How to Fix Japan's Labor Market

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Abstract
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Keywords
Female labor force participation, Japan, USA, Sweden

Disciplines
Economic Policy | Policy Design, Analysis, and Evaluation | Policy History, Theory, and Methods | Public Policy

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How to Fix Japan’s Labor Market
An International Comparison of Policies Affecting Female Labor Force Participation

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Submitted to the Philosophy, Politics, and Economics Program at the University of Pennsylvania in Partial Fulfillment of the Requirements for Honors.

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ABSTRACT

In the decades that followed World War II, the Japanese economy grew at a surprising rate, placing the nation among the ranks of the most developed in the world. Nonetheless, women – particularly married women – were largely confined to positions outside of the labor market due to traditional gender norms and subsequent lack of opportunities. While the absence of half of the Japanese population was negligible in eras of high growth, it is no longer a healthy option for an aging Japanese economy that has been struggling with deflation for fifteen years. Structural reform is needed, and more women must be invited to be active participants in the labor market. This paper studies the status quo of female labor force participation in Japan and compares its family policy, taxation, and flexible working arrangements to those of Sweden and the United States to draw meaningful policy recommendations for Japan. It is clear that Japanese policy falls short of correcting existing gender norms and policy must be reformed so that it reflects a more egalitarian stance.
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1. Introduction

At the Annual Meeting of the World Economic Forum in 2014, Japanese Prime Minister Shinzo Abe presented an overview of his program for economic reform, known as Abenomics. Abenomics aims to lift Japan out of chronic deflation and ensure long-term economic growth through the workings of “three arrows”: monetary easing, fiscal stimulus, and structural reform. As part of structural reform, Prime Minister Abe hopes to integrate more women into the Japanese labor force. His goals include increasing female representation in leadership, increasing female labor force participation, and increasing the percentage of women returning to work after childbirth. Thus far, female labor force participation in Japan has risen since the introduction of Prime Minister Abe’s reforms (Tahara-Stubbs, 2015). Nevertheless, there is widespread skepticism about the efficacy of Abenomics – largely because the increases in female labor force participation are in part-time employment as opposed to full-time employment (Ganelli, 2014).

Given Japan’s commitment to greater gender equality in the workplace, research on policies affecting female labor force participation is timely and important. The purpose of this paper is to conduct an international comparison of policies affecting female labor force participation and to identify policy recommendations for Japan. To briefly summarize the key findings of the study, Japan can increase its female labor force participation by providing more generous family support policy, eliminating provisions in the tax code that subordinate spouses, and addressing the lifetime employment system.
2. Background

2.1 Japan consistently lag behinds other developed countries in terms of gender equality in the workplace

Japan has consistently lagged behind other developed nations in terms of gender equality in the workplace. Below are indicators of such gender inequality.

*Japan’s female labor force participation rate in comparison to OECD countries*

According to OECD data from 2013, Japan’s female labor force participation rate was 71.3%, falling behind a majority of the G-7 nations. Sweden, on the other hand, leads the group with female labor force participation rate of 80.7%. Another anomaly is the United States, which has a female labor force participation rate of 70.6%, falling behind its reputation as a world leader.

![Female Labor Force Participation Rate](image)

Figure 1: Female Labor Force Participation Rate of 16 OECD Countries, 2013 (Source: OECD Database)

While the numbers are different, the World Bank and International Labor Organization data demonstrate a similar trend. Japan’s female labor force participation
lags behind that of other developed nations at 48.9%. This number is particularly startling, reflecting the participation of less than half of the female working age population of Japan.

Figure 2: Female Labor Force Participation Rate of 16 OECD Countries, 2013 (Source: International Labor Organization Database)

It is important to discuss the discrepancies between the data from the OECD and the World Bank and the International Labor Organization. The differences in the female labor force participation rates were a result of divergent definitions for various indicators. Both organizations have the same definition for female labor force participation rate: “labor force divided by the total working age population.” Thus, it appears that the OECD and ILO have different underlying population data. The definitions for other indicators required for the calculation of the female labor force participation rate for the OECD are as follows:

a. Total population – all nationals present in, or temporarily absent from a country, and aliens permanently settled in a country. For 2012, the total population of Japan was 128 million. 2012 is the most recent year for which total population data is
available for the OECD. The total population of women for the same year was 65 million.

b. Working age population – those aged 15 to 64. The OECD database represents the working age population as a percentage of the total population. In 2012, the working age population was 62.87%. In 2013, the working age population as a percentage of the total population was 62.07%.

c. Labor force – all persons who fulfill the requirements for inclusion among the employed (civilian employment plus the armed forces) or the unemployed. For 2013, the total labor force for Japan was 110,826,700. The size of the female labor force for Japan was 57,358,300 in 2013.

On the other hand, the definitions for other indicators required for the calculation for the female labor force participation rate for the ILO are as follows:

a. Total population – persons of all ages who were living in the country during the reference period, regardless of residency status or citizenship. There is no data available for the total population in the ILO database.

b. Working age population – all persons above a specified minimum age threshold for which an inquiry on economic activity is made, commonly defined as persons aged 15 years and older. The total working age population for Japan was 110,975,800 in 2012 and 110,875,000 in 2013. The total female working age population for Japan was 57,423,300 in 2012 and 57,382,500 in 2013.

c. Labor force – all persons of working age who furnish the supply of labor for the production of goods and services during a specified time-reference period, sum total of employed and unemployed. The size of the total labor force for Japan was
65,769,200 in 2013. The size of the total female labor force for Japan for the same year was 28,040,000.

The differences in the data for the working age population and labor force are striking. The ILO female labor force of Japan in 2013 is half of the OECD calculations for the same year. Therefore, it is evident that there are differences in how the OECD and ILO view the total population, the working age population, and the labor force, which subsequently give rise to different labor force participation rates. Nonetheless, the focus here should not be the discrepancies between the female labor force participation rates, but rather the fact that the Japanese female labor force participation rate significantly lags behind other advanced democracies.

*Trends in Female Labor Force Participation Rates since the 1940s*

How have female labor force participation rates changed over time? According to the Population Census data from 1947 to 1995 and the Labor Force Survey data from 2000 to 2010 available on the ILO database, female labor force participation rates have been stable across time. The noticeable dip in 2000 was largely a result of the transition from Population Census data to Labor Force Survey data than actual changes in the female labor force participation rates. The static nature of female labor force participation rate in Japan despite the introduction of legislation such as Labor Standards Act of 1947 and Child Care Law of 1991 indicates the need for greater government intervention in both the public and private sectors to realize change and harness the human capital currently out of reach.
In all 16 OECD countries, the female employment rate is lower than the male employment rate. Even in terms of employment rate, Japan lags behind other countries. Furthermore, there is more reason for concern given that the Japanese male employment rate is the highest at 80%, thus demonstrating the greater gender inequality in the Japanese workplace. Sweden and the United States both demonstrate a very narrow gap between employment rates of men and women. The Swedish picture is more desirable, however, given that the employment rates of both men and women are higher at 76.3% and 72.5% respectively.
The concern for gender equality is not limited to the female labor force participation rate. The type of employment – full-time or part-time – makes a difference in the lives of women through earnings, health insurance, parental and sick leave, and other fringe benefits. Thus, it is not only important that more women are engaged in market work, but also involved in full-time employment. Currently, 35.2% of women in the Japanese labor force are engaged in part-time work (Ministry of Internal Affairs and Communications, 2012). Additionally, women make up 48.9% of part-time employment, which is low compared to other OECD countries as can be seen in Figure 5. Nevertheless, there is no room for complacency as the percentage of women in part-time employment has increased (33.7% to 35.2%) as the percentage of women in full-time employment decreased (44.7% to 42.5%) from 2007 to 2012 (Ministry of Internal Affairs and Communications, 2012). This statistic indicates that women may lack the opportunities to pursue full-time employment and are crowded out to part-time employment. The lifetime employment system unique to Japan and Korea could explain
the crowding out effect of women, especially as they return from childbirth. I will discuss the lifetime employment system in greater detail as I discuss policies for flexible work arrangements.

