
Employment Category Diversification and Personnel Management Problems

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Summary

Many Japanese firms classify their employees into various categories as a way of making effective use of personnel and these do not consist simply of regular and non-regular employees, but of a number of categories within these two employment classes. This diversification of employment categories requires new human resource management to deal with new problems. The first question is how to integrate different personnel management measures and the nature of duties assigned to individual employment categories within general personnel management policy. The second is how to maintain a balance of wages and other rewards among different employment categories. This article, based on interviews and questionnaires addressed to human resource managers at Japanese firms, aims to shed light on the current diversification of employment categories and consider the tasks of personnel management in light of the current situation.

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I. Introduction

Japanese firms commonly classify their employees into various categories and apply different ways of use, career management policies,

employment conditions, and wage and other remuneration systems to individual categories. The categories do not consist simply of regular employees, regarded as core members of the firms, and the rest, that is, non-regular employees. A number of employment sub-categories, where different employment conditions and wages and other types of remuneration are used for workers with different careers, are also implemented for these two main types. The specific names given these employment categories vary depending on individual firms: in general, *sogo shoku* (employees on the career track) and *ippan shoku* (employees on the clerical track) apply to regular employment, whereas *keiyaku shain* (contracted employees), *paato shain* (part-time employees), and *arubaito shain* (young part-time employees) are placed in the non-regular employment category. Firms' objectives for using a mix of multiple types of human resources include improved responses to uncertainty in the market, transforming labor costs into variable costs, cost reduction, and efficiency in training costs.

Incidentally, the diversification of the employment categories utilized requires human resource management to deal with new problems (Chapters 2 and 14, Imano and Sato, 2002, Chapter 2, Nakajima, 2003, and so on). The first is how to combine personnel management policies, the nature of the duties assigned, and wage and other remuneration systems in each employment category – in short, sensible formulation of employment categories.

The second task is to keep a balance of wages and other rewards among different employment categories. The balance between the treatment of full-time regular employees and part-time workers has been discussed frequently as a question for human resource management.⁽¹⁾ However, individual firms' employment categories are not necessarily set solely in accordance with the difference between full-time regular employees and part-time employees. It can thus be another important task to balance rewards among workers in various employment categories, not just between the regular full-time and part-time employee categories.

This article, based on interviews and questionnaires addressed to human resource managers at private firms, aims to shed light on the current diversification of employment categories in firms. The two

surveys were conducted by a committee for surveys and research into current employment management conditions and possibilities for new work styles.⁽²⁾

In the interviews and questionnaires, we generally define employment categories as consisting of “employees on the career track,” “employees on the clerical track,” “contracted employees,” and “part-time employees,” all unique types. In addition, some workers classifiable as “regular employees” are labeled with different names: those paid in accordance with different wage tables or wage determination methods, those treated differently due to workplace location and the presence or other wise of restrictions on work assignments, or those under different management with regard to recruitment and promotion. In such cases, they are considered to belong to different employment categories and treated accordingly.⁽³⁾

II. Employment Category Diversification as Seen in Corporate Case Studies

To facilitate understanding of the specific conditions affecting diversification of employment categories, this section features two examples of firms with various employment categories, selected from among the firms that participated in the interview survey. Needless to say, each firm has its own unique combination of employment categories and the examples provided below are just two among many. The criteria for determining the number and types of employment categories and a general picture of employment conditions and remuneration in the categories “regular employees” and “non-regular employees” will be given in a subsequent section, Section III. Here though, first of all, are two instances of diversification of employment categories in individual firms.

1. Company A, manufacturing industry

(i) Corporate profile and employment categories

Manufacturer A is in the semiconductor business and was once a department of a large company, but was spun off in November 2002 and is currently independent.

It divides its main body of employees, regular employees, into four categories – managerial class, job type A, job type B, and job type C employees – and employs different types of job, career formation schemes and wage determination systems. As of March 10, 2003, managerial class employees totaled approximately 1,380, job type A employees approximately 2,450, job type B employees approximately 990, and job type C employees approximately 710.⁽⁴⁾ In the previous three years, the numbers of managerial class employees and job type A employees have increased, while the numbers of job types B and C employees have decreased.

(ii) Nature of jobs and careers

Jobs are managed so as to be systematically allocated to different job categories. Thus, managerial class employees are assigned managerial or highly specialized tasks, job type A employees are assigned non-routine tasks allowing individual discretion, job type B employees engage in routine clerical or engineering tasks, and job type C employees engage in work requiring skills at production sites (proto-type product development and manufacturing plants).

Various qualification grades are set for each category of job type A, B and C employee and employees are assigned more advanced tasks as they are promoted to higher grades. The highest grade in each category is “leader.” Promotions allow employees in these categories to shift to “managerial class employees” and they are thus given opportunities to expand their careers. “Division director” is the highest managerial class employee position. Managerial class employees are also able to rise to another employment category position with a different remuneration system – board member, which also denotes corporate officers and directors (president and vice presidents). Apart from these methods of career formation through promotion to higher positions, any corporate measure to downsize a production department accelerates the shift of job type C employees to job type B employees. Other types of transfer are possible in theory, but rare in reality.

(iii) Employment conditions

Employment terms common to all categories include indefinite labor contracts, the likelihood of a transfer to any workplace location, and so on.

(iv) Wage systems

Different wage systems apply in different employment categories. Potential managerial class employees, for example, receive a basic annual salary, determined by grades (responsibilities), whereas job types A, B, and C employees are paid monthly, based on their qualification grades. Different wage tables are also used for different types of regular employees.

2. Company B, distribution industry**(i) Corporate profile and employment categories**

Company B is in the distribution industry, running department stores with 10 branches nationwide. The firm uses four major employment categories: A, B (full-time workers), B (part-time workers), and B (workers paid commissions) employees. The firm regards “A” employees as regular employees and “B” employees in all three categories as non-regular employees. As of November 2002, A employees numbered approximately 970, B full-time workers approximately 700, B part-time workers approximately 130, and B commission-basis workers approximately 80.⁽⁵⁾ In the past three years, the number of A employees has decreased, while B full-time workers have increased. The numbers of the other types of workers have remained more or less the same.

(ii) Nature of jobs and career

A employees are subject to a corporate long-term training policy. Joining the company immediately after completing scholastic education, they are generally assigned to sales departments and involved in duties on sales floors. Some stay in sections related to sales, but are still expected to engage in higher managerial tasks related to sales after spending two to three years learning the basics of sales-related tasks. Apart from this, not a

few A employees spend a couple years in sales departments and then are transferred to departments dealing with major corporate customers from the third year on. Of these, some are transferred again to departments in charge of office work or transferred back to sales departments. As a matter of policy, the personnel department designs the rotation so that each employee can experience tasks in one particular department for at least two to three years once assigned to that department.

A qualification scheme is applied to A employees. The qualifications range from grade 1 at the bottom to grade 6 at the top. Employees in grades 1 – 3 are ordinary employees and those in grades 4 – 6 employees with titles. First-year employees who have joined the company immediately after graduating school are not given any qualification grade and at the end of the first year are placed in grades 1 – 3 according to their performance that first year. Normally, they are ranked in grade 1. The qualification scheme is designed so that a standard employee will be promoted to grade 2 in the third year, grade 3 in the seventh year, and grade 4 in the eleventh year.

Qualification grades and official positions correspond to each other to a certain extent. In sales departments, for example, section leaders responsible for individual sales sections are chosen from among A employees in grades 4 and 5. On the other hand, many A employees in grade 3 are assigned to “informal” posts responsible for sales sections.

A employees are eligible for a type of child and family care scheme under which their existing full-time work status is temporarily altered to B part-time work and they work shorter hours. At the moment, 67 employees are taking advantage of the scheme to allow them to care for their children. While working shorter hours under this scheme, A employees are paid hourly wages, determined in proportion to the monthly payments they received while they were not in the program.

B full-time workers' job classifications are sales and office work. All office work is handled by female workers, about 100 in all. Around 500 workers, including 21 males, are assigned to sales sections. The scope of their duties is limited to tasks normally handled by A employees who have worked for the firm for up to four years and have no title, that is, who mainly serve customers and place orders with sales sections.

It apparently takes a year or so for inexperienced workers to learn the full range of these duties. Unlike A employees, B full-time workers do not engage in managerial tasks such as an acting manager, budget compilation, or management of figures. Moreover, unlike B commission workers, they are not assigned as managers of shops installed on sales floors. They may in theory be transferred to another workplace according to employment regulations, but this seldom happens in practice. There is no scheme for transferring to different employment categories.

B part-time workers handle the same kinds of jobs as B full-time workers. Unlike the latter, however, they do not place orders. The number of B part-time workers rose in the early 1990s due to increased demand for cashiers when self-service was introduced in perishable food sections and also in the latter half of the 1990s due to the establishment of shops operated under low cost management. B part-time workers are still mainly placed in these sections and shops, but since the size of the sections and shops has remained the same over the years, their number has not changed and is not scheduled to be increased. Except for perishable food sections and shops operated at low cost, not many B part-time workers are employed in departments and shops where staff members are frequently required to have direct contact with customers, because full-time workers who can provide consistent services to customers without passing on information concerning those customers to others are more advantageous in such services. B part-time workers are not subject to any scheme for transfer to different employment categories.

