Evaluating the Impact of Labor Market and Pension Policies on the Rise of Elderly Female Poverty in Japan

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Keywords
women, poverty, pension, retirement, employment, labor market, gender gap, birth rates, population ageing, spousal benefits

Disciplines

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Evaluating the Impact of Japanese Labor Market and Pension Policies on the Rise of Elderly Female Poverty in Japan

Sarah Zhou (W’22)
Submitted to Professor Olivia S. Mitchell
The Wharton School

August 2020
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Keywords

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Evaluating the Impact of Japanese Labor Market and Pension Policies on the Rise of Elderly Female Poverty in Japan

I. Introduction

Japan’s economy has consistently trailed other advanced nations when it comes to female employment. Even so, the Organization for Economic Cooperation and Development (OECD, 2020) reports that there is currently a record 71% female labor force participation rate across the country. Despite this, the financial future for many women does not look promising. Demographic trends such as an ageing population paired with falling birthrates serve to increase retirement programs and social security costs, to which the Japanese government has replied with proposals to decrease benefits and increase the retirement age (Katanuma, 2020). Japan’s public pension system suffers from underfunding and is currently ranked 31st out of 37 nations by the Melbourne Mercer Global Pension Index (2019). Unfortunately for women, many lack sufficient savings to assist them with post-retirement living expenses. The wage gap in Japan is one of the largest of advanced economies: OECD (2019) statistics show that women earn 73 cents on the dollar compared to men. This wage gap is also perpetuated by policies that incentivize women to earn less than ¥1.5 million1 a year, so that their spouses can receive tax deductions of ¥380,000 (Katanuma, 2020). Thus, lower lifetime salaries for women make it especially difficult to generate high retirement savings.

Of the 3.5 million women who joined the labor force since Prime Minister Shinzo Abe entered office in 2012 and launched his “womenomics initiative, two-thirds of them are irregularly employed or part-time (Merler, 2018). Japan’s Ministry of Internal Affairs and Communications (2018) also found that over 40% of part-time working women earn less than ¥1

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1 As of this writing (August 2020), 1 Japanese Yen = 0.0094 USD, ¥1.5 million = $14,066, ¥380,000 = $3,563
million a year. These women are particularly vulnerable to age-related financial distress because they lack pension benefits, opportunities for advancement, and job security as compared to full-time employees. As such, both public and private pension systems disadvantage Japanese women.

II. Research Goals

The purpose of this research study is to evaluate Japan’s current labor market and pension policies through their impact on the elderly female population. This paper first discusses Japan’s economy and identifies the factors that contribute to the country’s climate of increasing female poverty, especially among the elderly. Next, it discusses previous government and corporate pension policies as well as current legislation. Finally, by examining existing proposals for future policy, this paper also offers recommendations on how corporations and the government can address gender disparities concerning wages, employment opportunities, and retirement savings to improve financial prospects for elderly women in Japan.

III. Economic Landscape

Japan has the third largest economy in the world with a well-educated and industrious workforce, contributing almost 6% to global GDP; it is widely regarded as one of the most technologically progressive countries (Wolf, 2020). The economy is heavily supported by manufacturing, international trade, and tourism. However, since Japan’s massive asset bubble burst in 1991, the nation has long suffered a decades-long deflationary slump characterized by slow GDP growth and mounting debts (Kambayashi, 2017).
In 2013, Prime Minister Shinzo Abe launched a three-pronged strategy to revitalize and transform Japan’s economy. The three “arrows” of Abenomics focus on fiscal expansion, monetary easing, and structural reforms with goals of increasing inflation to a target of 2%, while boosting GDP and Japan’s competitiveness in local and foreign markets (Merler, 2018). The first component of Abenomics consisted of aggressive fiscal policies, beginning with a large stimulus package totaling 20.2 trillion yen to focus on critical infrastructure projects such as building roads, bridges, and tunnels that can withstand earthquakes (McBride & Xu, 2018). The second element, unorthodox monetary policy, allowed the Bank of Japan to implement quantitative easing and push liquidity into the economy, while employing an open-ended asset purchase program to promote inflation (McBride & Xu, 2018). In 2016, the Bank of Japan also lowered interest rates into negative territory to boost lending and investment. Finally, the last prong of Abenomics emphasized structural reforms to modernize various sectors of Japan’s economy and raise the long-term growth rate of the economy. These policies included cutting business regulations and corporate taxes, supporting greater workplace diversity, and improving pensions and social security (Merler, 2018). In addition, the government mandated corporations to hire more women into leadership positions and implement broader labor reforms to dismantle Japan’s two-tier employment system of regular and non-regular workers (Kajimoto, 2018).

Reflecting on Abenomics after seven years, the policies have had mixed success. In the short term, monetary and fiscal policy stimulated the economy and promoted growth in GDP, private investments, and employment. In 2017, unemployment fell to a 23-year low just under 3% and the ratio of public debt to GDP stabilized from the record highs of years prior, ameliorating Japan’s decades-long debt problems (Panda, 2020). Consumer prices also increased, allowing Japan to escape the deflation preceding Prime Minister Abe’s 2013 term,
though still falling short of the 2% target inflation rate (Kambayashi, 2017). Despite these advancements, Abenomics’ structural reform proposals have largely failed to enact intended change. From market deregulation not being aggressive enough for investor satisfaction, to rampant workforce discrimination that denies women entry into higher-paying management positions, there is still much progress remaining towards structural reforms in Japan (Kambayashi, 2017).

Furthermore, the Japanese economy was already faltering before the novel Coronavirus began disrupting manufacturing activities in 2020. Owing to an increase in the national sales tax from 8% to 10%, the last quarter of 2019 saw an annualized 6.3% decline in real GDP from the previous quarter (Okutsu, 2020). Paired with a destructive typhoon in October 2019, a drop in consumer spending, and decreased industrial production, the Japanese economy entered its largest contraction in five years just before the Coronavirus outbreak (Okutsu, 2020). With the ongoing COVID-19 pandemic, Japan’s economy was unable to recover in early 2020 and the nation entered a recession after experiencing two consecutive quarters of negative economic growth (Panda, 2020).

IV. Gender Gap

Japan is notorious for its gender wage inequality. The World Economic Forum (2019) measures a country’s progress towards gender parity across four dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment. The World Economic Forum (2019) ranked Japan 121st out of 153 countries, making Japan’s gender gap the largest among all advanced economies, which expanded as the country slipped from its previous ranking in 111th place.
In 2013, Prime Minister Shinzo Abe’s economic reform policies included a “womenomics strategy” to address Japan’s insufficient gender parity. One of the goals specified that women would hold 30% of all leadership positions in Japanese society by 2020 (Zahidi & Eda, 2020). The government later revised its estimates in 2015, lowering to 7% of national public servants and 15% of local government officials and leadership positions in private companies (Kajimoto, 2018). In September 2018, Nikkei Research conducted a study involving 482 mid-sized and large non-financial firms in Japan and found that only one-tenth of firms had 10% or more women in management, while 75% of firms had less than 10% women in managerial positions; 15% of firms had no female leadership at all. In 2020, Japan finally achieved its goal of filling 15% of senior and leadership positions with women (Emmott, 2019). Despite this, the average woman’s lifetime income is still roughly 64% that of men (World Economic Forum, 2019). The country’s significant political gender gap further offsets its progress. With only male heads of state and women comprising a mere 10% of Lower House members of the Japanese Diet, female political empowerment in Japan is among the lowest in the world. It is also 20% behind the average across advanced economies (OECD, 2019). Moreover, only one woman serves in Prime Minister Shinzo Abe’s 18-member cabinet.

Key factors contributing to Japan’s severe gender gap include societal and cultural expectations that women take on more domestic responsibilities, and widespread beliefs that women are inferior leaders to men. These deep-rooted biases developed through the “company society system” following World War II (Kimoto & Hagiwara, 2010). Large corporations created a system of seniority-based wages and promotions for male employees, and dependency benefits for their full-time housewives and children. Firms cultivated strong work incentives for male breadwinners by providing additional benefits such as company housing, medical care, dining
services, and discounted sales of household items (Kimoto & Hagiwara, 2010). Eventually, the company society system encouraged greater numbers of full-time housewives and was immensely influential in shaping Japan’s family structure and imposing a strict sexual division of labor.

What's more, labor undertaken by Japanese women is often unpaid work and thus undocumented. On average, Japanese women engage in four times as much unpaid work (cleaning, cooking, and caring for children or the elderly at home) as do men (Rich, 2019). Consequently, women are less available to participate in the job market or work longer salaried hours. The resulting unequal distribution of unpaid work puts women at a disadvantage to pursue economic and career advancement opportunities.

Implicit biases and gender segregated career tracks also prevent women from succeeding in attaining promotion or leadership roles. Last year, Kantar and Women Political Leaders (2019) conducted a study to measure female leadership around the world, finding that only 30% of people in Japan said that they feel comfortable with having a woman as head of government and 33% with a female CEO. By comparison, 54% of people in the United States said they would feel comfortable with a female president and 61% with having a woman as CEO. In Japan, the managerial career track (sogo shoku) is largely geared towards men, while the dead-end clerical track (ippan shoku) is equated with women, leading to pronounced gaps in wages and promotions. Women make up around 82% of all non-career track roles upon joining the labor market (Matsui, Suzuki, & Tatebe, 2019). Also, in many Japanese firms, the route towards managerial promotion includes regular overtime hours that deter women from seeking career advancement. Strong traditional family roles place domestic burdens of childcare and household
chores on women in Japan; as such, they are unable to work the necessary overtime hours for promotion.

Taking a closer look at the professions dominated by gender in Japan, it is apparent that traditional gender roles pervade the workforce. In analyzing the gender wage gap among professionals, Japanese Sociologist Kazuo Yamaguchi (2018) defines Type I professions as those excluding human services such as engineering, law, and accounting, while Type II includes human service professions such as education (excluding higher education such as university professors), health care, and social work. He showed that Type I professions are disproportionately male, while women are more concentrated in Type II professions. Moreover, while there is little gender wage disparity in Type I occupations, women hold less than 2% of those jobs (Yamaguchi, 2018). By contrast, gender wage disparity is extreme in Type II professions: the average wage for women here is not only lower than their male counterparts, but also below the average wage of male workers in less desirable professions such as manual labor.

Another factor perpetuating Japan’s gender wage gap is the large proportion of women in “non-regular” or “irregular” employment. Generally in Japan, the term “regular” worker refers to an employee hired for an indefinite period of employment and who works scheduled hours (Asao, 2011). The regular worker’s term of employment is unlimited except for retirement, and these employees are covered by public insurance systems such as workers’ compensation, health care, and retirement pensions. “Non-regular” workers, by contrast, are hired on a fixed-term contract with specific job obligations and can be either part-time or full-time employees. These employees are not eligible for many of the benefits that regular workers receive. Currently, 56% of employed women age 20-65 are non-regular employees, while only 22.8% of employed men of the same age are into this category (Matsui, Suzuki, & Tatebe, 2019). In many Japanese firms,
wage premiums are rewarded based on years of employment. As such, salaries for regular employees consistently increase with age until retirement, while non-regular workers receive uniformly low wages. For many women, average wages remain stagnant from their late twenties to sixties, as many leave the regular workforce to raise children and take part-time jobs (Emmott, 2019). When these women try to return to the job market, they find that firms prioritize hiring younger employees, leaving them few opportunities for regular employment.

V. Demographic Crisis

One of Japan’s greatest structural challenges is its rapidly aging and shrinking population: the nation pairs the world’s highest life expectancy with one of the lowest fertility rates. The Internal Affairs and Communications Ministry of Japan (2019) released demographic data revealing that citizens age 65+ now make up 28.6% of the total population, projected to reach 38% by 2050. At the current rate, it is estimated that by 2030, one in every three people will be over 65, and one in every five will be over 75 (Dooley, 2019). Japan’s aging population is supported by a consistent uptick in life expectancy, from 72 years of age 50 years ago to 84 years of age today (Han, 2020). To support rising social security and retirement costs, Japan requires a sizable labor force to shoulder the burden. Japan’s current fertility rate is at 1.36 births per woman, falling short of the 2.1 fertility rate needed to replenish the population as Japanese deaths consistently outnumber births (Ingber, 2018). The number of births continues to fall year over year, meaning that fewer young people will enter the workforce to replace retiring workers and leading to estimates that the nation’s working age population will shrink by 40% in the next 60 years (IMF, 2020). By 2050, Japan’s old-age dependency ratio (proportion of elderly being
supported by an active worker) will surge to around 75% (IMF, 2020). This issue implies that each worker would need to support 1.3 elderly Japanese, inferring even greater fiscal debt.

Japan’s demographic trends are already straining the country’s public finances, housing market, financial institutions, and overall economy, with no sign of relenting. Age-related spending in the public sector for pensions and healthcare will steadily rise with the growing elderly population, while the available tax base simultaneously decreases. Japan’s shrinking population also leads to empty homes and rapid village depopulation, producing an oversupply of housing and weakening the rural housing market. Older people left behind in rural towns and villages across Japan face crumbling infrastructure and inadequate access to basic needs like groceries and healthcare services (Onoda & Bouhol, 2017). Moreover, Japan’s aging population actively plans for retirement by maximizing savings and forgoing potential investment opportunities. To raise the attractiveness of lending, financial institutions such as banks are lowering interest rates and limiting their profits (Takeo & Dormido, 2019). In terms of GDP, the International Monetary Fund (2020) calculates that the impact of Japan’s shrinking and aging population will decrease the country’s economic growth annually by 0.8% over the next 40 years.

Several factors contribute to Japan’s low fertility rate, including economic insecurity, changing lifestyles and social values, and a shortage of daycare for children. Japan’s tradition of “regular employment” where male breadwinners have dependable jobs with good benefits, regular pay raises and promotions, and job security, is being upended by a sharp increase in irregular employment across the board. Between 1995 and 2008, Japan’s regular workforce decreased by 3.8 million, while the irregular workforce increased by 7.6 million. As of 2020, around 40% of the total workforce consisted of irregular employees, and 22.8% of those
individuals were male (Fahey, 2018). The trend of rising irregular employment began in 1990 when revised labor laws permitted companies to hire more temporary and contract workers (Jones & Seitani, 2019). Firms quickly realized how cost-efficient hiring irregular employees was, compared to traditional employees, and began to rely on a larger proportion of contract workers. Men in irregular employment are not seen as desirable marriage partners because they are unable to financially support the family on their own (Semuels, 2017). Japanese women are expected to leave their jobs and take care of children once they start a family, therefore, women are encouraged to search for suitors with a reliable income. Women are also at a disadvantage in terms of economic opportunities or financial resources to raise children with their salaries. As such, the rise of irregular employees among the male workforce also lowers rates of marriage and childbearing.

In addition, many Japanese women are beginning to prioritize their careers over early marriage or motherhood. In many cases, Japan’s insufficient daycare availability and workplace discrimination and harassment against mothers discourage women from having children. The Abe administration has tried to address these problems through generous paternity leave policies, free preschool for children aged 3-5, and free nursery services for children up to age 2 from low-income families (Emmott, 2019). However, Japan currently has waiting lists of over 20,000 babies and toddlers for coveted spots in publicly subsidized childcare centers (Rich, 2019). Most families try to avoid unsubsidized, private facilities because they tend to be both expensive and overcrowded. Private centers do not have to adhere to national guidelines for the maximum number of students per instructor, and thus have reputations for lower oversight and higher negligence (Rich, 2019). Many Japanese women begin the search for daycare before their children are even born. Even so, there is simply not enough capacity for mothers to go back to
work after giving birth. Working fathers who wish to help out and take advantage of paternity leave policies are shamed by their bosses and peers for countering society’s traditional gender roles (Kimoto and Hagiwara, 2010).

In alignment with Prime Minister Abe’s “womenomics” proposals, the government has aimed to increase female workforce participation to 80% by 2021, by creating 320,000 additional publicly subsidized daycare slots (Matsui, Suzuki, & Tatebe, 2019). The government hoped that these measures would allow mothers to return to work after pregnancy and encourage more career-minded women to have children. To achieve this end, the government will need to hire 77,000 more childcare instructors (Rich, 2019). Even here, however, most of these instructors are women, who tend to be forced out of their jobs once they choose to have children of their own (Semuels, 2017). Workplace harassment against new mothers is common in all industries in Japan; however, discrimination against female daycare teachers who become pregnant is especially damaging to Japan’s goal of increasing its female workforce participation. Not only does it further decrease child care capacity and prevent other mothers from returning to their jobs, but it also discourages career-minded women from having children.

Traditional gender and family roles permeate Japanese corporate culture and firms will often require their female employees to quit once they become pregnant. Maternity leave is rarely used as intended, and employers and coworkers pressure women out of their jobs (Japan Times, 2020). Women who leave the workforce find it difficult to return to their previous profession and employers routinely pass up new mothers for younger workers. These women then must turn to alternative opportunities such as irregular employment and part-time work to take care of their young children at home. Figure 1 below reveals the percentage distribution of female employment by age group of their youngest child, showing that in 2017, only 24.7% of
all women with children were regularly employed (MHLW, 2017). In this way, a vicious cycle of workplace harassment and insufficient resources such as daycare availability reinforce Japan’s low fertility rates and compound Japan’s existing gender wage gap.

Although freeing new mothers from daycare responsibilities provide them with the option of finding employment, it is important to note that on its own, it may not necessarily increase Japan’s fertility rate. Singapore presents a clear case of the limitations in using public provision of childcare or housework to impact fertility. In 2001, Singapore introduced a robust package of pro-natalist policies that include substantial involvement on the government’s part to provide low-cost and high-quality childcare. Despite these efforts, Singapore’s fertility rate actually

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dropped from 1.41 in 2001 to 1.16 in 2018 (Tan, 2020). The low fertility rates insist that outsourcing childcare cannot substitute for the quality time spent between parents and children at home (Tan, 2020). Therefore, while expanding childcare availability can help Japan’s fertility rate, institutional support such as flexible work policies that allow parents to spend time with their kids and cultural acceptance of parental leave must also be in place to improve fertility rates.