Figure 5: Females as a share of part-time employment, 2013 (Source: ILO Database)

Occupational segregation by gender

Thus far, I have studied the segregation of women into different types of jobs – full time and part time. Now I turn my attention to occupational segregation by gender. Across all societies, occupational segregation by gender is an inevitable, ugly reality. Occupational segregation comes in two forms: horizontal segregation, where women and men are employed in different occupations, and vertical segregation, where women and men are employed in different positions within the same occupation (Anker, 2001). Occupational segregation of gender is detrimental to women for various reasons: it affects how men and women see women, which in turn affects women’s status and income, and subsequently other important life variables such as mortality, morbidity, and income inequality (Anker, 2001). Occupational segregation by gender is another
issue that must be addressed if any society seeks to achieve gender equality in the workplace, especially if the segregation is not the result of the decision of the women themselves.

Comparing the data available from the ILO Database, it can be seen that the case of horizontal occupational segregation by gender in Japan is not very divergent from that of Sweden. More women in both Japan and Sweden tend to work in occupations of clerical support and service and sales, while less in occupations of agriculture, forestry, and manufacturing. Nonetheless, there is a significance difference that indicates Sweden’s superiority in gender equality – the gap between men and women in managerial occupations is very small, and there are more women in professional occupations than are men. This, along with evidence of vertical occupational segregation to be explained below, demonstrates that there are not enough women in management or full-time career tracks in Japan, which could contribute to the creation of a negative feedback loop: women do not see role models to follow in professional and managerial occupations, thus they feel discouraged from entering such occupations, which leads to further segregation as women seek positions in which they can easily identify a pipeline. Government intervention through policy could engender change in occupational segregation by gender, which would contribute to the achievement of greater gender equality in the Japanese workplace.
Having studied horizontal occupational segregation, I now turn to vertical segregation. Given the career and employment women find themselves in, are they given opportunities to advance and acquire managerial positions? Additionally, do
women have adequate role models to look up to in the professional world? According to the Global Gender Gap Index Report published by the World Economic Forum, there are very few women in management in Japan. In the most recent version of the report published in 2014, there was no data available for Japanese firms with female top managers, nor was there any data available for firms with female participation in ownership. The data that was available was dismal: the share of women on boards of listed companies was 4%. The lack of women in management is corroborated by the data presented by Steinberg: women managers make up less than 10% of all managers (Steinberg, 2012). The silver lining for Japan was that the ability of women to rise to positions of enterprise leadership was 4.5 on a 1-to-7 scale (Global Gender Gap Report 2014). This is positive in light of the fact that the ability of women to rise to positions of enterprise leadership was 4 in 2013 (Global Gender Gap Report 2013).

In contrast to the situation in Japan, the picture for Sweden and the United States are brighter. The share of women on boards of listed companies in Sweden is 17%, more than four times that of Japan. The share of women in management in the US is similarly high at 10% - almost three times the share of women in management in Japan. Furthermore, the ability of women to rise to positions of enterprise leadership in Sweden and the US are both higher at 5 (Global Gender Gap Report 2014).

**Gender wage gap**

The gender wage gap in Japan further corroborates the precarious position of women wage earners. Looking at the total gender wage gap based on median male earnings, Japan comes second only to Korea at 26.5%. Estévez-Abe looked at the gender wage gap in the top and bottom quintiles to confirm that the gender wage gap
in Japan comes second only to Korea, demonstrating a significant and persistent lag in gender equality in the Japanese workplace (Estévez-Abe, 2013).

![Figure 8: Total gender wage gap of 12 OECD countries, represented as % of median male earnings, 2012 (Source: OECD Database)](image)

**% of median male earnings**

Japan is not only underutilizing women in general, it is underutilizing a good proportion of its most talented and educated women. Unlike other developed nations that boast female employment of 70 to 90% of women who have completed tertiary education, Japan only employs 67% of its most educated human capital.
In order to identify the particular subgroups for which policy can affect labor force participation, it is important to analyze the data in terms of age as well. Edwards examined the age profile of the female labor supply in Japan in 1984 and concluded that it followed an M-shaped curve. That is, women’s labor force participation dropped dramatically in prime childbearing years, creating a dip in the middle (Edwards, 1988). The dip was prominent in 1984 with female labor force participation rate of 52% for women aged 25 – 34 compared to 72.4% for women aged 20 – 24 and 68.1% for women aged 40 – 44. While recent data demonstrates that the dip in female labor force participation rate has decreased in size with time, the female labor supply of Japan still maintains an M-shape. Furthermore, Matsui demonstrates that the M-shaped curve is a unique feature to the Japanese and Korean labor supply (Matsui, 2010).
curve is not evident in the female labor supply of both Sweden and the United States (Figure 11). Thus, it will be important to create policy that accommodates the needs and desires of Japanese women who are trying to fulfill the dual roles of wage earners and wives or mothers to realize greater female labor force participation. Policy comparison between Sweden and Japan will be particularly useful in identifying ways Japan can enact policy that is favorable to women in their prime childbearing years.

Figure 10: Age Profile of Japanese Female Labor Supply 2007, 2012 (Source: Employment Status Survey 2012, Ministry of Internal Affairs and Communications)
Figure 11: Age Profile of Female Labor Supply of Japan, Sweden, and the United States in 2012 (Sources: Employment Status Survey 2012 by Ministry of Internal Affairs and Communication, US Bureau of Labor Statistics, OECD Database)

*Target Area for Increased Female Labor Force Participation in Japan*

Given the data, it is clear that Japan is behind other developed countries in achieving greater gender equality in the workplace. It especially fails to engage women who have completed higher education and women in their prime childbearing years.
2.2 Previous Studies on Female Labor Force Participation

Before discussing previous studies that have explored the factors affecting female labor force participation, it is important to establish the significance and desirability of gender equality. Gender equality is valued for two main reasons – as a means to an end and as an end in and of itself. First, it is widely recognized that greater gender equality can enhance economic productivity and improve development outcomes. There are three processes by which gender equality begets greater economic growth. First, by giving women the same access to resources as men and better allocating skill and talent, women’s skills can be harnessed to boost overall productivity. Second, by enabling women to take better control of household finances through women’s earnings or cash transfers, changes in spending that benefit children can be realized, enhancing a country’s growth prospects. Finally, by empowering women as “economic, political, and social actors”, institutions and policy will change in manners that are more representative of women and children (Revenga & Shetty, 2012; 41). Furthermore, gender equality is valued in its own right. Sen argues “development is a process of expanding freedoms equally for all people – male and female” (as cited in Revenga & Shetty, 2012; 41).