The B commission worker employment category was introduced in fiscal 1996 with better rewards, when the firm wished to re-employ former A employees with high sales abilities but left the company because of childcare or other reasons and to hold on loan shop assistants dispatched by business partners to branches with high sales ability who might have otherwise moved to other rival companies. In practice, the former type of workers, ex-employees, accounts for the majority of these commission-based workers. All workers in this category are in sales. When the category was first introduced, they were assigned to various sales sections, but currently just above 70 percent are allocated to the cosmetics floor and slightly less than 30 percent to shops selling

private-brand women's and men's apparel. Few are allocated to other sales floors where it is difficult to ascertain individual sales performance. Some work as ordinary sales people and others serve as managers of shops installed on sales floors. Shop managers serve VIPs, as well as placing orders for shops in their charge and supervising sales staff. Even so, decisions regarding work schedules, performance assessment, and other duties involving personnel management are all tasks for A employees and B commissioned workers are given no responsibility for them. They are allowed to shift their status to B full-time workers or B part-time workers, but none so far has taken advantage of the scheme.

(iii) Employment conditions

Employment conditions in various employment categories differ in several ways. First, working hour schedules are different. A employees have a total of 1,978 scheduled full-time hours per year. These workers are asked to do overtime and also to work shifts. B full-time workers and B commission workers have 1,958 scheduled annual full-time hours (7.5 hours per day). They also do overtime and work shifts. On the other hand, B part-time workers work shorter hours - 28 hours or less of contracted weekly hours. There is no official lower limit on working hours, but 20 hours per week is the minimum in practice. Most workers in this category are housewives who adjust their working hours to avoid earning more than 103 million yen in annual income. Their contracts allow them to do overtime, but few do so in practice.

Second, while A employees sign indefinite employment contracts, B full-time, part-time, and commission workers conclude one year fixed-term contract. However, their contracts generally continue to be renewed annually.

Third, while the scope of duties undertaken by A employees is not limited by their labor contracts, B full-time and part-time workers are restricted when they sign labor contracts either to office work or sales. The scope of duties of B commission workers is also limited by contract to over-the-counter sales.

Fourth, regarding work locations, labor contracts stipulate that A

employees may be transferred anywhere and, in fact, they are often transferred to business establishments that require them to relocate. On the other hand, labor contracts for B employees place restrictions on work locations, though B commissioned workers may be required to move to different business establishments that do not require a change of residence.

(iv) Wage systems

A employees receive merit-based pay according to their qualification grades, together with status-linked wages according to their positions. A single rate per grade applies in the former wage category, while the latter varies according to the weight of responsibilities in each position. The latter consist of six ranks - which are, in order: shop manager, shop sub-manager, team leader (floor manager), section leader (sales section manager), expert, and member – and a specific wage range applies within each rank. In order to treat competitive sales staff members who are not entitled to become line managers generously, experts' and section leaders' wage ranges partially overlap.

Apart from monthly wages, employees are given bonus payments. Bonuses consist of a fixed portion determined according to the amount of basic pay and a portion that varies according to the performance of the sales section the workers belong to, as well as individual performance. The variable portion of the bonus is first allotted as a lump sum to individual sales sections according to their performance, then distributed to individual workers at the discretion of team leaders according to individual performance. Only A employees are paid bonuses.

B full-time and part-time workers receive basic hourly wages. Hourly rates are determined by job type and split into 20 grades, with a difference of about 10 yen between grades. Individual hourly rates reflect the regional rate for the job type in question and accord with performance assessments made every six months. Apart from basic pay, B full-time workers are paid additional hourly wages of 60, 110, 160, 210, or 260 yen, determined according to assessments of individual ability. Salary, consisting of hourly wages and additional hourly wages, is paid monthly. B part-time workers are not eligible for additional hourly wages.

B commission workers receive monthly pay. The portion that varies according to individual performance accounts for a larger part and is a special feature of their salary. The monthly wage consists of a basic payment - in effect, a minimum guaranteed salary, fixed at 150,000 yen - and commission payments. A 30,000 yen commission is paid in the first term, followed by an amount calculated by multiplying 30,000 yen by achievement percentages linked to individual objectives for the first half of the fiscal year. Individual workers' goals are determined through consultations with section leaders, who are also responsible for individual performance assessments. In the case of ordinary sales staff members, individual sales amounts are set as objectives, but for shop managers, whose sales activities are conducted through supervision of their subordinates, appropriately proportioned sales targets comprising section sales and the managers' own results are determined through consultations with section leaders. A majority earns around 230,000 yen per month in basic pay and commissions, and the highest monthly wage is at most 350,000 yen.

In the preceding two cases, the firms in question classify their employees into various employment categories under different titles and assign different job content, career track opportunities, employment conditions, and wage systems to each. However, the two companies' classification methods differ: while company A divides regular employees into various categories, company B divides its "non-regular employees" into various categories. Also, in cases such as company B, where there are two or more categories within non-regular employment, the question of what kind of career formation opportunities, employment conditions, and wage systems will apply to which employment categories depends on individual cases. In other words, firms have various choices at hand in classifying their employees.

III. Employment Category Diversification As Seen in Questionnaires

How common is it for large Japanese firms to have the various

employment categories seen in the preceding examples? What kinds of features do the number of employment categories entail? Why do they classify their employees into various groups? And what kinds of differences can be noted in job content, employment conditions, and rewards among regular and non-regular employment categories? Questionnaire data is used in this section in an attempt to clarify the factors determining the number and nature of employment categories and give a general picture of regular and non-regular employment categories.

1. Number of employment categories⁽⁶⁾

The questionnaire results show that, of the 547 firms responding to the survey, almost all of the firms surveyed – 538, or 98.4 percent – hire non-regular employees, showing how common the use of such employees has become. At the same time, quite a few firms surveyed not only make use of non-regular employees, but also divide regular and non-regular employees into various separate categories.

Regarding the number of employment categories for regular employees, the largest proportion of firms, 43.7 percent, adopt a single category. Even here, though, the number of such firms is not in the majority: firms with two categories account for 25.8 percent, those with three categories 16.8 percent, and those with four categories 6.0 percent. Thus, those with two or more categories accounted for 56.3 percent (2.2 categories on the average). In other words, a majority of firms have more than one employment category for regular employees and quite a few have two or three categories.

Of the 538 firms maintaining non-regular employees, 14.9 percent of them treat their non-regular employees as a single group, whereas 31.0 percent classify theirs into two categories, 28.1 percent into three categories, 14.3 percent into four categories, and 10.8 percent into five or more categories. The number of non-regular employment categories is greater than that of regular employment categories (2.9 categories on average, with 0.9 percent not responding).

As for regular and non-regular employee employment category combinations, combination patterns are quite diversified, with no particular combination favored by the firms surveyed. Of the 538 firms

with non-regular employees out of the total of 547 firms surveyed, the combination of “one category for regular employees and three for non-regular employees” is the most favored, but is still adopted by a mere 13.2 percent of the firms. This is followed by “one category for regular employees and two for non-regular employees” (12.3 percent), “one category for regular employees and four or more for non-regular employees” (11.2 percent), and others (less than 10 percent). At the same time, firms with a larger number of employment categories, that is, “three or more categories for regular employees and three or more for non-regular employees” account for as much as 14.5 percent.

Dividing the firms surveyed into groups with diversification or otherwise in regular and non-regular employment categories, (i) firms with a single category for both types of employees and thus no diversification in either category account for 7.4 percent; (ii) firms with diversification in non-regular employment categories which have a single category for regular employees and two or more for non-regular ones accounted for 36.7 percent; (iii) firms with diversification in regular employment categories which have two or more categories for regular employees and a single category for non-regular ones accounted for 7.4 percent; (iv) firms with diversification in both regular and non-regular employment categories which have two or more categories, respectively, for regular and non-regular employees accounted for 48.4 percent. At the moment, types (iv) and (ii) are most common, accounting for 85 percent of the total.