VI. Feminization of Elderly Poverty

Japan does not have an official poverty line; however, the government does publish poverty statistics following OECD guidelines in some of its annual Comprehensive Survey of Living Conditions reports. Relative poverty as measured by the OECD (2020), accounts for those whose household income is less than 50% of the median income of the total population (Abe, 2012). By this metric, the most recent poverty statistics released by Japan shows that 15.7% of the population in 2015 live in poverty, earning less than half of the median annual income of ¥1.22 million or $11,578 (MHLW, 2016). In its 2019 Pensions at a Glance report, the OECD (2019) published that the 2015 poverty rate for women and men over the age of 65 was 22.3% and 16.2%, respectively. Poverty among elderly Japanese women became more apparent as the country’s demographic crisis worsened, partly driven by family structures moving away from the traditional male breadwinner and full-time housewife model. In the 2018 Comprehensive Survey of Living Conditions, 55.1% of elderly households responded that their living conditions were “difficult” (MHLW, 2018). With entitlement program costs surging as the nation’s population ages, the government passed new legislation in 2020 to raise the mandatory retirement age from 65 to 70 years of age while also reducing benefits for employees age 60 to
64 (Kajimoto, 2019). As of 2018, public pensions and benefits make up 61.1% of income in elderly households and 25.4% comes from working income (MHLW, 2018). Public pensions are funded through government subsidies and pension payments supplied by workers age 20 to 59 (Siripala, 2019). However, elderly households may need to soon find additional sources of income. In June 2019, the Financial Services Agency (2019) calculated that retired Japanese couples who live at least 30 years post-retirement will need an additional US$186,000 to cover living expenses and survive forecasted deficits in the public pension system.

As the public pension system falters, retired Japanese turn towards private pensions and market-based retirement investments for support. Yet, many Japanese women do not qualify for private pension benefits due to their irregular employee status and have few personal retirement savings to invest. Researchers at the Japan Institute for Labor Policy & Training (2019) have found that there is a lifetime income gap of 200 million yen (US$1.28 million) between women in full-time regular employment and those who switch to part-time employment by age 40 (Takeo & Dormido, 2019). Both the private and public sectors offer incentives for Japanese women to take on part-time work rather than pursue career tracks. For instance, the government provides a ¥380,000 ($3,133) tax credit for male workers if their spouses earn less than ¥1.5 million ($13,700) annually (Katanuma, 2020). For the same income ceiling, corporations adhering to the “company society model” also give their workers a spousal allowance. Around 84% of Japanese firms offer employees an additional ¥17,282 ($159) per month if their partner earns less than ¥1.5 million annually (Katanuma, 2020).

Married elderly women are generally more protected from poverty risks than single elderly women; nevertheless, the population of unmarried women in Japan has grown significantly and tripled since 1980 (OECD, 2019). Besides, the divorce rate in Japan has sharply
risen since 1990 before reaching a peak of 2.3 per 1,000 citizens in 2002; it now stands at 1.7 (Nippon, 2020). Figure 2 below indicates that in 2018, there were twice as many single elderly female households than single male elderly households. Even married elderly women cannot rely on their partner’s pension benefits forever; there is also an average gender life expectancy gap of 6 years (OECD, 2019). The most recent Comprehensive Survey of Living Conditions conducted by the Ministry of Health, Labor and Welfare (2018) not only found that 67.4% of all single elderly households were female (figure 3), but that those single women were consistently older than elderly men living alone.

VII. Pension Policies

The public pension system in Japan comprises two main components: the National (also known as Basic) Pension, and the Employees’ Pension (JPS, 2020). Every Japanese citizen must

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enroll in the National Pension regardless of employment or marital status. Upon turning age 65, every person who has contributed fixed premiums receives pension allowances based on their years of contribution. Currently, the monthly payment for the National Pension is ¥16,540 from April 2020 to March 2021, and the full pension benefit for retirees who have contributed at least 10 years is ¥781,700 annually (JPS, 2020). The Nation Pension separates Japanese citizens into three categories by employment and marital status (Siripala, 2019). Category 1 includes self-employed individuals, farmers, irregular and part-time workers, and the unemployed. Category 2 encompasses regular and full-time employees who are also covered under the Employee’s Pension. Category 3 consists entirely of dependent spouses such as full-time housewives of Category 2 individuals. In a 1985 pension reform, the government created the Category 3 system to move the burden of pension payments away from unemployed housewives for “the establishment of pension rights for women” and place costs on all Category 2 insureds (Kimoto & Hagiwara, 2010). Before the reform, dependent housewives could choose to opt into the Basic Pension plan and pay premiums themselves.

