Human Resource Management
Labor-Management Relations
Labor Market, and Labor Administration and Legislation

What Causes the Gender Wage Gap in Japan?

I. Introduction

Japan has one of the highest levels of gender inequality among advanced countries. The Global Gender Gap Index published annually by the World Economic Forum ranks Japan at 116 of 146 countries and as the lowest of the G7 nations for the level of gender equality in 2022 (World Economic Forum 2022). Such delay in achieving gender equality in Japan is shown in the index to be most striking in the political sphere, followed by the economic sphere. In recent years achieving gender equality has also become a key issue worldwide as one of the UN's Sustainable Development Goals. In Japan, initiatives to facilitate the labor market participation and career advancement of women (josei katsuyaku; hereafter, "women's participation and advancement") have been pursued by the government as part of economic growth strategy since around 2013, and at present the demand for reducing gender inequality in the labor market has only grown stronger. In the labor administration field, efforts are concentrated on the policy that aims to reduce gender inequality by promoting the participation and advancement of women, who have typically been at the peripheries of the labor market.

The gender wage gap is the most extreme indicator of gender inequality in the labor market. While participation and advancement in the labor market are not solely limited to work that earns a high income, the fundamental principle of modern capitalist society, which emphasizes individual achievement as opposed to ascription, assumes that those who participate in the labor market and advance their careers will receive high wages. That is, with greater women's participation and advancement in the labor market, the gender wage gap would decline of its own accord. In that sense, the gender wage gap can be



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seen as the final outcome for gauging gender inequality in the labor market. This article adopts such a perspective to address Japan's gender wage gap, introducing the current developments and the latest policy interventions.

II. Gender gaps in wage curves

The gender wage gap is often based on the average wages of men and women. However, thanks in part to the progress in statistical analysis techniques in recent years, there has been increasing research efforts around the world that focus on the gaps in the distribution overall, as opposed to simply the differences in the average figures for wages between men and women. Prior research also highlights that in Japan, as in other countries, the magnitude of the gaps differs between the top and the bottom of the wage distribution (Hara 2018).

When investigating the gender wage gap by using this approach of focusing on wage distribution, two phenomena related to gender inequality in Japan's labor market must be considered. The first is the glass ceiling hampering the progress of women into higher job positions, which typically manifests as a low proportion of women in senior management positions. This means that men are more likely to secure senior job positions with high incomes, leading to a larger gender gap at the top of the wage distribution. The second is the sticky floor hindering women from making progress beyond the lower job positions in the early stages of their careers. This generally entails situations such as those in which women are only entrusted with entry-level tasks indefinitely and those in which women are promoted at a slower pace. These situations tend to lead to women remaining in lower job positions, and in turn prompt larger gender wage gaps at the bottom of the wage distribution.

It is significant to focus analysis on the wage curve, given the distinctive characteristics of the wage system in Japanese enterprises. These characteristics, as covered in detail by Nishimura (2020a; 2020b; 2020c), can be summarized as follows: Wage systems in typical Japanese enterprises are designed to pay wages according to a person's ability. As said ability is developed through longterm on-the-job training, it increases the longer the person works for an employer. This rise in wages along with increased ability (annual wage increment) leads to a seniority-based wage curve. Increased ability and thereby receiving a higher position also means an increase in wages in the form of the managerial allowance that accompanies such promotion. If, as described above, women tend to remain in lower job positions or face difficulty progressing to higher job positions compared with men, women would have a lower slope in their wage curve. Namely, as women tend not to receive the advantages of the seniority-based wage system compared with men, comparing the forms of the wage curves presents the gender wage gap more clearly.

Building on such a perspective, Figure 1 shows a comparison of the wage distributions of men and women for each age group. It draws on tabulated data from the 2021 *Basic Survey on Wage Structure*. For simplified analysis, subjects are limited to full-time workers who are university graduates, between 20 to 69 years of age and working at a large private-sector enterprise with 1,000 or more employees.¹ The wage values used for comparison are monthly scheduled cash earnings.² The wage distribution is shown by a pseudo box plot³ using the quartiles and the 10th and 90th percentiles.

Figure 1 shows an apparent increase in the gender wage gap with age, and that the rate of wage increase with age is lower for women than men. While wage distribution is highest in the 50–54 age group for both men and women, men significantly exceed



Source: Created by the author using tabulated data (available on the e-Stat portal site) from the MHLW's 2021 Basic Survey on Wage Structure.