Japan has a particular interest in gender equality in the workplace – greater female labor force participation – as a means to ensure economic growth. Japan faces an acute demographic crisis caused by low fertility rates and an ageing population. Matsui predicts that the overall Japanese population will shrink by 10% by 2030, and as much as 30% by 2055. By 2055, the proportion of the elderly will double from 20% to 40%, and the working age population will decline by half, assuming no change in current fertility or immigration trends (Matsui et al, 2010). Prime Minister Abe also recognizes the challenges of a declining population, having raised the issue in his
speech at the World Economic Forum in 2014: “Japan is becoming a super-ageing society, even as the number of children is falling... female labor force in Japan is the most under-utilized resource” (Abe, 2014). Therefore it is in Japan’s economic interest to increase female labor force participation; hence greater gender equality in the workplace is desirable, if not necessary.

Having discussed the significance and desirability of gender equality in the workplace, I now turn to an overview of previous studies on female labor force participation. Current literature on female labor force participation, especially that of married women, is grounded on the theoretical framework uncovered by Mincer. Prior to Mincer, it was standard to assume that 1) leisure was a normal good, 2) there was a two-way decision between leisure and work, 3) amount of work provided by an individual was determined by the aggregate effects of the income and substitution effects. Thus, labor supply was backward bending for both men and women. However, Mincer accurately demonstrated that labor supply and the decision to engage in market work was different for women. Rather than a dichotomous work-leisure decision, women had to choose from among leisure, market work (paid), and housework or family chores (unpaid). Furthermore, the relevant income variable for the decision regarding labor was not the individual’s market earnings, but rather total family income (Mincer, 1962). Mincer thus opened the doors to considering a wider range of factors that contribute to the woman’s decision to engage in market labor, particularly those that affect unpaid work in the household.

Long, a contemporary of Mincer, recognizes Mincer’s novel contributions to the analysis of the relationship between real income and labor force participation. His studies reveal the importance of unpaid work in the market labor decision of a woman. Factors that affect household work such as the declining burden of housework,
declining hours of work in office and factory jobs that allow women to perform the dual roles of wage earner and wife or mother, and the opening of new opportunities, as well as rising wages and improved education have a significant bearing on female labor force participation (Long, 1962).

Current literature on female labor force participation has expanded Mincer’s foundational work. The acceptance of the three-way choice between leisure, paid work, and unpaid housework or family chores has led to an increased focus on affecting the relationship between market work and housework. The understanding of two income variables for the woman’s decision to work – individual’s earnings and total family income – have led to an increased focus on the need to consider multiple types of income. Various scholars have addressed the factors that may affect incentives for unpaid housework, including family structure (Sasaki, 2002), childcare policies such as parental leave and subsidies (Abe, 2013; Waldfogel, 2001; Xuan, 2013; Waldfogel, 1999), and taxation (Xuan, 2013; Matsui, 2010).

Most notably, a study published by the Organization for Economic Cooperation and Development (OECD) in 2004 adequately summarizes popular literature regarding policies to increase female labor force participation. In order to achieve greater female labor force participation, policy should provide flexibility of working time arrangements to help women combine market work with household activities, family taxation to affect the earnings of women outside of the home and thereby influence the decision between paid work and unpaid work, and support to maintenance and care of children (OECD, 2004). Given that Japan fails to adequately harness its most talented women and women in their prime childbearing years, it is most pertinent to identify policy that increases the incentives for market work and allows the reconciliation of the various roles of a woman. Therefore, this paper will analyze the policies affecting
female labor force participation in Japan, Sweden, and the United States according to the three broad categories of policy outlined in the OECD study.
3. Policy Options

3.1 Family Support

It is evident that greater family support has a positive effect on female labor force participation rate. Given that the responsibility of childrearing is universal across the world, it would be insightful to compare different types of family support offered by different nations in order to understand how policy should be formulated so that it may have the greatest impact. Waldfogel identifies three policy options available to governments to support families, particularly in the realm of childcare. First, governments can enact parental leave policies providing parents employed before childbirth some time off from work to care for the child themselves. Parental leave policies include maternity, paternity, and parental leave. Second, governments can enact childcare policies, providing non-parental childcare through subsidies or direct provision. Finally, governments can provide early childhood benefits, which are cash grants that can be used to cover the costs of raising a child. These benefits may take the form of replacing foregone earnings, providing childcare payments, or a combination of the two (Waldfogel, 2001). In this section, I will take a closer look at the parental leave policies, childcare policies, and early childhood benefits of Japan, Sweden, and the United States to identify opportunities for change in Japanese policy that may increase female labor force participation.

3.1.1 Parental Leave Policies

The prevailing international definition of parental leave comes from the International Labor Organization’s Workers with Family Responsibilities Recommendation 1981, which articulates that “either parent should have the possibility, within a period immediately following maternity leave, of obtaining leave of absence,
without relinquishing employment” (ILO, 1981). From this recommendation, Bollé draws the conclusion that parental leave is distinct from both maternity and paternity leave in that it may be taken by either the mother or the father and that it does not entail loss of employment or of any associated rights (Bollé, 2001). While there is variation among countries regarding the existence of legislation for maternity, paternity, and parental leave, it is often the case that legislation uses the language of maternity leave while in practice allowing the right to leave for both the mother and father. This is distinguished by the basis of the right for leave: it can be family-based – if one parent does not take it, it is lost for the family – or individual-based – each parent is entitled to their respective leave (Pronzato, 2009). In this section, maternity leave and parental leave will be used interchangeably unless the right to leave is individual-based and meant specifically for the mother or father.

First, I will study parental leave policy in Japan. Japan recognized the need to provide mothers some time off from work to care for their children early in its era of economic development post-World War II. Childcare leave for mothers was initially introduced in the Labor Standards Act of 1947. Article 67 decrees that “A woman raising an infant under the age of one full year may request time to raise the infant of at least thirty minutes, twice a day, in addition to the rest periods [indicated in other articles of the legislation]” (Ministry of Labor, 1995). While it should be applauded that the government recognized the need to address women’s roles as mothers, the law fell very short of providing adequate support. Waldfogel, Higuchi, and Abe find that many women were not able to enjoy even this basic form of childcare leave because they were in ineligible due to their contingent or part-time employment status (Waldfogel, Higuchi & Abe, 1999). Additionally, the Labor Standards Act of 1947 prohibited the hiring of women who were pregnant or had just given birth. Therefore, while maternity
leave was incorporated, it failed to have any significant impact in the lives of women as wage earners.