Households with Category 3 dependent housewives and Category 2 husbands who have worked 40 years can receive ¥3 million ($28,249) annually in both Basic Pension and Employees’ Pension benefits (NPS, 2020). When women over the age of 65 in Category 3 become widows, they receive both their Basic Pension benefit and a survivors’ allowance of 75% of their deceased husband’s Employees’ Pension benefit (Katanuma, 2020). However, the story is different for non-dependent housewives. Women in Category 1 are only eligible for Basic Pension benefits, which are insufficient to cover post-retirement living expenses on their own. Hence, these women must find other sources of income or enroll in private pensions to attain post-retirement financial security. If their husbands are also classified under Category 1,
such as self-employed or irregularly employed, then as widows, they lose their husband’s pension benefits and are ineligible to receive either a survivors’ pension or a widow’s pension (Siripala, 2019).

Differences between wages and years of employment generate drastic differences between pensions for men and women in Category 2. The average enrollment duration for a male is 35 years and 1 month, for a pension benefit of 190,000 yen per month. For women, the average enrollment in the pension system is around 25 years and 1 month, paying benefits of 110,000 yen per month (Kajimoto, 2019). If Category 2 women become widows, they must choose between accepting their own pension or opting for the survivors’ benefits totaling 75% of their late husband’s Employees’ Pension, which is usually higher.

The current pension system reflects overt preferential treatment for full-time housewives, and it contributes to upholding Japan’s traditional division of labor while perpetuating the stereotype that elderly women who live alone are widows of regularly employed male breadwinners. In the 1970s, Japan saw a significant increase among married women who worked part-time (OECD, 2019). Rather than improve women’s pension rights by permitting these part-time employed women to enroll in the Employees’ Pension, the government expanded the term “dependent” to include married women who earned less than a fixed income amount and thus, to maintain low numbers of people insured under the Employees’ Pension (Kimoto & Hagiwara, 2010). In doing so, Japan’s Category 3 pension system inadvertently disadvantages elderly women by limiting them to low levels of individual pension benefits, and it also places working women with non-regular employment status at higher risks of poverty through exclusion from the Employees’ Pension.
Japan’s Category 3 pension system is also reinforced by similar preferential treatment towards “dependent” women in the tax system. Japanese households can receive spousal income tax deductions of ¥380,000 if their spouse earns less than 1.5 million yen annually (Jiji, 2020).

Thus, wives with high-earning husbands can intentionally lower their working hours so that their wages do not exceed the income-tax-free threshold (Abe, 2012), though in the long run it would be more advantageous for the wives to work longer and gain entry to the Employees’ Pension.

Table 1 below presents the findings from the 2017 Employment Status Survey on the proportion of irregular workers by gender who adjust their working hours and days to remain under an income level (Statistics Bureau of Japan, 2017).

<table>
<thead>
<tr>
<th>Whether adjusting working hours and days</th>
<th>Population</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>Total</td>
<td>Adjusting working hours and days</td>
</tr>
<tr>
<td>Both sexes</td>
<td>21,325.7</td>
<td>5,585.7</td>
</tr>
<tr>
<td>Less than 0.5 million yen</td>
<td>2,271.2</td>
<td>441.2</td>
</tr>
<tr>
<td>0.5 to 0.99</td>
<td>6,084.0</td>
<td>2,768.1</td>
</tr>
<tr>
<td>1 to 1.49</td>
<td>5,021.5</td>
<td>1,838.3</td>
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<tr>
<td>1.5 to 1.99</td>
<td>2,654.6</td>
<td>210.9</td>
</tr>
<tr>
<td>2 to 2.49</td>
<td>2,435.5</td>
<td>152.0</td>
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<tr>
<td>2.5 to 2.99</td>
<td>1,044.1</td>
<td>64.3</td>
</tr>
<tr>
<td>3 to 3.99</td>
<td>993.4</td>
<td>53.5</td>
</tr>
<tr>
<td>4 to 4.99</td>
<td>333.1</td>
<td>18.5</td>
</tr>
<tr>
<td>5 million yen and over</td>
<td>293.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Male</td>
<td>6,677.6</td>
<td>949.4</td>
</tr>
<tr>
<td>Less than 0.5 million yen</td>
<td>632.2</td>
<td>97.2</td>
</tr>
<tr>
<td>0.5 to 0.99</td>
<td>1,184.4</td>
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<td>1 to 1.49</td>
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<td>1.5 to 1.99</td>
<td>918.3</td>
<td>93.9</td>
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<td>2 to 2.49</td>
<td>1,016.8</td>
<td>82.1</td>
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<td>2.5 to 2.99</td>
<td>553.5</td>
<td>42.0</td>
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<td>3 to 3.99</td>
<td>643.8</td>
<td>38.3</td>
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<td>4 to 4.99</td>
<td>248.2</td>
<td>15.9</td>
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<tr>
<td>5 million yen and over</td>
<td>240.2</td>
<td>8.7</td>
</tr>
<tr>
<td>Female</td>
<td>14,648.0</td>
<td>4,636.3</td>
</tr>
<tr>
<td>Less than 0.5 million yen</td>
<td>1,639.1</td>
<td>344.0</td>
</tr>
<tr>
<td>0.5 to 0.99</td>
<td>4,899.6</td>
<td>2,420.6</td>
</tr>
<tr>
<td>1 to 1.49</td>
<td>3,885.7</td>
<td>1,620.6</td>
</tr>
<tr>
<td>1.5 to 1.99</td>
<td>1,736.8</td>
<td>117.0</td>
</tr>
<tr>
<td>2 to 2.49</td>
<td>1,348.7</td>
<td>69.9</td>
</tr>
<tr>
<td>2.5 to 2.99</td>
<td>490.5</td>
<td>22.2</td>
</tr>
<tr>
<td>3 to 3.99</td>
<td>349.6</td>
<td>15.2</td>
</tr>
<tr>
<td>4 to 4.99</td>
<td>84.8</td>
<td>2.6</td>
</tr>
<tr>
<td>5 million yen and over</td>
<td>53.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Table 1: Population and Ratio of Irregular Staffs by Sex, Income and Whether Adjusting Working Hours and Days - 2017