Note: Subjects used in this figure are full-time workers who are university graduates, between 20 to 69 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 1. Gender gaps in Japan's wage curves (by age group)

women across all levels-the top, middle, and bottom-of the wage distribution. Looking in particular at the increase in wages between the 20-24 age group, in which there is no gender gap at all, to the 50-54 age group, which has the largest gender gap, women are unable to receive the advantages of seniority-based wages at either the top or bottom of the wage distribution.⁴ As, in terms of wage increase, this means that men are in a more beneficial position at the top of the wage distribution, the glass ceiling is the more prominent of the two aforementioned phenomena. It should be noted, however, that given the almost complete lack of change in wages with age at the bottom of the wage distribution for women, there are also clear indications of the sticky floor phenomenon.

There is also a rise in the dispersion of the wage distributions along with the increase in age, for both men and women. This is due to the distinctive nature of the typical structure dictating the promotion of workers in Japan, by which the pace at which workers receive promotions is slow and definitive differences only arise in the later stages of careers (Imada and Hirata 1995; Koike 1991). For men, the dispersion in wage distribution is greater in a younger age group, indicating that men rise to higher job positions earlier than women—another factor in the gender wage gap.

III. The mechanisms behind the gender wage gap: Managerial positions and years of service

A correct interpretation of the gender wage gap requires an understanding of what mechanisms are prompting such differences in wages. If wages differ directly because of gender, such gaps are naturally considered groundless (discrimination, in other words). On the other hand, if gender wage gaps are due to differences in ways of working between men and women and differences in the jobs pursued by men and women, such disparities may be considered rational. Gender inequality in ways of working and jobs can be described as gender inequality in opportunities, in the sense that the opportunities to earn higher wages differ between men and women.

Under typical Japanese employment practices,

enterprises provide education and training on the assumption that workers would remain employed long-term; emphasis is placed upon the development of a career within a certain enterprise, high wages are received by those who have continued to work for an employer for a considerable number of years and thereby have high managerial positions. Previous research over the years has highlighted that gender gaps in managerial positions and years of service are particularly significant factors of inequality of opportunity that prompt the gender wage gap (Yamaguchi 2019; JILPT 2010). In a white paper entitled Hataraku josei no jitsujo (Facts about working women) published annually since 2010, the Employment Environment and Equal Employment Bureau of the Ministry of Health, Labour and Welfare (MHLW) has built on the insights of such research to analyze factors that affect the gender wage gap. The most recent edition, 2021, estimates that while the average wage of women is around 75% of that of men, this would rise to around 85% if women were to hold the same managerial positions as men, and around 79% if women were to have the same duration of service years as men (MHLW 2021). As this indicates, the gender gaps in the distribution of managerial positions and duration of service years constitute a significant portion of gender inequality in Japan's labor market.

IV. Reducing gender inequality of opportunity in the labor market

Japan's labor policy has, over the years, implemented measures to reduce gender inequality of opportunity in the labor market. The most essential of these is the Equal Employment Opportunity Act (EEOA; Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment), enacted in 1985. The current EEOA prohibits employers from discrimination on the grounds of gender in all phases of employment management-from recruitment and hiring to assignment, promotion, education and training, and terminating an employment relationship such as those cases retirement. Even that involve discrimination on grounds other than gender but may

in effect constitute gender discrimination are prohibited as indirect discrimination. This refers to cases such as those in which being able to relocate for work is specified as a prerequisite for recruitment, hiring, promotion and change of jobs without reasonable grounds for such a condition. In Japanese society, with its still strongly rooted gender divisions of work, it is difficult for women, who are expected to look after their families, to accept job transfers that involve changing one's place of residence (relocation for work). This therefore means, for instance, that if having experience of relocating for work is made a prerequisite for promotion without reasonable grounds, many women will ultimately be at a disadvantage.

Such measures aimed at reducing inequality of opportunity also involve policies to support combining work with family life, the primary example of which is the Childcare and Family Care Leave Act (CCFCLA)⁵ enacted in the 1990s. Ikeda (2019a; 2019b) describes Japan's policies for combining work with family life. In Japanese society, where gender division of work is still firmly entrenched, many women leave their employment at the timing of life events such as having and raising children. This type of women's unique employment pattern is known as the M-shaped curve. The EEOA alone, as legislation prohibiting employers from gender discrimination, is not enough to curb such a trend of women leaving employment. This is where policy like the CCFCLA becomes essential, as it develops ways of working that allow women to combine having and raising children with work. The CCFCLA provides various forms of support for combining having and raising children with workfor example, allowing workers to take childcare leave until their child turns one year of age. In other words, the main aim of the CCFCLA is to support women to remain in employment to ensure an increase in the average years of service among women. The CCFCLA also seeks to achieve worklife balance in broader terms, as it supports workers with childcare commitments and those providing long-term care to family members.

Following the introduction of comprehensive

equality of opportunity policy in the form of the EEOA, and the support for combining work and family life provided in the CCFCLA, the year 2015 saw the establishment of the Act on Promotion of Women's Active Engagement in Professional Life (hereinafter WAPA :Women's Advancement Promotion Act). While the WAPA is often seen as a policy aimed at increasing the proportion of women in managerial positions, it is, strictly speaking, a policy to encourage affirmative action, usually called "positive-action" in Japan to facilitate the participation and advancement of women in the labor market. The current WAPA obliges private enterprises with 101 or more employees, national government ministries and agencies, and local government bodies to

- (i) ascertain the state of women's participation and advancement in their company or organization and analyze the challenges.
- (ii) formulate an action plan to solve those challenges and facilitate women's participation and advancement, and disseminate the plan within the company or organization and publicly announce it to those outside of the company or organization, and
- (iii) notify the relevant prefectural labor bureau of the action plan.

Item (i) above, in particular, requires employers to ascertain the current data for the following four categories:

- 1) the percentage accounted for by women among the workers to be employed (new hires),
- 2) the gender gap in average years of service,
- 3) the state of working hours, and
- 4) the percentage of managerial positions occupied by women.

The WAPA therefore obliges enterprises to ascertain the developments in increase in years of service and eliminating the gender gap in managerial positions the key factors behind the gender wage gap—and on that basis encourages said enterprises to take affirmative action toward women's participation and advancement.

Through such approaches, efforts are being made

across Japanese society, or labor policy if specified, to reduce the gender inequality of opportunity in the labor market. Measures are taken to support female workers to develop their long-term careers within enterprises at all stages-in the same way as their male counterparts-from improving the recruitment of women, supporting continuous employment, opportunities for education and training, and to later providing promotions to managerial positions.⁶ While such initiatives have seen some success, the present progress, in 2022, as noted at the beginning of this article, is hardly grounds for unreserved celebration. It should also be noted that the extent to which women's participation and advancement have been achieved differs from industry to industry and it would therefore be incorrect to evaluate such progress solely based on figures for the gender wage gap for the labor market as a whole. For instance, many advanced countries have observed progress in the rise in the employment rate of women along with the development of post-industrial society-the increased dominance of the service industry-from the 1970s onward (Esping-Andersen 1999). High levels of women's participation and advancement in service industries related to social welfare-such as the medical, health care and welfare, and education and learning support industries-are common in Japan, as in other countries. The Japan Institute for Labour Policy and Training (2020) suggests that the current policies for women's labor, which seek to secure in-house career development of women, may not apply well in social welfare-related service industries such as the medical, health care and welfare, and education and learning support industries, which have relatively high proportions of women workers and women in managerial positions, and in turn notes that it is important to develop frameworks for facilitating women's participation and advancement that are suited to the circumstances of each particular industry.

It is therefore important to ascertain figures by industry for gender gaps in the years of service and percentages in managerial positions. While the data and subjects are the same as those utilized in Figure 1, for the purpose of conciseness, the focus of analysis is limited to the 30–59 age group, the principal age group of workers currently pursuing careers. The industries covered are also limited to a



Source: Created by the author using tabulated data (e-Stat data) from the MHLW's 2021 Basic Survey on Wage Structure. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 2. Gender gap in years of service by age group for each industry

total of six industries: manufacturing; finance and insurance; wholesale and retail trade; scientific research, professional and technical services; medical, health care and welfare, and accommodations, eating and drinking services.

Figure 2 shows the gender gap in average years of service by age for each industry. As years of service simply increase with age, provided low numbers of persons are leaving their employment; a gender gap in years of service indicates a difference in the percentages of those continuing in their initial employment and percentages of those leaving employment. While displaying almost no gender gap in years of service across all age groups, the medical, health care and welfare industry shows shorter years of service on the whole for both men and women compared with other industries. The manufacturing and scientific research, professional and technical services industries exhibit a similar trend, and while there is nearly no gender gap in years of service at age 30–34, the growth of years of service for women aged 35 and above is somewhat short. The other three industries show a particularly significant gender gap in years of service from age 45 onward. The

notable trend regarding years of service in the finance and insurance, wholesale and retail trade, and also accommodations, eating and drinking services industries is a considerable gender gap in years of service in the mid- to older age groups.

Figure 3 shows the gender gap in the proportions of managerial positions by age group for each industry.⁷ In all industries, the proportions of managerial positions are clearly higher for men than for women. Even in the medical, health care and welfare industry, where the gender gap in number of years of service was almost nonexistent, the gender gap in proportion of managerial positions is significant in the mid- to older age groups.⁸ While the manufacturing and scientific research and professional and technical services industries were industries with relatively small gender gaps in years of service, when it comes to proportions of managerial positions, there are significant gender gaps for the former in the 45-49 age group and for the latter in the 50–54 age group. The finance and insurance industry, which had a relatively high gender gap in years of service, has the largest gender gap for the proportion of managerial positions.



Source: Created by the author using tabulated data (e-Stat data) from the MHLW's 2021 Basic Survey on Wage Structure. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 3. Gender gaps in proportion of managerial positions by age group for each industry

How does such inequality of opportunity in each industry manifest itself in the gender wage gaps in each industry? Let us address this by again drawing on tabulated data from the 2021 *Basic Survey on Wage Structure* to look at the wage curve for full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

As shown in Figure 4, there are significant differences in gender wage gap by industry. The most striking of these trends is in the finance and insurance industry, which has the largest gender gap in years of service and managerial positions, and where the gender wage gap is also the largest. In this industry, across almost all age groups, even the top of the wage distribution among women is lower than the bottom of the wage distribution for men, showing a significant split in wage distribution between men and women. The medical, health care and welfare industry likewise shows a distinctive gender wage gap as the top of the wage distribution for men shows an extreme increase along with age. Such a rise in the professional status of only a certain portion of men is an extreme example of the glass ceiling phenomenon.

In the scientific research, professional and technical services industry, while the top of the wage distribution shows a declining gender wage gap among the mid- to older age group, the bottom of the wage distribution for women shows little change along with age, indicating the sticky floor phenomena. The sticky floor phenomenon is also observed in the wholesale and retail trade industry. In contrast, the manufacturing industry show an increase in wages across the top, middle, and bottom of wage distribution, indicating that women receive the benefits of seniority-based wages; still, the gender wage gap is notable. Although in the accommodations, eating and drinking services industry the gender wage gap is relatively small, this is little cause for celebration given the low overall wage levels for both men and women.

As shown above, other than the finance and insurance industry—which presents the typical form of gender inequality, that is, a gender wage gap arising due to shorter years of continuous employment and lower proportions of managerial positions for women—the industries covered differ considerably in terms of the state of gender inequality. Gender



Source: Created by the author using tabulated data (e-Stat data) from the MHLW's 2021 Basic Survey on Wage Structure. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 4. Gender gap in the wage curve for each industry

wage gaps, and the gender inequalities of opportunity in the labor market as the mechanisms that prompt them, vary from industry to industry. Appropriate policies need to be considered in the future, taking into account the diversity of these challenges for women's participation advancement in different industries.

V. Toward further women's participation and advancement in the labor market

The provisions of Ministerial Ordinance of the WAPA was amended in July 2022: Enterprises with 301 or more employees have now also become obliged to ascertain the state of the differences in wages between men and women in their enterprises and to publicly announce such current figures. More specifically, the enterprises in question must ascertain and publish figures showing women's average wages as a percentage of men's average wages, for all workers, regularly employed workers and nonregularly employed workers respectively. These figures are, also published with a notes column for enterprises to provide supplementary explanations on the state of the gender wage gap in their enterprises. Employers are advised to use said column to provide an explanation of why such gaps arise-an employer could, for instance, provide a note indicating that their active efforts to recruit female new graduates led to a rise in the number of young women workers with low levels of wages, in turn increasing the gender wage gap.