Parental leave policy that can be found in Japan today was introduced through the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave of 1991 (hereby referred to as Child Care Law of 1991). The Law allowed an employee to take paid parental leave when the child is under the age of one, with leave terminating once the child reached the age of one. Parental leave could be extended for an additional six months if a spouse had used their leave until the child reached the age of one and the second spouse was requesting child care leave after the termination of the first spouse’s leave. The law also mandated the replacement of income: mothers are paid at 60% beginning 6 weeks before the birth if they chose to take leave from that point on. After childbirth, a parent is paid at 30% until the child turns 1. If the parent returns to work after leave, they receive a lump sum that brings their replacement rate to 40% (Gornitt and Schmitt, 2010). Other forms of childcare leave were also provided through the Law of 1991, such as care of sick children: workers could request up to five working days of sick or injured childcare leave per fiscal year. Additionally, workers with pre-school children found that overtime work beyond certain limitations and late night work (from 10 PM to 5 AM) were prohibited, pursuant to Articles 17 and 19. The Law of 1991 applied to firms with more than thirty employees when it was first promulgated. The application of the law was extended to firms with less than thirty employees in 1995.

Child Care Law of 1991 has subsequently been amended three times. First, it was amended in July 16, 2003 to make it the duty of the local authorities to provide plans to facilitate childcare. It was amended again in July 24, 2003 to help mothers of
fatherless families. Finally, the law was amended one again in December 2004 to extend parental leave to fixed-contract employees.

Parental leave in the United States was formally introduced as legislation in 1993 with the passage of the Family and Medical Leave Act. Prior to the Family and Medical Leave Act, family support was provided through the Pregnancy Discrimination Act of 1978, which mandated that any employer providing temporarily disabled employees paid or unpaid leave must offer the same to women who are temporarily disabled due to pregnancy. Beyond the Pregnancy Discrimination Act, state leave legislation, union contracts, and voluntary initiatives provided parental leave to American women in the labor force. 11 states and the District of Columbia had laws providing protected maternity leaves in effect before the passage of the Family and Medical Leave Act (Waldfogel, 1999). The Family and Medical Leave Act of 1993, widely recognized as the first federal law to provide maternity leave rights, requires employers with more than fifty employees to offer job-protected family or medical leave of up to twelve weeks to qualifying employees. Employees qualify for leave if they have worked at least 1250 hours in the prior year. While the law does not require paid leave, it does require employers who provide health insurance coverage to continue to do so during the leave period. Recently, there have been efforts at the state level to provide paid leave. For example, California’s Paid Family Leave Insurance Program mandates paid leave of up to 6 weeks (Baker and Milligan, 2008).

Sweden has one of the longest histories of gender equality legislation in the world. Sweden developed as a strong modern welfare state since the early 20th century. As such, its aim was general redistribution of income and welfare, implying a stronger commitment to full employment (Anker, 2001). Alongside the development of Sweden as a welfare state were changes in the conception of gender norms and roles. In the
1930s, the writing of Alva and Gunnar Myrdal sparked the recognition of women as society’s greatest asset. They insisted “that women had the right to develop their talents to the fullest in other fields and particularly in paid employment” (Lewis and Astrom, 1992; 66). In the late 1940s, the ideas of Viola Klein called for greater state support for motherhood and flexibility from employers so that women could reconcile their two roles. Maternity leave thus emerged early in the 1950s: mothers were entitled to six months of maternity leave and flat rate benefits during leave, with additional subsidy for 90 days (Lewis and Astrom, 1992).

Sweden officially promulgated parental leave in 1974 with the introduction of parental insurance. Swedish policy at the time allowed for parental leave of six months before the child reached 4 years of age, with an additional provision of 10 sick days per child. Legislation also mandated compensation for loss of market earnings to both women and men.

Throughout the decades, parental leave has been amended. Today, parental leave is granted on a family basis. The total maximum duration of parental leave is 18 months, with one month of “use-or-lose” maternity and paternity leave. Leave may be taken at any time until the child’s 8th birthday. In order to be eligible for leave, employees must have worked for the employer for at least 6 months. Similar to Japan, Swedish law provides for paid leave – parents are given an allowance that replaces 80% of their earnings for 13 months, and 180 Swedish Kronas per day thereafter (Garnitt and Schmitt, 2010).

Given current legislation, the following comparisons can be made. First, Japanese parental leave policy is just as expansive and generous as Swedish parental leave policy in terms of leave duration and firms covered by legislation. Both Japan
and Sweden offer 18 months of parental leave, and legislation covers virtually businesses of all sizes. On the other hand, the US only allows for 12 weeks of parental leave and the Family and Medical Leave Act only covers firms with more than 50 employees. It is puzzling then that Japanese female labor force participation rates are not on par with those of Sweden despite generous policy. It is particularly startling that mothers are choosing to drop out of the labor force, despite the long job protection offered by legislation. Could it be that 18 months of leave is too long to maintain labor force attachment and contribute to job continuity?

The literature on length of leave and its impacts on women’s employment are mixed. Scholars cannot agree whether generous leave is beneficial for women wage earners given its differential impact on job continuity, upward mobility post-birth, and wages. In terms of job continuity, Klerman and Leibowitz argue “leave reduces the number of women quitting jobs pre-birth to spend time and home and clearly increases the number of women who are employed and on leave over the birth event” (cited in Baker and Milligan, 2008; 658). Similarly Pronzato finds that while longer periods of job-protection increase the hazard of returning to work, “if policy goal is to increase female labor market participation, we find that longer periods of job-protection make women more likely to return to work after a child’s birth” (Pronzato, 2009; 358). Hence, it can be argued that generous leave duration has a positive effect on job continuity, thus women’s employment.

In terms of upward mobility and opportunities for promotions after returning from leave, the picture is not so positive. Evertsson and Duvander find that women with leaves of 16 months or more were less likely to experience an upward occupational move once back on the job again (Evertsson and Duvander, 2010). Granqvist and Persson found that “on average, women had about half the chance that men had of
making an upward occupational move” (cited in Evertsson and Duvander, 2010; 4). Korpi and Stern demonstrate that women with children have the least job mobility, and Kennerberg claims that women who had children in the period were less likely to have changed to a highly qualified job (cited in Evertsson and Duvander, 2010). Hence while generous leave may provide for greater employment of women as mothers choose to temporarily leave their jobs rather than quitting, it keeps them segregated in positions of lower prestige and authority.

Finally, in terms of wages, literature is very ambiguous. Ruhm shows that leave entitlements could have different impacts on the wages of women. He models the effects of leave legislation for women’s wage and employment using supply and demand. First, he argues that when women take leave, labor costs borne by the employers cause a downward shift in the demand curve (D₂, Figure 12). At the same time, because employers receive the benefits of labor retention, the supply curve shifts down (S₂). In this new equilibrium (E₂), employment of women may increase (depends on the size of the shifts of the demand and supply curves)¹ though the equilibrium wage will have unequivocally decreased. Nonetheless, there could be an alternate situation where wages rise simultaneously with employment if family leave raises firm-specific human capital, thereby increasing the marginal product of labor (D₃). Other scholars assert that generous leave does not singlehandedly reduce women’s wages. Albrecht and others point to the signaling effect as a major cause of relatively lower wages: women who take out longer leave are signaling their lesser commitment to the job (Albrecht et al, 1999). As such, the negative effects of leave on wages is not so much a

¹ While the Ruhm’s model is applicable for both men and women who take leave, what is striking about the case for women is the magnitude of the shift in the curves that ultimately leads to a greater decrease in wages than it would be the case if men took leave.
product of the generosity of legislation, but the underlying characteristics of people who choose longer leave: it is a selection issue.

Figure 12: Consequences of Leave Mandates (Source: Ruhm, 1997)

All three aspects of employment – continuity, mobility, and wages – are important for female labor market participation. It is important to provide women equal opportunity to realize their careers. Nonetheless, given the focus of this paper which addresses the lagging female labor force participation rates of Japanese women, it would seem most appropriate to conclude that generous leave duration is good for higher participation, especially for mothers. In order to make sure policy does realize the results we desire, more effort needs to be expended in the encouragement of the take up of parental leave.
Another key insight from the comparison of policy is that Sweden and Japan both provide replacement of lost income by mandating paid leave. A study of parental leave in the US and Sweden revealed that some people gave up leave in the US because of the loss of income it entailed – when faced with the decision to quit or take leave, women may choose to drop out of the labor force given that leave provides no financial incentives to quitting. Bollé finds that “parental leave arrangements may have a positive effect on… gender equality, provided that certain conditions are met, notably if an allowance adequately compensates for lost income” (Bollé, 2001; 634). In this sense, Japanese policy is favorable for female labor force participation. However, the economic dilemma of leave is not completely mitigated, given the low income replacement rates of 30% for maternity leave and 40% for shared parental leave. Therefore, it would be advisable for Japan to consider provisions for greater replacement of lost income to incentivize the take up of leave.
3.1.2 Child Care Policies

Childcare is widely accepted as an important contributor to a woman’s labor market participation. Literature highlights two critical aspects of childcare that must be addressed by policy: affordability and availability. To begin with, Heckman’s widely accepted theory states that childcare costs are a reduction in a woman’s net wages, which results in a flattening of the budget constraint. This cost affects a woman’s decision-making, and thereby results in a reduction in female labor supply (Heckman, 1974). Oishi supports Heckman’s theory by demonstrating that childcare fees have significantly negative effects on maternal labor force participation (Oishi, 2002). Thus making childcare affordable so that women reap the returns to labor market participation is critical to the increase in female labor force participation, especially for the 30 – 44 year old age group where a noticeable decline in labor force participation can be observed to this day.

Availability of childcare is another critical dimension for policy. By studying the relationship and causality between childcare availability, female labor force participation rate, and fertility, Lee and Lee argue the importance of the “Japanese childcare system in supporting female employment” (Lee and Lee, 2014; 72). Previous to Lee and Lee, Stolzenberg and Waite found a large positive effect of childcare availability on female labor force participation (Stolzenberg and Waite, 1984). Kreyenfeld and Hank studied the availability of childcare in Germany and its effect on female labor force participation. By using hours spent in childcare as availability, Bub and McCartney identified a positive effect of hours spent in childcare on hours of maternal employment (Bub and McCartney, 2004). Therefore, there is abundant evidence to support that availability of childcare is significant for the employment of
women. In this section, I will study and compare childcare policies of Japan, US, and Sweden focusing on the two dimensions of affordability and availability.

I begin my analysis with Sweden, the exemplar of gender equality policy. As mentioned above in the analysis of parental leave, Sweden has a long history of gender quality in the workplace. While parental leave policy (maternity leave, paternity leave, and shared leave) was motivated by the belief that women need to be able to reconcile their two roles, childcare policy was motivated by the belief that “demands for gender equality does not only concern changes in women’s circumstances, but also men’s” (Nyberg, 2004; 1-2). Furthermore, given Sweden’s commitment to a welfare state, public childcare was seen as a social infrastructure provided by the government: preschool childcare is a public responsibility, hence childcare spots are guaranteed for all children starting at age 1 if both parents work, and most of the costs of childcare are subsidized (Waldfogel, 2001). Until the 1980s, Swedish national government aimed to guarantee a uniform public childcare system that offered the same conditions throughout the country and public childcare (alongside informal arrangements with family members and neighbors), and under this regime, public childcare was the only form of childcare available in Sweden.

Nonetheless, given the continuous shortage of supply relative to demand, as well as the economic recession that debilitated Sweden in the 1990s, the national government turned to decentralize childcare. Decision-making was transferred from the national government to the municipalities, and financial support for childcare policy was altered accordingly from program-specific grants to block grants. Though the national government turned the reigns to the municipalities, it maintained availability by expanding eligibility of public childcare to pre-school aged children with parents who were employed, studying, unemployed, or took care of other children with special
needs. It maintained affordability by introducing a maximum childcare fee payable by parents in 2002 (Nyberg, 2004).

Municipalities have maintained the integrity of public childcare by meeting the demands of working parents as much as possible. According to Nyberg, a large proportion of childcare centers are open for 10 – 12 hours a day and approximately half of the municipalities offer night-care for parents that work at night (Nyberg, 2002). 15 hours of pre-school per week are free for children aged 3 – 6. The quality of childcare is commendable as well, since almost all teachers are university-trained. Encouraged by the availability, affordability, and quality of childcare, 95% of children aged 3 – 6 are enrolled in public childcare (EU, 2014) though a small private sector exists in the form of parent cooperatives, employee cooperatives, and company-run childcare centers (Nyberg, 2004).

The US is diametrically opposite to Sweden in terms of childcare policy. The heavy emphasis on rights and freedom leads to the belief in minimal state intervention, which translates to the view that pre-school childcare is a private decision of the parents unless early intervention programs are necessary (Waldfogel, 2001). As a result, most of the costs of childcare are borne by parents and subsidies and credits are mostly limited to employment programs meant to incentivize the labor market participation of low-income families (Meyers, Heintze, and Wolf, 2002; Blank, 1994). Only notable policies for childcare are the Child Care and Development Block Grant passed in 1990 (which authorized new grants to states to fund childcare assistance to low income households) and the Head Start program (which improves the school readiness of young children from low income families). In contrast to Sweden, there is virtually no direct provision of childcare by the government.
Japan is an interesting case situated in between the two extremes of Sweden and the US. A cursory study of the history of childcare policy in Japan demonstrates that while it began as a welfare state similar to Sweden, it now promotes free market approaches to childcare, much like the US. The government – with the municipalities as the key policy and decision-making agents – is responsible for the local daycare system. Daycare centers were first made available in 1892 to accommodate factory workers. Later in 1946, municipalities officially became accountable for providing child daycare (Palley and Usui, 2008). The government accredits both the public and private daycare centers and provides subsidies. The childcare system in Japan largely consists of two types of centers: yochien and hoikuen. Yochien provide educational and social stimulation for pre-school children, catering mainly to the children of the wealthy. They are established with the expectation that there is a stay-at-home mom that will take care of the child. Hence, yochien are open only for 4 hours in the day, from 10 AM to 2 PM and open for 39 weeks of the year. Yochien are under the responsibility of the Ministry of Education, Culture, Sports, Science, and Technology. On the other hand, hoikuen are meant to cater to the children of the working class to protect them from risk. As such, they have longer hours of operation (8 – 11 hours a day), are open throughout the year, and accept children ages 1 – 5. Hoikuen are under the responsibility of the Ministry of Health, Labor, and Welfare (Palley and Usui, 2008).

Since 1946, the government maintained tight control over childcare. Private childcare was almost non-existent. However, long waiting lists for admission into childcare centers, hours that were either too short or inflexible to meet the needs of working parents, lack of accommodation for children who fell ill, and lack of available space for workers who were not deemed needy enough meant that supply for childcare fell very short of demand (Palley and Usui, 2008). Availability was a critical issue,
given the stringent criteria of eligibility for childcare. “Admittance to day care is not automatic… parents must prove that the mother is unable to take care of the child and that no one else in the household… is available for childcare” (Fujita, 1989; 81). For mothers employed by a firm, this meant obtaining a document of proof from their employer. For mothers doing piecework at home, this meant obtaining a document from the person they work for. For self-employed mothers, there was no valid way to prove their employment.

The Japanese government sought to improve childcare to promote female labor force participation and fertility rates through a series of legislative reforms that addressed the problems with the childcare system. The Angel Plan (1994 – 1998) sought to increase the number of daycare centers and improve their services by expanding the number of spaces in licensed centers for babies aged 0 – 3, extending the hours of service, and allowing for temporary or drop-in care. Despite the best efforts of the Japanese government, there was still a serious mismatch between supply and demand, which resulted in the enactment of the Law on the Welfare of Children in 1997. From here onwards, the Japanese government adopted a more market-based approach to childcare, deregulating the private sector. In 1999, the New Angel Plan came into action. Under this plan, the Japanese government intended to further encourage private actors by providing subsidies to employers that built in-house daycare centers, among other provisions (Palley and Usui, 2008). Through the concerted effort of the government, a large proportion of the issue of availability has been addressed – both public and private childcare options have been expanded. Nonetheless, there are still more children on waitlists than in childcare centers (Matsui, 2010).

How affordable is Japanese childcare? Recall that childcare in Sweden is extremely affordable due to the ceiling on fees payable by parents. The cost of childcare
in Japan depends on the form of childcare, hours of operation, and types of services. For example, the average costs of different forms of childcare in Japan are as follows:

a. Public daycare: 10,000 yen (85 dollars) per month including meals

b. Private daycare: 40,000 – 80,000 yen (330 – 670 dollars) per month including meals (Japan Health Info, 2015).

While these costs are more affordable than childcare costs in the US where the cost of pre-school childcare fall in the range of 500 dollars per month to 1400 dollars per month (Child Care Aware of America and New York, 2014), they are higher compared to the fee ceiling of Sweden (146 euros, 150 dollars; EU, 2014). Given the fee ceiling in Sweden, no parent should pay more than 3% of his or her income as childcare costs. On the hand, considering that the average monthly income of households of two persons or more in Japan is 488,519 yen (Ministry of Internal Affairs and Communication, 2015), it appears to be the case that Japanese parents are paying anywhere from 2% to 16% of their income. Japanese childcare is expensive, and can be a significant portion of a household’s expenditures.

In light of such policy descriptions, the following comparisons can be made. First, Japan’s policy cannot be fairly compared to that of the US, given the stark differences in the degree of government intervention in childcare. Second, while Japan has made consistent efforts to address the issue of availability of spaces of childcare, it does not provide a universal guarantee to all children of pre-school age as Sweden does. In order to provide further support to households, but particularly mothers as they attempt to engage in market activity, Japan must make it a policy priority to guarantee all children a space in childcare. This does not only mean more physical spaces, but also means removing eligibility criteria that require mothers’ proof of employment.
Third, Japanese childcare is less affordable than that of Sweden, and in some cases, households are paying 16% of their income to have their children taken care of while the parents are at work. While the families paying 16% are most likely to be of higher income, it is important to identify empirically if that is the case. It could be that middle-income families incur such high costs because no alternatives are available in their vicinity. Japan needs to identify who incurs the costs of childcare, and the extent to which it reduces household income and thereby the returns to a woman’s employment, and rectify the situation by providing more subsidies or transforming a portion of its public childcare into means-tested programs.
3.1.3 Early Childhood Benefits

Early childhood benefits are cash grants to families with children under the age of three. Unlike welfare transfer payments, early childhood benefits are provided to all families, regardless of whether or not parents work in the labor market (Waldfogel, 2001). Unlike parental leave policy and childcare policy, early childhood benefits are not as prevalent in policy affecting the female labor force participation rate. Nowadays, childhood benefits come in the form of allowances whereby governments provide financial assistance for parents raising children, mainly motivated by the need to raise fertility rates.

As an effort to battle low fertility rates, Japan has instituted several child allowances. Today, there is a child allowance called *jido teate* available for all parents of children. *Jido teate* is paid for all children aged 0 – 15. For children under 3 years old, parents receive 15,000 yen (125 dollars) per month per child. For children in elementary school, parents receive 10,000 yen (85 dollars) per month per child (first and second child; 15,000 yen per month for the third child). For children in middle school and under the age of 15, parents receive 10,000 yen per month for all children. If the family exceeds the income requirement, they receive 5,000 yen per month for all children. Japan has a generous policy for child allowances, considering its expansive duration and coverage.

On the other hand, in the US there is a striking absence of non-means tested cash grants and transfer payments. There are no identifiable early childhood benefits or child allowances aside from childcare subsidies and tax credits.

In Sweden, early childhood benefits – separate from childcare subsidies and tax credits – were introduced with parental insurance in 1974. However, it was repealed
due to concerns regarding the impacts of benefits on the commitment to publicly funded childcare (Waldfogel, 2001). Today, Sweden offers child allowances up to 1,050 Swedish Kronas per month (120 dollars) per child, with greater allowances for families with 5 or more children (EU, 2014).

With regards to child allowances, Japan is more progressive than both the US and Sweden. While these allowances are in place to raise fertility rates, they serve to alleviate some of the financial burden parents face by raising children. These allowances may be able to offset the reduction of wages due to childcare costs, which decreases the extent to which a mother’s budget constraint flattens out. Child allowances allow women to enjoy more of the returns to their market labor, and thus encourage greater female labor force participation. Nonetheless, non-conditional cash grants may lead to less female labor force participation if the income effects are stronger than the substitution effects in a work-leisure decision. Therefore, in order to ensure than more money in the hands of the parents results in higher labor force participation, it may be helpful for Japan to explore employment-linked incentive programs.
3.2 Taxation

Taxation is a key component to successful policy affecting female labor force participation rates. There are two forms of taxation systems used commonly across the world. First, there is joint taxation, where federal or national income taxes paid by two spouses equals the tax paid by two singles, where each single earns half of the family earnings. For this reason, joint taxation is also known as “split taxation.” Those who believe in horizontal equity advocate joint taxation. That is, two married couples with the same total income should face the same tax liability (LaLumia, 2008). Second, there is separate or individual taxation, where the unit of taxation is individual, regardless of marital status. Those who believe in marriage neutrality promote individual taxation (LaLumia, 2008). They assert that it is removes the marriage penalty or benefit imposed by joint taxation.