Figure 4 below, as published by the Statistics Bureau of Japan, revealed that an overwhelmingly majority of women intentionally lowered their working hours and days to maintain low income levels, despite being irregular workers and thus, already receiving minimal pay.\(^6\)

![Figure 4: Ratio of Persons Adjusting Working Hours and Days to Irregular Staffs by Sex and Age - 2017](https://www.stat.go.jp/english/data/shugyou/pdf/sum2017.pdf)

Also, by placing downward pressure on part-time salaries, non-regular workers who are not incentivized by spousal taxation or pension benefits stand to lose the most. Non-regular workers often meet the legal wage and working hours requirements for enrollment into the Employees’ Pension; however, because they are classified in Category 1, they are denied entry. In 2006, the Ministry of Internal Affairs and Communications found that almost 2.7 million employees who qualify for enrollment were not covered under the Employees’ Pension (Japan Times, 2019). Of those non-regular workers, over three-quarters were female who were restricted to relying upon the Basic Pension after retirement, and subsequently, received lower income and faced higher poverty risks.

VIII. Pension Reform

In March 2020, the Japanese government proposed reforming the public pension system to gradually expand eligibility for the Employees’ Pension and include a range of non-regular and part-time workers. Currently, the pension revision applies to companies with 501+ employees: it will extend to companies with 101+ workers by October 2022, and to companies with 51+ workers by 2024 (Jiji, 2020). This measure is expected to increase the number of eligible workers enrolled in the Employees’ Pension by 650,000. As greater numbers of elderly continue to work rather than retire, the government will reduce pension payments for high-income elderly employees and implement a new system that increases the benefits for elderly workers who remain employed after age 65. Currently, Japanese employees age 60-64 may receive benefit reductions if their combined wages and pensions surpass 280,000 yen per month, however, the government plans to increase the income ceiling to 470,000 before any reductions take place (Jiji, 2020). For both the National Pension and the Employee’s Pension, the upper age limit to begin receiving allowances has been raised from 70 to 75 and those who become pensioners later will be provided higher monthly benefits (Japan Times, 2020). Finally, unmarried single low-income parents will be exempt from paying pension premiums for the National Pension.

IX. Enhancing Older Japanese Women’s Economic Security

Given Japan’s mix of demographic, economic, and gender-parity challenges, there are many policies the government and corporations could implement to improve financial prospects for elderly women.

1. Expand Employment Contracts
Japan’s rigid labor contract system where employment is either regular or non-regular limits women from career opportunities post childbirth and perpetuates the nation’s extreme gender wage gap. Employers are disincentivized to hire workers mid-career on the same conditions as a regular employee who began their career at the firm because it would interrupt the firm’s seniority promotion practices. Therefore, most women are only able to find non-regular employment when returning to the workforce. The Japanese government introduced a “limited regular worker” contract to address this issue; however, it has not been widely adopted by employers due to unclear legal issues regarding severance terms (Matsui, Suzuki, & Tatebe, 2019). Another option proposed by the American Chamber of Commerce in Japan is to implement a more flexible regular employment contract where employers can terminate a worker’s employment as long as the worker is compensated with severance pay based on his or her years of service.

2. Standardize Gender Equity and Diversity Reporting for Corporations

In 2015, the Japanese government began to require both the public and private sectors to report gender diversity information and action plans within the organization (Ministry of Internal Affairs and Communications, 2015). Yet these organizations are granted autonomy to select which type of data to disclose, thereby creating a challenging environment to compare across industries or companies. There are also no penalties if organizations fail to comply and refuse to disclose their gender-diversity practices. Therefore, the government should make gender equity and diversity reporting mandatory for all organizations and standardize the data that is reported, such as the proportion of female leaders or new hires. Fines can serve as a penalty for corporations that do not
comply with reporting diversity measures on a standardized template. This measure will help hold corporations accountable for their progress towards greater gender diversity and also increase competition for female talent.

