

# Comparison of gender wage gap in japan and germany



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“ In all of the advanced capitalist nations women were experiencing the contradictions of an education which seemed to promise self-fulfilment, and a labour market based on inequalities of class and gender” (Brinton, 1993, as cited in Threlfall, 1996, p. 270). This statement has been made more than fifteen years ago and indicated that women were not treated equally regarding work and pay. However, have circumstances changed since then? If yes, did they improve or worsen and to which extend? The aim of this paper is to analyse the existence of a gender wage gap in Japan and Germany and to evaluate possible reasons for it. Furthermore, an outlook for the future will be given at the end.

## **2. Gender Wage Gap in Japan**

The Japanese law system is regulated by the Japanese Standards Labour Law which was enacted after World War II in 1947. This Japanese Standards Labour Law contained a clause which should protect working women. In reality, this clause prevented women from working excessive overtime and during nights (Sama and Papamarcos, 2000). This is why women could not climb up the greasy pole. Furthermore, this law prohibited that women were treated differently on the basis of sex (Threlfall, 1996). On top of this, as stated by Threlfall (1996), the Standards Labour Law covered only equal wages but not promotion or retirement. During this time, employers could be sued for discrimination, but this was an expensive and time-consuming act as each case had to be dealt with separately. Additionally, many companies circumvented the danger of lawsuits by new grading of job titles (Threlfall, 1996). This changed in 1986 when the Equal Employment Opportunity Law (EEO) was passed (Sama and Papamarcos, 2000). This law encouraged

companies in Japan to treat employees equally in all aspects like wages, promotion, recruitment and hiring (Threlfall, 1996). Unfortunately, the EEOL contained no penalties for continuing discrimination and also its amendment, which was enacted in 1999, did not really improve the inequalities regarding wage and promotion between men and women (Sama and Papamarcos, 2000). Figure 1 clarifies these important labour laws in Japan.

Japanese Labour Standards Law of 1947 Contained protective clause for working women. Came under scrutiny in 1970s as a possible deterrent to women's career advancement.

Equal Employment Opportunity Law (EEOL) of 1986 Enacted in 1987, the EEOL called for equal pay for equal work. No penalties for violators.

Employers asked only to make a good effort.

June 1997 Amendment to the EEOL Enacted in 1999, the amendment lifted restrictions on midnight, holiday, and overtime work by women in effect since the 1947 Labor Standards Law. Further stiffened warnings against companies found in violation of the EEOL. No penalties attached.

According to Selmer (2001), the Japanese " wage system is based on seniority" (pp. 236-237). This indicates that promotion and pay rise are automatic and no subject to job duties or merit (Selmer, 2001). That means that employees get promotion and pay rise when they reach certain age levels.

“ The gender wage gap is measured as the median wage of men minus the median wage of women, expressed as a proportion of the median wage of men” (Evans, 2002, p. 191).

As stated by the World Economic Forum (2005), “ no country has yet managed to eliminate the gender gap” (p. 1). According to OECD (2007), the women’s medium wage in Japan is two thirds of that received by men. This represents twice the OECD average. Figure 2 displays the gender wage gap of several countries. Blau and Kahn (2003) stated that the gender wage gap in Japan is up to 85% (as cited in Johnes and Tanaka, 2006). This means that women earn up to 85% less than men. Recent sources indicated a gender wage gap of 65. 9% for 2007 (Japanese Institute for Labour Policy and Training, 2008). The differences in the gender wage gap are subject to different data used for analysis. Some calculations include part-time workers, which are mainly female and others base their calculations on full-time employees only.

As already stated above, Japanese firms discriminate on the grounds of gender when paying employees. This chapter evaluates several reasons for the gender wage gap in Japan. First of all, many workers in Japan get a lifetime employment contract (Ishii, 2000). Japanese firms make huge investments in employee training and that is why they want their employees to stay as long with the company as possible. Therefore, the duration of attachment to a firm plays an important role when negotiating wages. As it is most often foreseeable that women will not stay with one company for their whole life, because they want to start a family one day, they pretty much never get a lifetime contract (Ishii, 2000). Therefore, as stated by Ihsii <https://assignbuster.com/comparison-of-gender-wage-gap-in-japan-and-germany/>

(2000), companies make no investment in human capital when they employ women as they think they will not benefit in the future from this investment as women sooner or later leave the company.

The second reason for the gender wage gap is based on different experiences. Miyoshi (2007) argued that there is no gender pay gap when people are employed directly after school, college or university. But when employees accumulate work experience, the wage gap enlarges. Miyoshi (2007) explains this fact by referring to the full-time work experience and seniority. The more full-time work experience an employee has, the more valuable he is. As women often have less work experience because of child-raising obligations and only part-time jobs, they get less money and less promotion than their male counterpart.

Different characteristics of workers represent the third reason for the gender wage gap in Japan. Johnes and Tanaka (2006) explained that different characteristics like age, work experience, education and duration of work are one reason for the gender pay gap in Japan. They agree with Miyoshi when stating that differences in work experience are the reason for pay inequalities, but they extend the argument by adding other characteristics like age and education.

