



Active is:

Tackling gender diversity in Japan

July 2020



Yuki Sugi
Co-director of
Research, Japanese
Equities

Research indicates that a more even gender balance among employees can enhance corporate performance, but only one in nine directors at Japanese companies is female. Our engagement project on gender diversity aims to find out why progress has not been faster, and to encourage the wider adoption of any initiatives to help close the gap.

The number of people of working age in Japan is falling, but one way to mitigate this potential labour squeeze could be by increasing the proportion of women in the workforce. In 2019, women accounted for 44.5% of the Japanese workforce – a figure that has improved significantly in recent decades but is still lower than in most advanced economies. Yet if this gender gap were closed completely, according to a 2019 report from Goldman Sachs, Japan’s GDP could increase by 10%.



Chris Ye
Environmental,
Social and
Governance (ESG)
Analyst

However, true gender diversity doesn’t just mean achieving 50:50 representation; it also means more women being employed in senior positions, and here Japan lags other developed markets. Half of adult women in Japan are graduates, and a clear majority of those are working. But in 2018, only slightly more than 11% of the directors of private corporations were women, according to government figures. This statistic is largely the result of the traditional social expectations in Japan around a woman’s role in family life, which prompt many women to take part-time or temporary roles after graduation.

Key takeaways

- Research shows that greater gender diversity can raise companies’ return on equity by increasing innovation and productivity
- The business case for gender diversity is not one-size-fits-all; active engagement helps companies to define their specific ‘why’ on gender diversity issue
- Corporate leaders in gender diversity typically understand the need for cultural transformation, and construct a pipeline of female talent that begins with graduates
- Our engagement shows that setting clear targets and key performance indicators is key to making more progress in gender equality

Gender diversity is good for businesses

In our regular engagements with the companies, we strive to put the case for gender diversity. To explore this issue further and drive positive change, we ran a programme to engage specifically with Japanese companies about their approach to gender diversity.

The most important thing for companies to understand about gender diversity is that it's good for business. A more equal balance between men and women, in both junior and senior positions, generally results in:

- A larger talent pool of highly educated employees
- Diverse perspectives and less “groupthink”
- Improved employee satisfaction

As a proof point, the Nadeshiko Index, a joint government and Tokyo Stock Exchange benchmark featuring companies with an outstanding record in advancing women. The Nadeshiko Index has outperformed the broad-based Topix stock index over the past 10 years.

Prioritising gender equality in our investment approach

Our Japan Equity and ESG research teams talked to 21 Japanese companies between February and October 2019 about their gender balance and efforts to move closer to gender parity. As well as discussing policies and achievements, some of the companies we spoke with were willing to talk about the challenges, lessons learned from past mistakes and how they intended to hone their approach.

Our conversations revealed four important takeaways:

1. A well-defined business case is critical

We found that many executives in Japan don't currently understand the business case for gender diversity. This makes it harder to create effective change, because in the absence of a well-defined rationale, work on improving diversity can descend into ineffective box-ticking.

The companies that lead their industries in diversity have typically developed initiatives that link the advancement of women with advantages for the business. For example, a company that's anxious to diversify its primarily male customer base should strongly consider promoting more women into senior positions in product development, where they can offer different insights.

2. Companies must transform their culture from the top down

The diversity programmes that tend to be most successful in transforming corporate culture are those that are actively led by senior management.

In changing corporate culture, effective two-way communication is essential. Some companies hold regular one-to-one meetings, where women can provide candid feedback to management about the effectiveness of diversity measures. These meetings can also allow management to offer guidance and encouragement, helping female employees to advance their careers. Employees can also benefit from practical support such as flexible working arrangements.

3. A healthy pipeline of female talent is essential, starting with career-track graduates

To achieve a greater number of female directors on the board in the long term, organisations must address the gender balance at all levels of seniority, including new graduates taking career-track roles. This builds a pipeline of female candidates for senior management and director positions in the future. Companies with good gender diversity practices, who take a proactive approach to building a robust female leadership pipeline, are more likely to attract and retain talent across the board – both male and female.

4. Hard numbers are essential to track progress

Japanese corporate disclosures usually describe policies to promote gender diversity, but they tend to avoid specific targets and key performance indicators. In our dialogue, we encouraged companies to adopt clear metrics and report on them regularly. This specificity and transparency will also allow outside stakeholders such as investors to measure progress over time. To that end, it's important to avoid generic ambitions: “We aim to continue improving diversity” is too vague. Furthermore, the metrics used should be reviewed and changed as the business develops.

We're optimistic about gender diversity in Japan

While gender diversity in Japan's senior and career-track positions is still low, especially when compared with other developed markets, it's encouraging that Japanese companies were keen to engage with us on this topic because they understand how a better balance can benefit them.

Active stewardship will play a critical role in accelerating progress. Direct engagement with Japanese companies on gender diversity sends a strong and clear message on the importance of this topic – from a business and investment perspective – while providing a platform to share any initiatives which have already proven effective in other Japanese firms.

Through engagement, we will continue to support companies' efforts to improve gender diversity at all levels within the company, from graduates to board directors.

Active is : Allianz Global Investors

Connect with Us | hk.allianzgi.com | +852 2238 8000 | Search more  Allianz Global Investors



Like us on Facebook 安聯投資 – 香港



Connect on LinkedIn Allianz Global Investors



Subscribe to YouTube channel 安聯投資

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited. Allianz Global Investors Asia Pacific Limited (27/F, ICBC Tower, 3 Garden Road, Central, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong).