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Women, Leadership, and Asian Economic Performance

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INTRODUCTION In an era of slowing economic growth, Asian countries face an imperative to boost productivity. One possible source of economic revitalization would be to make better use of women in the labor force. A number of Asian countries fall well below global averages on indicators associated with female success in the corporate world. Apart from issues of fairness, why should we care? Could changes in public policies and attitudes toward women in corporate leadership have an appreciable effect on economic performance? Most Asian economies share some common challenges in reforming institutions that may have served well during the high growth period but are less appropriate in an era of slower economic growth. These include dualistic labor markets that, through the increasing use of temporary workers, discourage the ongoing education and training of the workforce; excessive regulation and barriers to entry in the service sector; and capital- and labor-market practices that discourage start-ups, to name a few.

The menu of structural impediments that face Asian countries seeking to revitalize economic growth is made particularly daunting by longer-term demographic challenges. Japan has the oldest population in the Organization for Economic Development and Cooperation (OECD), Korea has the fastest aging population in the OECD, China is aging even faster than Korea, and the joke about Vietnam is that it will get old before it even gets urban.

In such a context, all means of raising productivity are salient. More effective use of female labor could strengthen corporate performance and improve efficiency. There are at least two reasons to believe that shortfalls in the employment of female executives affect corporate performance.

First, existing research suggests that the inclusion of women on corporate boards can contribute to skills diversity and thereby improve the quality of board monitoring of management. In the specific case of Japan, “firms with more female outside directors exhibit higher performance. On average the market reacts positively to a firm’s decision to bring a new female outside director on the board. Overall, the results show that female outside directors are beneficial to Japanese firms” (Tanaka 2019).

The second is a pure discrimination channel. If ability is uniformly distributed across the population and one set of firms discriminates against one-half of the available talent, they will be disadvantaged in competition with peers that do not discriminate (i.e., non-discrimination pays). The costs of discrimination could be large. To illustrate, in the U.S., research on the increase in the shares of women and African-Americans in highly skilled occupations over the past 50 years suggests that between 20 and 40 percent of productivity growth can be explained by the improved matching of talent to jobs (Hsieh et al. 2019). This talent reallocation is a pure efficiency gain.

Additionally, it has been shown that female executives are better able to assess the productivity of female employees. One study found that having a female chief executive officer (CEO) take over

a formerly male-managed firm with a 25 percent female labor force increased sales by an average of more than 3 percent (Flabbi et al. 2019). Another found that moving from having no women in corporate leadership to a 30 percent share was associated with a 1 percentage point increase in net profit margin, or about a 15 percent increase in profitability (Noland, Moran, and Kotschwar 2016).

Few Women in Corporate Leadership

The challenge is that female executives are few and far between, both globally and in Asia. In a 2017 survey of approximately 35,000 publicly listed firms in 58 countries, nearly one-half (48 percent) did not have any female executive officers, such as a CEO or Chief Financial Officer.¹ Almost as many, 46 percent, had no women on their boards of directors. Only around 6 percent of firms had female CEOs, and 5 percent of firms had board chairwomen.²

In 2017, 13 percent of corporate board members and 16 percent of executive officers were women. As a whole, Asia was close to the global norm, with women accounting for 11 percent of board members and 16 percent of executive officers.³ But the regional averages obscure considerable differences between countries: the share of women board members was nearly 20 percent in Thailand, compared with just over 3 percent in Japan despite Japan’s high

levels of income and educational attainment. Similarly, more than one-third of executive officers were women in Malaysia, while in Japan the figure was just over 2 percent. Approximately 95 percent of firms in the Philippines had at least one female executive officer. In general, corporate leadership has been consistently more gender diverse in Southeast Asia than in Asia as a whole, perhaps reflecting the prominence of family-controlled businesses in Southeast Asian countries.

Female representation in corporate leadership has been rising gradually over time, both globally and within Asia (Figure 1). Yet, again, some countries stand out as having made more progress than others. In 2006, fewer than 6 percent of corporate board members were women in India and New Zealand, among the lowest levels in the region, but by 2017 the female share had risen to more than 16 percent in both countries.

In Europe, some of this rise has been driven by legal quotas—Norway is the most pro-active, mandating that women account for 40 percent of board members of publicly traded firms. Quotas may also explain some of the rise in the Indian figure. In 2013, India introduced a quota under which firms were to have at least one female board member by 2015, and indeed, the female share of board members jumped between 2013 and 2015. Concerns about token-

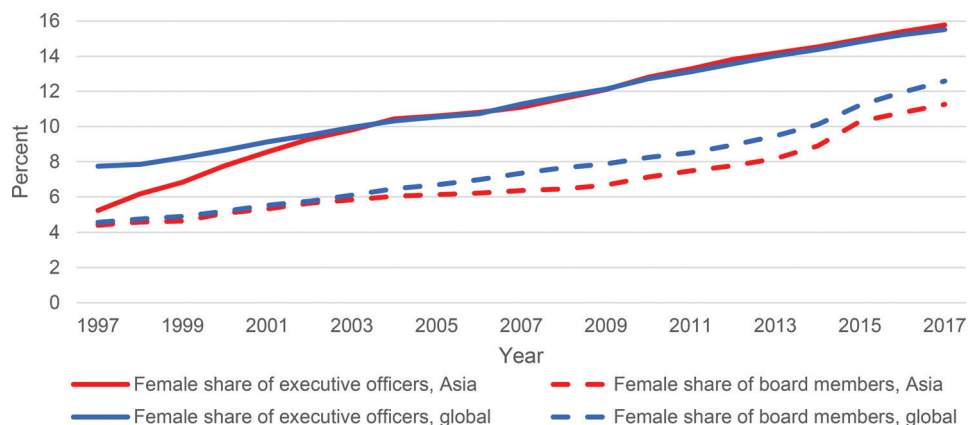


Figure 1. Increasing share of female executive officers and board members, Asia and global, 1997–2017. Source: Refinitiv and authors’ calculation.

ism then became an issue, and the top 1,000 listed firms have been required to employ “independent” (i.e., non-family) female directors since April 2019.

If women gravitate toward some sectors or if some industries are seen as more welcoming to women, it is possible that differences in the underlying composition of economic activity might explain some of the cross-country variation in the prominence of women in corporate leadership. In fact, the cross-industry incidence of female corporate leadership in Asia largely tracks cross-industry patterns observed globally.

The financial and healthcare sectors had the highest share of firms with female executive officers, both globally (18.7 percent and 17.6 percent) and in Asia (20.7 percent and 18.2 percent) and the highest share of firms with female board members in Asia (13.1 percent and 12.8 percent).⁴ The energy sector had the lowest share of female board members, both worldwide (9.6 percent) and in Asia (9.5 percent). The Asian industrial sector had the lowest share of female executive officers (13.2 percent), while the technology industry scored the lowest globally (12.8 percent). While a country with, say, a large financial sector might tend to employ more female executives than a country with a large energy sector, cross-industry variation is not sufficient to explain a large share of observed cross-country differences—something else is at work.

And Female Participation Matters

In a cross-sectional econometric analysis, Noland, Moran, and Kotschwar (2016) found that the presence of women in corporate leadership was associated with higher firm profitability. A simple time-series comparison of firms with and without women in corporate leadership positions reinforces that result. Figure 2 reports median values of two financial performance measures—net profit margin and return on assets—for Asian firms between 1997 and 2017.⁵ Firms with at least one female leader, whether board member or executive officer, consistently had superior financial performance to male-only firms over a period of more than two decades.

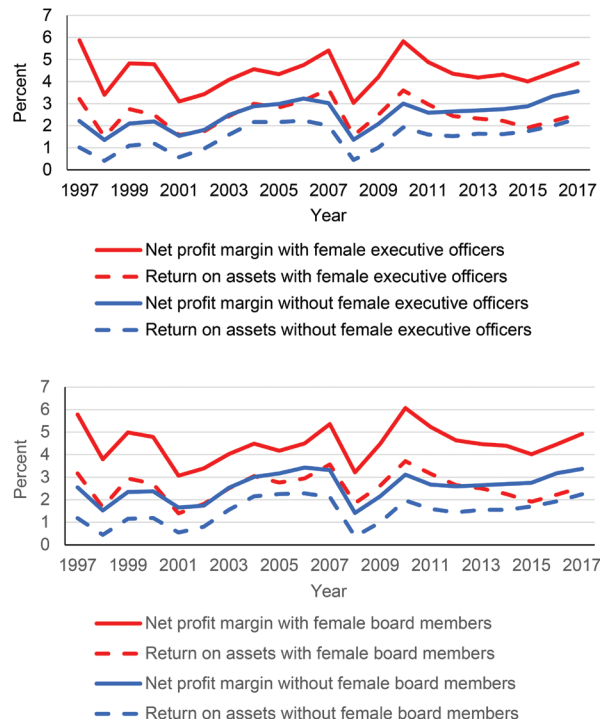


Figure 2. Median net profit margin and return on assets of Asian firms with and without female executive officers (top) and female board members (bottom), 1997–2017.

