



## SPOTLIGHT ON PUBLIC POLICY

### JAPAN

#### THE ACT ON THE PROMOTION OF FEMALE PARTICIPATION AND CAREER ADVANCEMENT IN THE WORKPLACE

In Japan, women's participation in the workplace has been underpinned by law since it entered into force on 1 April 2016. The Act on the Promotion of Women's Participation and Advancement in the Workplace has required public and private sector companies to measure gender diversity-related data, create action plans to address gaps, and disclose this information.

This has led to increased transparency about the status and contributions of women and men in the workplace and has enabled gender equality to be recognized as a significant measure in evaluating a company's performance and values.

#### KEY FEATURES OF THE ACT ON THE PROMOTION OF FEMALE PARTICIPATION AND CAREER ADVANCEMENT IN THE WORKPLACE

The Act requires public and private sector companies to measure gender diversity-related data, create action plans to address gaps, and disclose this information.

The data to be collected includes the rate of newly hired women, employee working hours, the number of women in managerial positions and the gap between women and men in years of service.

The Act initially targeted companies with more than 300 employees and with the 2019 revisions to the law it is now applicable to companies with 100 or more employees.

Companies' measuring and publishing of data has led to improved transparency. This has fostered an enabling environment in which gender diversity benchmarking can be further developed and utilized for gender-lens investing and enhanced investment decisions.

## CONTEXT

Over the past two decades, Japan has seen its female labour participation ratio surge, from 59.6 per cent in 2000 to a record 72.6 per cent in 2019.<sup>1</sup>

Improvements have also been seen in Japan's 'M curve', the graphic illustration of women in their 30s and 40s leaving the workforce to care for children before returning to work.<sup>2</sup> This can be attributed to different reasons, such as an aging population that needs more women workers and improved parental leave schemes.<sup>3</sup>

In 2017, 74 per cent of women aged between 25 and 44 were employed, close to the Government's 2020 target of 77 per cent.<sup>4</sup> The ratio of women returning to work after their first child has also increased, from 40 per cent between 2005 and 2009, to 53 per cent between 2010 and 2014.<sup>5</sup>

At the same time, however, there are still several barriers to women's full participation in the workplace and to the advancement of their

careers, including gender pay gaps, unconscious bias and stereotypical gender roles in care work.<sup>6</sup>

In order to create opportunities to speed up progress on women's career participation and advancement, the Intensive Policy To Accelerate the Empowerment of Women was launched in June 2015.<sup>7</sup> The policy was formulated for the purpose of incorporating the perspective of women's empowerment into the annual requests for budgetary appropriations of government ministries and agencies.

Since then, a new set of gender responsive policies and their budget allocation is announced every June through the Intensive Policy. It covers a wide range of areas impacting women's lives, from health and safety to childcare, education and political participation. Under this policy, efforts to support women's full participation in economic life led to the enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace in 2016.

## OVERVIEW

The Act initially obliged companies with more than 300 employees to collect data on specific indicators and, based on the gaps identified, to create action plans to rectify them within a specific time. Most significantly, the data and the subsequent action plans had to be published.

Revisions to the law (published in June 2019) now mean that these rules will apply to companies with 100 or more employees. The changes will become mandatory on 1 April 2022.<sup>8</sup> The Act is temporary, with a 10-year lifespan.

Other efforts to promote women's economic empowerment include the revision of various laws which became effective in October 2017.<sup>9</sup> These included enhancing legislation preventing:

- Maternity harassment, including new mothers getting their jobs terminated<sup>10</sup>
- Sexual harassment.

The Childcare and Family Care Leave Act has also been revised, providing for the extension of parental leave if children are unable to access a place at a childcare centres.

### The data to be collected includes:

- Rate of newly hired women
- Employee working hours
- Number of women in managerial positions
- Gap between women and men in years of service.

### Other projects and initiatives include:

- Supporting networks of women working in science and technology, which covered 194 organizations in May 2019
- Training women to become corporate director candidates
- Encouraging men to undertake housework and childcare.<sup>11</sup>

## CERTIFICATIONS

The Government of Japan has established a certification system called Eruboshi to recognize companies that have good policies for the retention and promotion of women. Employers that have excellent initiatives for women are given the Platinum Eruboshi. As of December

2019, 992 companies were awarded Eruboshi certifications. Sectors with relatively high ratios of firms with this certification include media, utilities, finance and insurance, petroleum products, and academic research services.<sup>13</sup>

## TRANSPARENCY

The 2016 Act has led to 98.9 per cent of private companies with more than 300 employees devising an action plan as of December 2019, whereas 100 per cent of national and local Government agencies had done so by the same time.<sup>14</sup> Smaller firms also disclosed their diversity data, with the highest disclosure ratios for “ratio of female employees”, “ratio of female directors”, and “difference in average continuous years of employment.”<sup>15</sup>

A Government website set up in 2016 shows that 13,142 companies have shared data and 16,448 have created and shared action plans as of 3 December 2020.<sup>16</sup> The website is constantly updated as part of the mandatory reporting requirements. It also serves as a valuable tool, not just for investors and businesses, but also for students and job seekers who can compare companies to see, for example, the ratio of their women managers or new women hires. The website contains manuals and tools for companies to guide them through data-sharing and creating action plans.

## BENCHMARKING

One of the most significant impacts of the Act has been that the sharing of data has enabled potential investors to use a gender lens to identify companies that have diversity in management and in their board of directors.

MSCI, the leading provider of Environmental, Social and Governance (ESG) indexes, launched the MSCI Japan Empowering Women Index (WIN) in 2017, listing companies whose policies and measures encourage women to enter and return to the workforce more easily.<sup>17</sup> According to MSCI, investors understand that gender diverse companies are “potentially more likely to withstand the challenges of a shrinking workforce” in Japan.<sup>18</sup>

The Government Pension Investment Fund for Japan (GPIF) uses the MSCI WIN index as one of its benchmarks for their ESG investment strategy. As GPIF is one of the world’s largest pension funds, managing investments worth roughly 160 trillion, this strategy is expected to lead to companies increasing their efforts for women’s greater participation in the workplace. There are already signs of improvement, with the MSCI evaluation showing an increase in female hires, from 25 per cent to 28 per cent within a year.<sup>19</sup>

The development of the MSCI index can be attributed to the mandatory measuring and reporting of data as part of the Act. The improved gender transparency has resulted in an environment in which benchmarking can be developed and utilized for better investment decisions.

## CONCLUSIONS

The Government of Japan has taken several steps to promote women’s advancement and leadership in the workplace. The 2016 Act, in particular, has triggered a cultural shift for companies to accelerate efforts to achieve gender equality as it has allowed investors, employees and recruits to see a company’s true level of commitment. In light of accel-

erating ESG movements, companies are increasingly facing the need to focus on internal analysis, target-setting, and transparency and disclosures and this ten-year temporary legislation has set a foundation for such move.

## ENDNOTES

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