Previous literature is unambiguous regarding the effect of tax systems on labor force participation. Individual taxation is preferred to joint taxation if we desire a positive effect on the labor force participation of women, especially married women. Under joint taxation, the average tax rate faced by the wife is a function of the ‘last dollar’ marginal tax rate of her husband. As a result, most of the income earned by the wife faces a higher tax rate than that of the primary earner, the husband. The greater tax liability faced by the secondary earner, generally the wife, means lesser returns to work, which disincentivizes labor market participation. Under individual taxation, the link between the husband’s income and the wife’s average tax rate is abolished and the wife is able to realize more of her earnings (Selin, 2009). Studies of the US tax system as it changed from separate taxation to joint taxation demonstrate that there was a 2% decline in employment of married women associated with the change in the unit of taxation (LaLumia, 2008). Hausman modeled the effects of wages, taxes, and fixed
costs on women’s labor force participation and concluded that high marginal tax rates (under joint taxation) serve “as a disincentive to labor force participation” (Hausman, 1980; 163). By comparing the labor supply of married women in Sweden and Germany, Gustafsson came to the conclusion that “joint or split taxation tends to conserve sex roles and make women more dependent on their husbands by decreasing married women’s economic remunerations from participating in the labor force” (Gustafsson, 1992; 82). And further evidence abounds. It is clear that a system of separate taxation that provides for marriage neutrality is preferable to joint taxation, though some couples may benefit from greater after-tax income under joint taxation.

As was the case with childcare policy, Sweden and the US are diametrical opposites in terms of the tax system. The US started as a system of individual taxation until 1948, when the Revenue Act of 1948 introduced the system of joint taxation. Before the introduction of joint taxation, there were great inequalities between families that had similar earnings and great differentials between the spouses due to the highly progressive tax code. Because men faced higher marginal tax rates, the couple in which one spouse had much greater income than the other ended up paying more taxes than a couple where income was more evenly divided among the spouses. Driven by the desire for horizontal equity, the US introduced joint taxation. Joint taxation in the US had the effect of decreasing the labor force participation of women for two reasons: 1) the marginal tax rates of a husband and wife were equalized—this meant that marginal tax rates were raised for women, which disincentivized market labor, and 2) the substitution effect of joint taxation led to a reduction in tax liability (for most households), which led to an increase in household income. Assuming leisure is a normal good, more income leads to more consumption of leisure, and that is precisely what happened with
the introduction of joint taxation (LaLumia, 2008). Tax policy could explain the plateauing female labor force participation rates in the US.

On the other hand, Sweden started with a system of joint taxation. However, in the 1940s, there was a strong public movement against high marginal taxes on married women’s earnings. In the 1950s, numerous economic forecasts projected a shortage of labor and pointed to married women as important resources to address the issue. In 1966, optional separate taxation was introduced for the first time, and in 1971, separate taxation became compulsory. Swedish taxation is lauded as the ‘ideal type of taxation’, “tailored to individualized patterns of labor force participation”, leading to the highest share of dual-earner households among several European countries (Dingeldey, 2001; 660). Additionally, there is evidence to support the importance of separate taxation: employment among married women would have been 10% lower in 1975 if Sweden had still used a joint taxation system (Selin, 2009). While taxation does not fully explain the high female labor force participation rate in Sweden (Dingeldey, 2001), it does play a significant role and highlights the need of a separate taxation system if higher female labor force participation is desired.

Once again, Japan presents itself as an interesting case with regards to policy affecting female labor force participation. Japan has always had a system of separate taxation. There is no option to file for joint taxation. Nonetheless, the tax system disfavors women, especially mothers from engaging in labor market work for two main reasons. First, there are laws that make spouses dependents of the primary earner. Allowances for Spouses Legislation passed in 1961 and Special Allowances for Spouses Legislation passed in 1987 provide for special deductions from the primary earner’s wage if the spouse (usually the wife) earns an income before a certain threshold level. These laws have not only legally marked spouses as dependents of the primary
earner, but have also prompted married women to work for limited days or forego work completely to reduce their husband’s income tax and thus lower the household’s tax liabilities (Akabayashi, 2006). Second, the national pension system discourages women from actively engaging in the labor market as well. The National Pension Plan classifies people into three categories. Category I includes self-employed and unemployed individuals. Category II includes employees of the private and public sectors. Category III includes dependent spouses of the persons included in Category II. In order to be eligible for Category III, the annual personal gross income of a dependent (usually a wife) whose spouse is covered under Category II must be below a certain threshold. If this condition is met, the dependent is included in the National Pension Plan without any additional premium payment. If the annual personal gross income exceeds the threshold, the spouse is considered independently. This structure of social security adversely affects the participation of married women. Similar to the Allowances for Spouses Legislation, the categories of the National Pension Plan, as well as the conditions for eligibility for Category III, disincentivize the labor force participation of women (Akabayashi, 2006).

Drawing conclusions from the US and Sweden, separate taxation is preferred over joint taxation for the purposes of increasing female labor force participation. Japan has adopted the correct framework. Nonetheless, it has not created a favorable environment because of its two unique laws that corroborate existing gender norms. If Japan desires to increase female labor force participation, it must recognize women as individual and independent wage earners, both in name and practice.

There are other aspects of taxation that can contribute to greater female labor force participation, such as child subsidies, child tax credits, and deductions. For example, the Earned Income Tax Credit (EITC) implemented in the US has been
successful in increasing the participation of women who were previously not involved in the labor force (Eissa and Hoynes, 2006). Though the EITC is a means-tested program, its main components could be used to devise an optimal tax program that incentivizes the participation of women. While child subsidies, tax credits, and deductions contribute to greater gender equality, given the complexities and peculiarities of tax legislation, further analysis of other tax instruments will be deferred to a future opportunity.
3.3 Flexibility of Working Time Arrangements

Women face a unique decision among paid labor market work, unpaid household work, and leisure. In order to facilitate female labor force participation, policy needs to support work-life balance. Flexible working time arrangements, which allow women to vary their work schedules from the typical day of fixed working hours, permit women to achieve a greater balance between work and other responsibilities. Previous studies have demonstrated that flexible working arrangements are important in supporting both men and women combine work and family (Allard, Haas, and Hwang, 2007; Anderson et al, 2002; Atkinson, 2009).

In terms of flexible work time arrangements, the US and Sweden are similar to each other: there is no formal legislation that mandates how flexible work time arrangements should be implemented and decision making is highly decentralized. However, the way in which flexible working times are arranged are slightly different between the two countries. In the US, the process is more individualistic: the decision to deviate from a 9 to 5, 40-hour workweek is completely between the individual employee and his or her employer (US Department of Labor). On the other hand, the process is more collective in Sweden: social partners make innovative working time arrangements at the industry or firm level (Anxo, 1995). As such, both flextime (variation of working hours) and flexleave (different leave and absences) arrangements are widely used in the US and Sweden.

In Japan, there is currently no institutional support for any form of flexible work time arrangement due to the lifetime employment system. The lifetime employment system refers to an internal labor market structure of the large firms in the economy where workers are hired directly upon graduation from school and move up ladders
through principles of seniority and merit (Brinton, 1989). Promotions and wage increases are directly tied to the years worked at one particular firm. Japanese firms pay generous benefits to the regular workers that stay with them for their entire careers. It would not be an exaggeration to state that the Japanese social security system would suffer if employers were not shouldering most of the burden for retirement benefits.

Given the high level of financial commitment on the part of employers, there is an emphasis on long-term firm-specific training, and employers are highly sensitive to the loss of human capital. Because of the conflict of such a system with the lifecycle of a woman, a dual-track system has emerged in Japan, forcing women to a subordinate role within the workplace.

The dual-track system has two components. First, there is the *dekasegi*, which refers to a short-term labor pool of mostly women that can be expanded and contracted in accordance with market demand. Workers in the *dekasegi* are not granted the same benefits as regular workers. Then there is the *shushin koyosei*, regular workers that are covered under the lifetime employment system. They are typically males, and once hired by a firm, can reasonably expect to continue employment at that firm until retirement. Strong traditional gender roles in Japan prohibit and discourage women from undertaking a serious commitment to their jobs in the form of long hours and geographic mobility. Therefore, women are delegated to clerical work with limited possibility of promotion and wage increases. Women are ascribed to a behind-the-scenes status with limited opportunities for firm-specific training (Jones, 1976).

Efforts to eliminate obstacles for women’s promotion and entry into career tracks have been made. The Equal Employment Opportunity Law was passed in 1985 to eliminate blatant gender discrimination and provide means for redress. However, the Equal Employment Opportunity Law did not prohibit discrimination, it only morally
obliged employers to do the right thing. Furthermore, the law lacked any enforcement powers; hence employers continued unfavorable practices and maintained institutionalized gender discrimination in the workplace by continuously delegating women to the inferior career-track of dekasegi (Lam, 1994).

Not only is the lifetime employment system problematic because it does not permit women entry into the labor force as regular, full-time workers, it is also problematic because it does not permit men the flexibility to reconcile work and family. The strong belief that commitment to work should be demonstrated through long work hours, geographical mobility, and socializing with coworkers outside of work prevents men from taking an active role in childcare (Lam, 1994). By barring the entry of women to many positions – in terms of occupation and positions within the firm, and depriving men of the opportunity to combine work and family, the Japanese employment system is institutionalizing traditional gender norms and further entrenching stereotypes that prevent greater female labor force participation.

In order to encourage greater female labor market participation, Japan has to do away with the lifetime employment system. Of course, this cannot be achieved overnight, given the history of the system (lifetime employment system took place in Japan immediately following the end of World War II and is widely considered to be a driving force behind Japan’s economic growth in the years following the war). The dismantling of the lifetime employment system will also cause distress to the social security system at a time when the government does not have the means to support the retirement of many workers (Tanaka, 1981). But incremental change can be introduced. The Equal Employment Opportunity Law should be strengthened so that employers are legally obligated to practice gender equal recruitment and hiring practices. Career tracking – observing which careers men and women chose at the moment of hiring and
their progression through different positions within the firm – must be mandated across the board, and standards for evaluating fair treatment of women must be established. Finally, there should be an increased focus on the working hours of men as well. Changing the work lives of men so that they can achieve greater work-life balance may affect women’s propensity to work for pay by freeing up their time. Thus, it would be advisable for Japan to introduce informal flexible work arrangements like the US and Sweden so that schedules are tailored to the needs of particular employees and industries. Providing women definite avenues for promotions and higher wages will result in higher female labor force participation.
4. Discussion

In this paper, I have attempted to conduct a comprehensive analysis of policies affecting female labor force participation. The merit of this paper lies in the breadth of policies covered – from family support policies to taxation and flexible working time arrangements, most policies that directly affect female labor force participation have been discussed. The paper also contributes to the literature through a comparison of three countries. Comparison of Japanese policy with policies in the US and Sweden elucidate the shortcomings of Japanese policy while providing clues as to how Japan may be able to address legislation to fully utilize their labor force.

Nonetheless, the paper falls short of capturing the entire landscape. I have purposefully focused on policy to uncover universal policy truisms that can boost female labor force participation. I wanted to identify particular designs of policy, for example, whether the length of parental leave was long enough or if the tax code provided for marriage neutrality. However, policy does not exist in a vacuum. Social, cultural and historical factors play heavily into the formulation of policy and determine their effects once enacted. For a holistic and realistic picture of how Japanese policy should be altered, cultural factors must be considered. Moreover, by pursuing breadth in policy, I have sacrificed a certain degree of depth. Each of the three policy areas covered in this paper – family support policy, taxation, and flexible working time arrangements – merit their own in-depth analysis with greater technical precision. In the future, it would be beneficial to incorporate a cultural comparison to provide context to policies in the three countries.

Culture is an important part of female labor force participation in Japan. As such, it would be useful to conduct another comparison, but this time with other Asian
countries that share similar values but have different female labor force participation rates and/or policy designs. For example, it would be enlightening to compare Japan with Korea, a country close to my heart given my nationality and with striking similarities in female labor force participation rates and trends. It would also be informative to compare Japan with China or Singapore, both Asian countries with less cultural similarities and higher female labor force participation rates.
5. Conclusion

Japan is an anomaly among modern industrial nations in terms of the female labor force participation rate. Despite an alarming ageing of the population and low fertility rates, the country has failed to harness the human capital of well-educated women, particularly mothers that left the labor force for the purpose of childbirth and childrearing. Studies show that fertility rates and labor force participation rates are not mutually exclusive, and that family support policies can boost both fertility and labor force participation.

Based on a comprehensive analysis of policies affecting female labor force participation in Japan, the US, and Sweden, the following conclusions can be drawn:

1. Japan’s family support policies are substantially generous compared to the US, but fall short of Swedish policy. Japan can realize greater female labor force participation by continuing to provide long parental leave and alleviating financial concerns by increasing the replacement rate of income during leave.

2. Japan’s taxation system is inherently marriage neutral. However, the Allowances for Spouses and eligibility for the National Pension Plan reinforce and institutionalize existing gender norms by subordinating wives as dependents of husbands. Japan should eliminate such provisions and ensure the integrity of marriage neutrality entailed by the system of individual taxation.
3. Japan should inject more flexibility in working arrangements by addressing its lifetime employment system. As a starting point, the Equal Employment Opportunity Law of 1985 should be strengthened with enforcement powers.

Prime Minister Shinzo Abe has emphasized the need for structural reform and has openly declared his commitment to increasing female labor force participation rates. One hopes that Japan learns from other countries that have achieved a higher level of gender equality to become an advanced country – both in terms of its economy and its civil society.
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