Source: Refinitiv and authors' calculation.

So how do we get women to the top? Three broad explanations for the cross-country variation in female corporate leadership at the global level provide a clue. The first might be termed “personal preparation.” Clearly the educational system plays a role: Countries with relatively narrow male-female gaps in math performance on standardized tests tend to generate more female corporate executives. The same is true with respect to countries that produce large numbers of female college graduates, particularly in fields such as law, business, or economics that might be considered preparatory for a career in management. In short, women’s corporate advancement is facilitated by educational systems that promote female education and do not steer female students toward traditionally feminine fields of study.

Beyond personal preparation, public policy can provide both direct and indirect support. Enforceable anti-discrimination laws are a starting point. But even in environments without overt discrimination, it has been observed that men’s and women’s careers diverge during periods of child rearing. The availability of maternity (and, importantly,

paternity) leave along with high-quality childcare can reduce the periods during which mothers leave the labor force and can ease their re-entry when they return. Quota systems, which have been adopted in some countries, are a more direct, but controversial, way to recalibrate outcomes.

That said, public policy has its limits. Social attitudes play a role as well, and it is unsurprising that survey data on national attitudes toward women corporate executives are correlated with women achieving these positions. Countries with relatively positive attitudes tend to generate more female executives, while countries with more negative views do not. These differences may help explain why some firms unilaterally adopt policies such as having gender diverse recruiting committees, using resumés that are non-gender specific, and requiring a diverse list of candidates when recruiting.

Japan is an interesting case in point. While it is normally considered a socially advanced country, Japanese respondents in the World Values Survey evince skeptical attitudes toward women in corporate leadership, and the country has relatively few women executives. Today, under

acute demographic pressure, the government has undertaken a number of policies to promote female labor-force participation and career advancement under the slogan “Womonomics.” These policies have included, for example, providing daycare facilities in close proximity to heavily used mass transit lines. The result has been an upswing in female labor-force participation, reduced periods out of the labor force associated with childbirth, and an increased rate of women staying in full-time, regular employment (Nagase 2018). Prime-age female labor-force participation in Japan

has risen to 71 percent, higher than in the United States where it is only 66 percent, although often this takes the form of temporary jobs with low pay and benefits.

A 2015 Japanese law encourages firms to promote women through voluntary action plans. Female executives remain rare, however, although women such as Keiko Tashiro, deputy president of the brokerage firm Daiwa Securities, are beginning to gain visibility. One senses that with considerable female talent in the pipeline, the tectonic plates may be shifting, even in Japan.

Conclusion

Women may hold up one-half of the sky, as Mao Zedong said, but they hold down considerably fewer than one-half of corporate leadership positions. Compared to global norms, outcomes in Asia are mixed. Women are better represented in corporate leadership positions than the world average in Southeast Asia, while at least for now Japan continues to lag badly. These differences could have real economic effects: The presence of women in corporate leadership positions is associated with greater firm efficiency. Apart from considerations of fairness, improving the status of women is smart economic policy.

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Notes

- ¹ The data used in the analysis come from Refinitiv and authors’ calculation. Refer to <https://www.eastwestcenter.org/womenincorporateleadership2019> for additional data and a detailed exposition of data collection and cleaning.
- ² Only about 20,000 firms provided data on the gender of CEOs or board chairs.
- ³ Asia is defined as East Asia (China, Hong Kong, Japan, South Korea, and Taiwan), Southeast Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam), South Asia (India, Pakistan, and Sri Lanka), and other (Australia and New Zealand).
- ⁴ Sectors are based on Thomson Reuters Business Classification.
- ⁵ Due to extreme outliers, median values were analyzed instead of means. Median values were computed for each year for firms with and without female directors/executive officers.

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