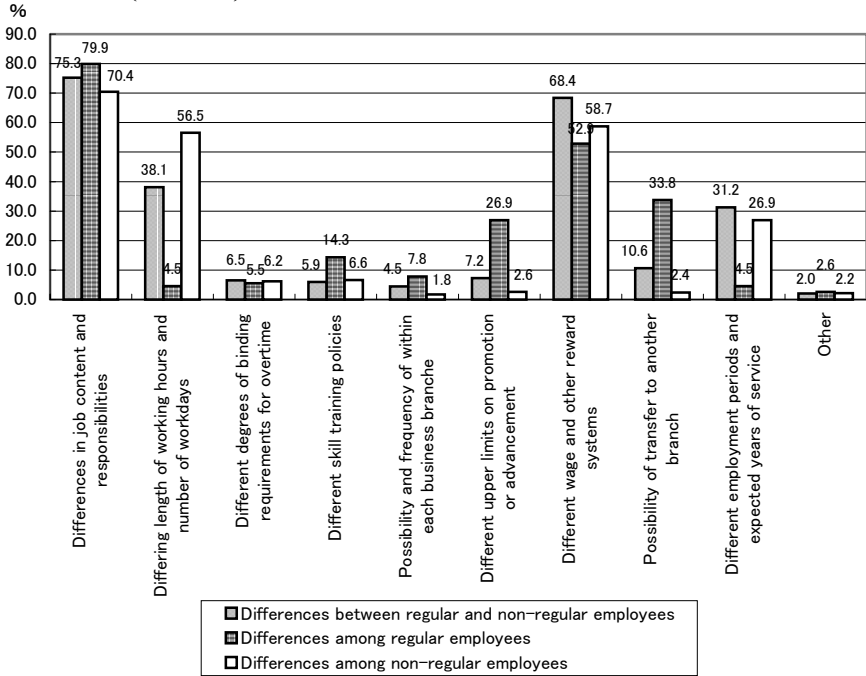
2. Reasons for classifying employees into more than one category

What kinds of criteria do firms use in establishing various employment categories? This section analyzes this question. Figure 1 shows the results of a questionnaire asking firms to give up to three reasons for classifying their workers into regular and non-regular employees and up to three reasons for dividing each type of employee into various employment categories. According to Figure 2, quite a few firms chose either “differences of job nature and responsibilities” or “differences of wage and other reward systems” as a reason. As for reasons for dividing regular employees into various categories, “the

possibility of transfer to different branches” and “differences in upper limits on promotion and upgrading” were cited separately from the two reasons given above. Major reasons for establishing various employment categories within non-regular employment (firms being required to choose up to three reasons) include “differing length of working hours and number of workdays” and “term of employment and length of service that firms expect.” These reasons were also selected as reasons for classifying employees into regular and non-regular employees. On the other hand, “different degrees of binding requirements for overtime,” “different policies for skill training,” and “possibility and frequency of rotation among business branches” do not rank high among the reasons for firms to classify their employees into regular and non-regular employees or to divide each type of employee into various employment categories.

Incidentally, “differing length of working hours and number of workdays” was chosen as a reason for classifying employees into regular and non-regular and for having various employment categories among non-regular employees, but not as a reason for having various employment categories among regular employees. This suggests that, even if firms establish more than one employment category for their regular employees, they assume that they will work full time regardless of the category and do not assume that any regular employees will work shorter hours.

Figure 1. Reasons for regular and non-regular employee classifications and for assigning each type of employee to various employment categories (maximum of 3 choices) (unit: %)



3. Comparisons of Treatment of Regular and Non-Regular Employees

(1) Special features of regular and non-regular employee employment categories

The questionnaire asked firms about employment contracts and labor conditions in the individual employment categories they maintain. Let us first look at individual features of employment categories for regular and non-regular employees, respectively. Table 1 provides a list of choices frequently cited as special labor condition, job content, career, and wage system features for regular and non-regular employees and the proportions of firms that chose those items. (For questions allowing multiple answers, choices more frequently selected are listed). The table presents the following picture of employment categories for regular and non-regular

employees.

Table 1. Special Features of Employment Categories – Regular and Non-Regular Employees (%)

	Regular employees	Non-regular employees
<Employment conditions>		
Contract terms	Indefinite term (92.8 %)	Fixed-term (normally renewed regularly) (80.2%)
Scope of jobs	Unlimited (63.3%)	Limited by contract (62.2%)
Workplace location	Unlimited (63.1%)	Limited by contract (63.9%)
Length of working hours, compared to regular employees	—	Same : shorter = 1 : 1
(Most common) working hour scheme	Irregular working hour system (39.8%)	Irregular working hour system (22.4%)
<Job content and career formation>		
Main job categories (multiple answers)	“Office work,” “sales,” “specialized / engineering work,” “management,” “service”	“Office work,” “sales,” “specialized / engineering work,” “production / skilled work,” “service”
Average length of service	10 years or longer (69.9%)	Less than 5 years (67.7%)
Upper limit on promotion	Position responsible for personnel assessment at the second stage, or higher (54.8%)	Not eligible for managerial posts (78.9%)
Skill training policies (multiple answers) (i) in 1st place, and (ii) in 2nd	(i) Employees are expected to systematically acquire a wide range of skills from a long-term viewpoint. (53.0%) (ii) Employees are expected to systematically acquire specific skills from a long-term viewpoint. (43.2%)	(i) Employees are expected to acquire skills sufficient to complete routines work. (38.6%) (ii) Employees are expected to acquire necessary skills on a case-by-case basis. (30.6%)
<Wage systems>		
Basic pay payment method	Monthly (84.8%)	Hourly (35.0%)
Criteria for determining basic pay (1 or 2 choices) (i) in 1st place, and (ii) in 2nd	(i) Skills and task-execution ability (61.2%) (ii) Results and job performance (42.3)	(i) Commonly accepted market wage rate (50.7%) (ii) Skills and task-execution ability (42.0)

Special features of regular employee categories are (i) indefinite contract length, (ii) job scope and workplace location are not restricted, (iii) a supervisory role is counted as a major task and affords eligibility for promotion to a post with responsibility for assessment of workers at a later stage, (iv) wages are paid monthly, with basic pay levels determined mainly in accordance with skills and task-execution ability. On the other hand, special features of non-regular employee categories are (i) fixed-term employment contract, normally regularly renewed, (ii) scope of work and workplace locations constrained by contract or in practice, (iii) no assignment to managerial posts, (iv) a requirement to acquire skills

sufficient to complete routine work, and (v) hourly wages are paid, with basic pay levels determined mainly according to commonly accepted market rates.

Now let us delineate the various patterns of regular and non-regular employee categories and look at the numbers of categories and workers in each pattern. Employment categories can be divided into four patterns in terms of the presence or otherwise of job scope limits and workplace locations: (a) no limitation on job scope or workplace location, (b) no limitation on job scope, but limits on workplace location, (c) limits on job scope, but no limitation on workplace location, and (d) limits on both job scope and workplace location. (See Table 2.)

Looking first at the proportion of regular employees types, pattern (a) accounted for slightly more than half, 52.6 percent, followed by pattern (d), 22.2 percent, and patterns (b) and (c), 12.6 percent each (Table 3). As for the number of employees falling within each pattern, pattern (a) accounts for 69.0 percent, pattern (b) 10.9 percent, pattern (c) 10.4 percent, and pattern (d) 9.6 percent. Workers classifiable into pattern (a), corresponding to traditional employees on the career track, account for slightly more than 50 percent of the number of employment categories and 70 percent of the number of workers as a whole, suggesting that the proportion of employment categories other than traditional employees on the career track has been substantially increasing.

Data cannot be provided here for lack of space, but the findings of the questionnaire enables one to detect certain tendencies in each category concerning opportunities for career formation. Thus (i) even regular employees are less likely to be promoted to posts responsible for personnel assessment at the second stage if the limitations on the scope of their job and workplace location are too strict. In particular, employees in patterns (b) and (d) face restrictions on promotion to higher positions. (ii) Where skill training policies (multiple choices) are concerned, policies call for workers in patterns (a) and (c), in which workplace locations are not restricted, to systematically acquire a wide range of skills from a long-term viewpoint in a large proportion of the employment categories. On the other hand, for those in patterns (b) and (d), major skill training policies include “calling for systematic acquisition of specific skills from

a long-term viewpoint” and “calling for acquisition of the necessary skills on an ad-hoc basis.”

Table 2. Summary: Regular Employment Category Classifications

	Number of employment categories	Number of employees	Proportion of total number of employees
Total	873 (100.0%)	1,304,721 (842)	100.0%
a) No restrictions on job scope or workplace location	459 (52.6%)	900,354 (442)	69.0%
b) No restrictions on job scope, but on workplace location	110 (12.6%)	142,524 (107)	10.9%
c) Restrictions on job scope, but not on workplace location	110 (12.6%)	136,063 (103)	10.4%
d) Restrictions on both job scope and workplace location	194 (22.2%)	125,780 (190)	9.6%

Notes:

- (1) The population is set at 873 firms, out of a total of 895 firms that hire regular employees on an indefinite contract term basis, that gave answers in the survey concerning the presence or otherwise of limits on job scope and workplace location for workers categorized as regular employees.
- (2) Figures in parentheses in the “number of employees” column indicate the number of employees that the firms surveyed denoted workers classified in the relevant category.
- (3) “No restriction on the scope of work”: no limitations on the scope of work, either by contract or in practice.
 “Restrictions on the scope of work”: limitations on the scope of work in practice, including cases in which there are no contractual limitations are stipulated.
 “No limitation on workplace locations”: no limitation on workplace location, either by contract or in practice.
 “Restrictions on locations to work”: limitations on workplace location in practice, including cases in which no contractual limitations are stipulated.

Next, if the non-regular employment categories are classified into four patterns in the same fashion as the preceding regular employment categories, pattern (d) accounts for a substantial majority both in terms of the number of employment categories and the number of workers affected, 81.2 percent and 74.9 percent, respectively (Table 3). The other three patterns account for somewhat smaller proportions both in terms of the number of employment categories and the number of workers concerned. In particular, pattern (a), the most common pattern for regular employees, accounts for 5.4 percent in terms of the number of employment categories, but only 1.5 percent in terms of the number of workers.

Tendencies in each non-regular employee category pertaining to employment conditions and career formation opportunities exhibit the following special features: (i) a majority of workers in all categories work

under contracts for definite periods and have them regularly renewed under normal circumstances. At the same time, some non-regular employees with no restrictions on the scope of their work account for large proportions in patterns (a) and (b): 19.0 percent and 12.6 percent, respectively, of non-regular employees are under indefinite labor contracts. In pattern (a), in particular, the pattern for traditional regular employees, the proportion is almost as much as 20 percent, as indicated. (ii) Non-regular employment categories that do not include the item “managerial posts” in career formation account for a substantial proportion, 70 – 80 percent. However, in categories where there is no restriction on the scope of work, the ceiling on opportunities for career formation is quite high, so that non-regular employees here may be able to shift to a different one and improve their careers. However, non-regular employees with no restrictions on workplace location have more advantages as far as chances to shift to a regular employment category are concerned. (iii) Where policies of skill training (multiple choices) are concerned, there is not much difference among employment categories: in all categories, a low proportion of policies call for “systematic acquisition of a wide range of skills from a long-term viewpoint” or “systematic acquisition of specific skills from a long-term viewpoint” are low.

Table 3. Summary: Non-Regular Employment Category Classifications

	Number of employment categories	Number of employees	Proportion of total number of employees
Total	1168 (100.0%)	550,829 (1092)	100.0%
a) No restrictions on job scope or workplace location	63 (5.4%)	8,113 (61)	1.5%
b) No restrictions on job scope, but on workplace location	87 (7.4%)	79,730 (85)	14.5%
c) Restrictions on job scope, but no restrictions on workplace location	70 (6.0%)	50,158 (62)	9.1%
d) Restrictions on both job scope and workplace location	948 (81.2%)	412,828 (884)	74.9%

Note: The population consists of 1,168 samples out of those in non-regular employment categories who gave answers concerning the presence or otherwise of limitations on job scope or work location. The rest are the same as in Table 3.

As seen above, the regular and non-regular employee categories differ from each other in the existence or otherwise of limitations on the scope of work or workplace location, opportunities for ability development and career formation, and factors determining wages. However, an attempt at classifying regular and non-regular employment categories into four patterns in terms of restrictions on the scope of work and workplace location revealed that some categories of regular and non-regular employees can be sorted into identical patterns. For example, the employment category in which there are limitations on both the scope of work and workplace location – the category comprised by the majority of non-regular employees – is found among regular employees, too. In the same fashion, the category in which there are no limitations on either the scope of work or workplace location – the category into which a majority of regular employees fall – can be noted, if not often, among non-regular employees, too. The labor contract periods of non-regular employees, unlike those of regular ones, are fixed, but are regularly renewed in most cases. At the same time, where the presence or otherwise of limitations on the scope of job and workplace location are concerned, both the regular and non-regular categories include identical patterns. Put differently, one might say that those should be applied the identical employment conditions, regardless of whether the workers in question are regular or non-regular employees. This suggests a need to reorganize employment categories.

V. Conclusions

This section takes into account the facts found in the analysis and aims to suggest tasks for personnel management that uses diversified employment categories.

(i) The case studies and the results of the questionnaires have shown that the categories of regular and non-regular employees have now become diversified, so that it is quite impossible to understand the corporate use of personnel in practice simply by observing the simple dichotomy between regular and non-regular employees. Careful observation of the reasons for dividing employees into various categories

and the categories as divided in practice has shown that there are no clear criteria for such classifications, and that firms are still groping their way.

Behind all this lies the fact that, above all, individual employment categories are designed on the premise that employees are divided into regular and non-regular ones from the beginning. But the validity of labor contracts for non-regular employees is usually defined. In fact, they can be seen, due to repeated renewal as virtually permanent. Provided that those non-regular employees can be seen in a sense as regular ones, it is necessary to get rid of the regular/non-regular structure and reorganize categories in conformance with actual job content and careers. This will make it possible to create employment categories that go beyond the boundaries of regular and non-regular, which create artificial discontinuities. The formulation of employment categories that genuinely accord with actual job content and careers will provide workers with more varied choices in their working life and approaches to work that coincide with their career expectations.

