a curriculum vitae and a suit to wear for interviews. The short-term "negative rewards" generated by such tasks tend to discourage proactive behavior. Typically, this leads to a decline in skills including the ability to gather information and devise ideas, and particularly the ability to develop long-term plans. For people living with scarcity, this leaves them unable to make a rational choice regarding employment, even if they know that working provides attractive "rewards." The dilemma of being a full-time housewife despite living in poverty arises because such women

are unable to overcome the short-term “negative rewards.”

### III. Full-time housewives not by choice

Of course, not all women are choosing to be full-time housewives on their own. Some women, for example, are forced into being full-time housewives due to a supply shortage of authorized day nurseries in their municipality of residence. This issue is referred to in Japanese with the term *taiki jidō* (children on waiting lists). The problem of *taiki jidō* is relatively severe in big cities where child-rearing families are concentrated (Zhou 2015). According to the 2014 National Survey of Households with Children conducted by JILPT, full-time housewives living in poverty tend to be more likely to reside in large cities than working married women. In fact, among full-time housewives living in poverty, 13% have the experience that their children were *taiki jidō* of authorized day nurseries.

Other factors that force women to be full-time housewives include their own poor health condition, problems within the family such as children’s illness, or having to care for elderly family members and so on. In the JILPT survey, 27.0% of full-time housewives living in poverty selected poor health, elderly care or problems within the family as reasons for staying at home (responses 4, 5 and 6 in Table 1).

In the case of issues related to the mother’s own mental health, extensive support is provided for regular employees to facilitate a return to work upon recovery, including in-house consultation services and leave systems. However, part-time workers may not be able to use such support, and therefore they often have no choice but to leave their employment if their health condition makes it necessary to do so.

### IV. Comparing market wages with reservation wages

In general, only a small number of full-time housewives living in poverty face unavoidable circumstances that prevent them from working even though they wish to. The great majority have actively chosen to be full-time housewives despite being able to work.

In labor economics, a wife’s choice to stay at home despite her husband having a low income is attributed to her own relatively low market wages and high reservation wages. Put simply, a woman’s choice to become a full-time housewife is the result of her potential market wages being below the lowest wage that she will accept for a job. Housewives who are less educated and have little work experience are associated with low levels of labor productivity, so they may find that the labor market only has low-paid work to offer them. Full-time housewives living in poverty are typically less educated and have little work experience. Their low level of labor productivity means that they are faced with low market wages, which prompts them to choose to be a full-time housewife. Moreover, full-time housewives living in poverty who are raising a number of children or very young children tend to have higher reservation wages, because they may feel that their time doing housework or taking care of their children is relatively more valuable.

Table 2 shows the results of estimates to investigate the kinds of factors that influence the employment probability for women with a low-income husband who is earning income below the poverty line. As can be expected, the factors that determine the wife’s market wage (education, years of social experience, having been a regular employee in her first job, holding professional qualifications) have a significant influence on the employment probability of the wife. More specifically, the probability of a wife being in employment is 26.6 percentage points higher for junior college or specialized training college graduates and 49.6 percentage points higher for university (or graduate school) graduates compared to lower or upper secondary school graduates. Moreover, in comparison with those who do not have any professional qualifications, those who have qualifications as (assistant) nurses, for example, or who hold other professional qualifications in the field of medical care and welfare have an employment probability that is higher by 24.5 percentage points and 9.9 percentage points, respectively. Furthermore, compared to women raising older children (ages

Table 2. Estimation of employment probability for women with low-income husbands (Probit Model)

|   | Marginal effect |
|---|-----------------|
| (Main explanatory variables)  |                 |
| Educational attainment:   |                 |
| (Base: Lower secondary school/upper secondary school)                             |                 |
| Junior college/specialized training college, etc.                                 | 0.2658 ***      |
| University/graduate school  | 0.4955 ***      |
| Years of social experience  | 0.1033 ***      |
| Holding professional qualifications:  |                 |
| (Base: no qualifications)   |                 |
| Only driver's license   | 0.0502          |
| Other professional qualifications   | 0.4169 ***      |
| Professional qualification in the field of medicine and welfare                   | 0.0986 †        |
| Qualification as (assistant) nurse  | 0.2452 **       |
| Having been a regular employee in her first job                                   | 0.1288 **       |
| Age of youngest child:  |                 |
| (Base: 12–17 years old)   |                 |
| 6–11 years old  | –0.4762 ***     |
| 3–5 years old   | –0.1704 †       |
| 0–2 years old   | –0.4296 ***     |
| Receiving instrumental assistance from parents                                    | 0.1828 ***      |
| Number of <i>taiki jidō</i> (children on waiting lists) in the city of residence: |                 |
| (Base: Under 50 people)   |                 |
| 50 to under 200 people  | –0.0212         |
| 200 to under 400 people   | –0.1975 †       |
| 400 people and above  | –0.1902 *       |

Source: Zhou (2015)

Note: \*\*\*  $P < 0.01$ , \*\*  $P < 0.05$ , \*  $P < 0.1$  (two-tailed test), †  $P < 0.1$  (one-tailed test)

12 to 17), women whose youngest child is younger (ages 6 to 11) have 47.6 percentage points lower employment probability. This result indicates that the value of the time spent in the home also plays an important role in a wife's work choice.

## V. The “traps” of social systems that induce women to stay at home

Preferential treatment policies aimed at full-time housewives, including tax and social security systems, have been implemented for a number of years in Japan since the end of World War II. These systems were created with the aim of reducing the burdens on households with full-time housewives, but on the other hand have the effect of reducing the opportunity costs of choosing to be a full-time housewife and raising the reservation wages of married women. These systems consequently serve

as “traps,” or factors that tempt many Japanese women to choose what is seen as the “traditional path,” in which they leave their employment when they have a child, become a full-time housewife, and return to employment in a part-time position once their childrearing commitments have settled rather than continuing their professional careers as regular employees.

### 1. The “trap” of the tax system

Over 30 years ago, the labor economist Naohiro Yashiro noted that Japan's current tax system implicitly favored households with full-time housewives (Yashiro 1983). The strongest example of this is the “tax deduction for spouses” system. Under this system, if a wife's annual earning is less than 1.03 million yen (about US\$9,500),<sup>1</sup> the tax system grants not only a waiver of her own

1. Since FY 2018 husbands with an annual income exceeding 12.2 million yen are not eligible for the tax deduction for spouses, even if the wife's part-time income is under 1.03 million yen.

income tax obligation, but also a 380,000 yen (about US\$3,500) deduction of her husband's taxable income. The wife has to pay a small amount of income tax when her earning exceeds 1.03 million, but as long as her earning is below 1.41 million yen (about US\$13,000), her husband is still eligible for a reduced amount of tax deduction, which is called the "special tax deduction for spouses" (introduced in 1987).

Under the FY 2017 Tax Reform Outline, the upper limits on a wife's income for eligibility for the "tax deduction for spouse" and the "special tax deduction for spouses" were raised to 1.5 million yen (about US\$13,800) and 2.01 million yen (about US\$18,600), respectively. This makes it easier to continue to benefit from the reduction in the husband's tax liability even if the wife's part-time income increases. Meanwhile, the amendment merely shifted the upper limit from 1.03 to 1.5 million yen, with no changes made to the underlying mechanism of the system, which continued to serve as a form of "subsidy" for full-time housewife families. In fact, by increasing the scope of eligibility for women in part-time employment to fully enjoy tax deductions for their husbands, it even led to the possibility that more women will adjust their working hours or quit their employment as a regular employee and select the path of a full-time housewife.

## **2. The "trap" of the social security system**

The current public pension and medical insurance systems also present advantages for full-time housewives and part-time working housewives. At present, for the wife of a Category II insured person (private employees and civil servants), as long as her annual earning is below 1.3 million yen (about US\$12,000), she is certified as a Category III insured person. Unlike Category I insured persons (self-employed, students, etc.) and Category II insured persons, Category III insured persons are eligible for an equal level of prospective basic pension benefits and medical insurance services but are not required to pay social insurance premiums.