Gender wage gaps signify a number of different issues. Rather than focusing on gender wage gaps in terms of how high or low the figures may be, it is important to understand the mechanisms that give rise to them. The government has also already called for care to be taken when publishing data on the wage differences between men and women. As seen in this article, particularly at present the stages of women's participation and advancement differ from industry to industry. Therefore, as shown by the gender gaps in years of service and managerial positions, there are various forms of gender inequality of opportunity in the labor market. The implications derived also differ depending on whether the focus is on average wages or the top or bottom of the wage distribution. The Labor Policy Council's Committee Employment Environments and on Equal Employment, which deliberated the publication of information on the wage disparities between men and women prior to the amendment of the Ministerial Ordinance of WAPA, noted its concerns about using average wages as a basis upon which to consider such differences.9 The gender wage gap as an indicator should be treated as merely one of the gauges for assessing the process of reducing this inequality of opportunity.

Will the new practice of publishing data on the differences in wages between men and women further help to facilitate the participation of women in Japanese society? The first of this data on wage differences between men and women will be based on results of the first business year to end on or after July 8, 2022, and published within around three months of the start of the following business year. The impacts of this new practice of publishing data are therefore expected to start to manifest themselves in 2023 or thereafter. While taking the aforementioned concerns into account, it is crucial to closely follow these developments in enterprises in the future.

1. In this article, "full-time workers" refers to those workers described in the 2021 *Basic Survey on Wage Structure* as *ippan* $r\bar{o}d\bar{o}sha$ (ordinary workers). For the survey, "ordinary workers" are defined as those workers who are not part-time workers, where "part-time worker" refers to workers who have fewer scheduled working hours per day, or who have the same scheduled working hours per day but fewer scheduled working days per week than full-time employees at the same place of business.

2. Scheduled cash earnings are the sum of the base pay and allowances (such as job-based allowance and family allowance) determined in the work rules and other such regulations. Allowances for overtime, late night work, or work on days off are excluded.

3. A box plot is a graph presenting the overall dispersion of the data using the four quartiles and the lowest and highest values. This box plot here is referred to as a "pseudo" box plot because of the fact that the 10th and 90th percentiles are used instead of the lowest and highest values. The quartiles are the positions at which the entire distribution is divided into four equal parts when the data points are arranged from lowest to highest. The first quartile represents 1/4 from the lowest figure, the second quartile (median) is 2/4 from the lowest, and the third quartile is 3/4 from the lowest. The data portrayed as a "box" is that which falls within the range from the first to the third quartile. In other words, half

of the cases from all data take values that fall within the range of this box. The dividing line in each box represents the median (the second quartile). The lines (whiskers) on either side of each box represent the range from the first quartile to the 10th percentile and from the third quartile to the 90th percentile respectively.

4. In the first quartile, this is around 200,000 yen for men, but less than 100,000 yen for women, and in the third quartile, this is around at least 400,000 yen for men, but around 250,000 yen for women.

5. Following the enactment of the Childcare Leave Act in 1991, the Childcare and Family Care Leave Act (officially entitled the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members) was enacted in 1995 to additionally include leave for providing long-term care for family members.

6. Japan's recent labor policies on women are closely connected with the policies for women spearheaded by the Cabinet Office's Gender Equality Bureau. The Gender Equality Bureau was in fact involved in the formulation of the WAPA.

7 "Proportions of managerial positions by age group" are calculated by dividing the number of people in positions at kachō (section heads) or equivalent and above by the total number of full-time workers for each age group respectively. Therefore, strictly speaking, this indicator differs from the percentage of women in managerial positions (calculated by dividing the number of women in positions at section heads or equivalent and above by the number of men in positions at section heads or equivalent and above) which enterprises are obliged to ascertain under the provisions of the WAPA. However, if there is an equal ratio of men to women, these two indicators mean the same. Given that the current framework for women's participation and advancement also naturally presumes the increase in the rate of employment of women, focusing on the "proportions of managerial positions by age group" would be relevant.

8. This slightly differs from the aforementioned insights of JILPT (2020). This is because the analysis in this article is limited to "university graduates working at a large private enterprise with 1,000 or more employees," and that, as noted in note 6 above, the indices adopted differ slightly.

9. The 50th *koyo kankyo kinto bunkakai* (Committee on Employment Environment and Equal Employment) of Labor Policy Council, held on June 24, 2022.

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