The greater part of the gender wage gap in Japan can be explained by referring to the reasons stated above. However, there is also a smaller part of the earnings gap that can not be explained. According to Kawaguchi (2006), this part can be attributed to sex discrimination.

#### **4. Gender Wage Gap in Germany**

Regarding German law, article 3 paragraph 2 of the German Constitution of 1949 states that men and women have equal rights (Maier, 2007).

Furthermore, paragraph 3 states that no one should be discriminated on the grounds of gender. This right for equal treatment and payment was not practiced in reality as special wage groups for women were allowed in collective agreements until 1955 (Maier, 2007). Furthermore, Maier (2007) stated that most employees in Germany are paid according to these collective agreements, “ although the coverage is declining” (p. 11). In 1980, a new paragraph was added to the German Constitution which demanded equal pay for work of equal value (Winter, 1998). But this amendment brought no change. Later, in 2006, the General Equal Treatment Act was passed and paragraph 7 prohibited “ unequal treatment within any employment relationship” (Maier, 2007, p. 18). This law stated that lower wages for women are not justified if they are based on gender.

Unfortunately, German law still lacks legal measures to control the implementation of equal wage principles. Furthermore, Maier (2007) stated that it is not easy for women to claim their right for equal pay. Class actions are not allowed and thus, all women must bring their individual claim to court. As this is often an expensive and time-consuming process, many plaintiffs refrain from filing a suit (Maier, 2007). That is why Germany has a significant high gender wage gap, although the German government has a female chancellor (Plass, 2008). In reality, as stated by Plass (2008), Germany has one of the highest gender pay gaps on the European continent. Furthermore, more than 90 percent of all working women are discriminated

and earn between 80 and 210 cents less per hour (Gradín, del Río and Cantó, 2006). Legal norms for equal pay in Germany are displayed in figure 3.

According to the German government statistics bureau, Destatis, working women in Germany earned 24 percent less than men in 2006 (as cited in Plass, 2008). As stated by Maier (2007), this number has been reduced to 22 percent in 2007. Whereas the average difference in pay is 15 percent in the European Union (Spiegel Online International, 2008).

### **5. Reasons for the Gender Wage Gap in Germany**

Several reasons contribute to the large gender wage gap in Germany. First of all, as mentioned by Lauer (n. d.), women often do not possess the same education and skills as men do. Employers who place value on these exact skills are likely to pay women less in order to compensate the lack of skills and knowledge.

Furthermore, Lauer (n. d.) also mentioned that skills and knowledge may be rewarded differently between men and women. Meaning that women with the same educational background and knowledge will earn less because these identical skills are not rewarded the same way by the employer.

In addition, Maier (2007) identified the lack of legal barriers against low wages as a reason for the gender pay differences in Germany. As there exists no general minimum wage in Germany, and as the country has almost three million unemployed persons (Bundesagentur für Arbeit, 2008), it is easy for employers to fill a low-paid vacancy.

Furthermore, Lauer (n. d.) identified occupational crowding of women in low paid occupations as another source for earning inequalities between men and women in Germany. There is also the fact that there is a low proportion of working women in highly paid positions (Maier, 2007).

Concluding, Maier (2007) stated that factors like age, education and work experience present only a very unimportant reason for wage discrimination. Again, the unexplained part of the gender wage gap can be attributed to discrimination based on gender (Lauer, n. d.).

## **6. Similarities and Differences between Japan and Germany**

After analyzing the gender wage gap in Japan and Germany and its reasons, several similarities as well as differences can be pointed out. First of all, there is a significant high gender wage gap in both countries, although the difference in earnings is higher in Japan with around 35 percent compared to Germany with about 22 percent (Maier, 2007). Nevertheless, the German earnings gap is 7 percent higher than the European Union average (Spiegel Online International, 2008).

Both countries put emphasis on the characteristics of employees. Age, work experience and education are important when negotiating wages. As women often have less education or work experience than men (Lauer, n. d.), they get paid less than their male counterpart. Furthermore, part of the gender wage gap in both countries is an unexplained part which can be attributed to gender discrimination (Kawaguchi, 2006; Lauer, n. d.).

Differences between the two countries can be found in the fact that Japanese employers discriminate when investing in human capital. Due to the <https://assignbuster.com/comparison-of-gender-wage-gap-in-japan-and-germany/>



Japanese lifetime employment, many employers consider rather carefully whether to employ women or not. As it is obvious to them that women will leave the company some day for child-raising duties, they will thereby take away the human capital in which the company invested.

## **7. Conclusion**

Even if both countries enacted laws in the 80ies which should ensure equal pay for work of equal value, there is still a significant gender wage gap observable. Japan as well as Germany managed during the last to decades to narrow this gap, but this happened probably just because of the new laws which were enforced. When looking ahead, both countries will probably have a different future. Japan will stick to its lifetime employment system (Kato, 2001) and thereby will keep the earnings gap between men and women stable. The fact that more and more Japanese women decide to pursue their careers can possibly help in narrowing the gender pay gap (Fackler, 2007). Germany is likely to increase the gender pay gap as the coverage of collective agreements, which set equal wages for men and women, is declining (Maier, 2007). Furthermore, as long as there is no support from the government to implement the right for equal money for work of equal value, the gender wage gap will not be narrowed.

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