On the other hand, once a wife's annual earning exceeds 1.3 million yen (1.06 million yen if she

works in a large company), her status will be automatically transferred from Category III insured person to Category I insured person. She will then be required to pay social insurance premiums, although nothing will change in relation to her prospective basic pension benefit and medical insurance services. The part-time annual income bracket of 1.3 to 1.5 million yen—where workers must pay social insurance premiums—is also known as the "red zone." Earning an income in this bracket conversely leads to lower combined net incomes for both spouses in comparison with households in which the wife works for an income that is just below the upper limit (that is, an income of 1.29 million yen). This is another "trap" created by the social security system.

## **3. The "trap" of the spouse allowance**

The "traps" are created not only by public social systems, but also by allowance schemes offered in private-sector companies. A typical example of this is the "spouse (family) allowance" that households receive from the husband's company. The Survey of Pay Rates in the Private Sector by Occupation Types conducted by the National Personnel Authority, for example, reveals that by the early 2000s, nearly 90% of private companies with at least 50 employees were providing spouse allowances. As of 2014, the average spouse allowance offered by private companies was 17,282 yen per month (about 210,000 yen or US\$1,900 annually), thus making it a significant contribution to household income.

The spouse allowance is generally paid on the condition that the spouse meets the eligibility requirements for the "tax deduction for spouse" under the tax system, or has the Category III insured person status under the social security system. According to the survey conducted by the National Personnel Authority, as of 2018, 67% of private companies with at least 50 employees have such a spouse allowance system. Of these private companies, as much as 85% have an upper limit on the income of the spouse for the allowance to be paid. Most of the companies set the upper income limit either as 1.03 million yen (66% of all companies) or as 1.3 million yen (30% of all companies) (JILPT 2016).

## VI. Policy implications

In Japan, the simultaneous recruiting of new graduates is still the dominant hiring style, and there are limited opportunities for mid-career recruitment. The decision to stay at home while raising children is thus like purchasing a one-way ticket to being a full-time housewife. Women who wish to return to pursuing a career when this becomes possible due to a reduction in their childcare commitments often find that the actual situation is not as straightforward as they had hoped it would be. Since Japan's employment society offers limited opportunities to return to a career, the key to supporting women's career development is to minimize the potential future disadvantages that exist for women when they make a choice. To achieve this, it will be necessary to pursue reforms to eliminate "traps" in the tax, social security and other such social systems, and to introduce "nudges" based on the mechanisms of human behavior.

Eliminating "traps" of social systems will require reforming the tax, social security, and income subsidy systems to ensure that they are more neutral with regard to women's work styles. Rather than simply raising the upper limits on the eligible income bracket and other such partial adjustments, the current system such as the "tax deduction for spouses" and Category III insured person scheme should be fundamentally reformed and a thoroughly new alternative system should be rebuilt.

The introduction of "nudges" entails providing people with information and experience to guide them to make better choices. The specific approaches could be (1) using big data to provide up-to-date, easily comprehensible statistical information on employment choices and future outcomes, (2) demonstrating the potential costs of being a full-time housewife and thereby encouraging people to consider their medium- to long-term prospects when making choices, and (3) providing women with small children an easy way to take a trial utilization of day nurseries.

In the future, remaining in employment and maintaining a non-interrupted career will become

a more and more attractive option for women overall. The biggest challenge is how to continue a career in the early stages of childrearing, which is a stage when most women find it extremely hard to combine work with family commitments. In response to this challenge, it is necessary to shift part of the housework and childrearing responsibility from women to other family members or to society. Encouraging more men to play an active part in tackling these commitments is obviously one of the solutions. It is also important to ensure that women who have already interrupted their careers take advantage of opportunities to return to educational institutions to refresh their professional skills in order to reenter employment smoothly.

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For discussion on the origin of the "full-time housewife" paradigm and the living conditions of stay-at-home mothers' families in poverty in Japan, see Part I "Historical Perspectives of Japanese Full-time Housewives" *Japan Labor Issues*, vol. 3, no. 15 (June 2019).

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