3. **Expand Daycare Capacity through Partnerships with Private Facilities**

   With rising demand and limited supply problems in publicly subsidized childcare capacity, the government is trying to expand daycare availability by 320,000 spots (Rich, 2019). To address the shortage in the interim, the government should partner with private daycare facilities to provide parents with alternative options. Currently, private daycare facilities have reputations for being overcrowded because they are not required to meet national teacher-to-student ratio standards. Thus, new mothers who cannot get off the 20,000-child waitlist for public centers would rather stay at home and raise their children than risk negligence at a private facility (Rich, 2019). The government could step in and “approve” private childcare centers that meet national requirements, so that parents have the option to safely send their children to private facilities. While it is not entirely clear that increasing childcare capacity will significantly improve Japan’s fertility rate, these measures can directly impact and better women’s financial prospects by allowing them to rejoin the labor force. This proposal may be challenging for Japan’s government to accurately maintain, as it requires government officials to consistently check in with private daycare facilities across the nation and inspect that they are following national guidelines. It may be more realistic for the government to partner with a select few private centers and entrust them to accurately report their teacher-to-student ratios.

4. **Encourage Female Participation in STEM Education and Careers**
More Japanese women attend university than men; nevertheless, they only account for 18% of engineering and 20% of computer science majors (Yamaguchi, 2019). STEM careers in Japan are disproportionately male dominated, with women comprising only 2% of non-human service professions such as engineering, law, and accounting. Gender wage disparity is much lower in STEM professions than in human-service professions such as education, social work, and healthcare, where women consistently make 25% less than their male counterparts (Yamaguchi, 2019). Therefore, policymakers should encourage more girls and women to pursue STEM-related education and career paths. Actionable items can include introducing STEM programs for female students in middle and high schools as well as creating STEM certification programs for women returning to the workforce to enroll in. This proposal is another one that requires significant investment and resources as STEM-focused programs would need educational materials and certified instructors to introduce students to the content. Therefore, this proposal would be best introduced and implemented when Japan recovers from its current economic distress.

5. **Reform Tax System**

The nation’s tax system should be revised to eliminate spousal tax deductions, so that married women are encouraged to find full-time employment with higher wages. The government can also replace taxing households by family income with individual income instead to increase female employment. The government can also offer corporations tax incentives to boost mid-career recruitment and training of unemployed spouses.

6. **Readjust Pension Systems**
Japan’s current pension system encourages women to play the role of dependent housewives and lower their lifetime income to receive spousal benefits. Without reform, married women will continue to hold low status within the labor market. The pension system also penalizes single and self-employed women as well as working couples, because they pay the same pension premiums as a married male breadwinner without receiving any additional spousal benefits (Katanuma, 2020). Therefore, the pension system must be readjusted to obtain livable benefits for women regardless of their marital, employment, or potential husband’s employment status. Approaches include increasing the income threshold, decreasing spousal benefits, or a combination of both. Overall, by reducing the National Pension allowance for full-time housewives, women are more incentivized and encouraged to join the workforce. Another strategy could require Category 3 persons to pay low pension premiums, such as 50% of the fixed premium, to receive National Pension benefits.

X. Conclusion

Admittedly, Japan’s government is experiencing severe fiscal difficulties and the economy was already mired in recession prior to the coronavirus pandemic. Japanese funds are scarce as 40% of the nation’s GDP have already been allocated towards fiscal stimulus in response to COVID-19 (IMF, 2020). In the current environment, improving labor market and pension policies are most likely not on the forefront of the Diet’s agenda. Of the recommendations above, some are more resource-intensive and require more funds than others. Therefore, it is most practical for the government to consider less resource-intensive proposals first, such as defining more flexible labor contracts or releasing a standardized gender diversity
reporting template for corporations. However small or large the policy change, any step towards improving the financial outlook for women post-retirement will ultimately help Japan ameliorate this social issue.

Several factors contribute to Japan’s growing population of elderly women in poverty. From the labor market to demographic trends to societal expectations, women are at a steep financial disadvantage and face difficulties in saving for post-retirement living. Japanese public and private pension systems place women at high risk for poverty in old age, especially if they do not or can no longer rely on a breadwinner spouse. By reforming multiple aspects of Japanese society and increasing economic opportunities for women, Japan can assist its vulnerable elderly female citizens in achieving financial security.
Bibliography