(ii) Sensible personnel management with diversified employment categories essentially requires a balance between remuneration in the various categories. As the case studies and the questionnaire findings have clearly shown, firms apply different wage systems to different employment categories, with the result that wage levels of workers in those categories vary frequently. Where such is the case, workers in categories with low wage levels in particular are likely to be dissatisfied with their rewards. This may well dampen their will to work, increase resignation rates, and lower the productivity or quality of labor services. Thus, if firms are to avoid this and make effective use of work forces in various employment categories, providing rewards balanced among employment categories, in line with job content and careers, would be effective. And this will make it important to reconcile workers with the difference in their rewards and those of workers in other categories.

However, the questionnaire findings show that although some firms hire regular employees and part-time workers – a substantial component of non-regular employees – and assign them identical jobs and responsibilities, not many firms pay attention to the balance between the labor conditions of the two parties (7). As explained above, this probably

results from the assumption that regular and non-regular employees should first be separated, despite the identical natures of some categories in both employment patterns, when establishing employment categories. This matter will certainly require a revision of the categories in question. One suggestion is, for example, that if a firm has full-time regular employees and part-time workers engaged in identical jobs, the balance between their rewards could be attained if the company put both of them in a single employment category and applied an identical wage determination method (The Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare, ed., 2002).

In Japanese labor legislation, the part-time labor law stipulates that firms are required to make efforts to achieve a balance between rewards to full-time workers (regular workers under the law) and part-time workers who work shorter weekly scheduled hours (Araki, 2002). Here the full-time workers are deemed “regular employees.”⁽⁸⁾ In short, the law refers to the balance between rewards to full-time regular employees and part-time workers.

However, individual firms` employment categories are not necessarily set solely in accordance with the difference between regular employees and part-time workers, as the case studies show. Moreover, as with company B, not a few firms classify workers engaged in identical jobs as part-time workers in a non-regular, rather than regular, employment category. It will thus be another important task to achieve a balance between rewards to workers within each category, not just between the regular and non-regular employment categories.

This article is based on a paper by Sato Hiroki, Sano Yoshihide, and Hara Hitomi, “Koyo Kubun no Tagenka to Jinji Kanri no Kadai: Koyo Kubunkan no Kinto Shogu (Employment Category Diversification and Personnel Management Tasks: Balanced Treatment among Employment Categories) *Nihon Rodo Kenkyu Zasshi*, No. 518, September, 2003.

Footnotes:

- (1) For the balance between rewards to regular employees and part-timers, see the Ministry of Health, Labor and Welfare, the Equal Employment, Children and Families Bureau, ed. (2002), "Part-Time Workers' Guidelines," revised and published on August 25, 2003 (effective October 1). These urge firms to consider the balance between regular workers and short-time workers who engage in the same jobs as the latter type of workers and do not practically differ from them in terms of personnel use and operational mechanisms.
- (2) Detailed findings of the survey are presented in "Committee for Surveys and Research into Current Employment Management Conditions and Possibilities for New Work Styles (2003)." The case studies were conducted between July 2002 and January 2003 at 20 firms, and the survey was conducted between October and November 2002, when questionnaires were mailed to personnel and labor affairs managers at 2,925 firms. Firms returning valid replies totaled 547, an effective reply rate of 18.7 percent. By industry, firms in the manufacturing sector accounted for the largest proportion of respondents as a whole, 30.7 percent, followed by retail (18.3 percent), services (14.6 percent), transportation (10.6 percent), and others (each accounting for less than 10 percent). By company size, large firms with 1,000 or more regular employees accounted for slightly less than 40 percent.
- (3) However, where managerial posts are concerned, even workers promoted to managerial posts whose wage determination method changes accordingly are included among employees on the career track so long as they are employees on the career track and their promotions are the result of continuous career formation. As is clear in this definition of employment categories, the analysis of the categories shown below does not include external labor, confining the scope of workers to those who have employment relationships with the firms responding to the survey.
- (4) Apart from these, a dozen or so workers fall within the "contract employment" category and are personnel used for new business

start-ups and other definite-term projects or are foreign nationals (personnel with highly advanced ability or from overseas affiliates). Other external labor, including approximately 15 seconded workers and approximately 480 contract workers, engage in reception, design and drawing, programming, machine operation, evaluation and analysis, inspection and repairs, technical tests for mass production, and so on.

- (5) Apart from these, this firm has a “C employee” category that includes workers who had left the company due to the mandatory retirement age and have been re-hired, as well as those who engage in special assignments. As of November 2002, C employees totaled approximately 150. As for external labor, a total of approximately 2,300 loan shop assistants dispatched by business partners to branches, and approximately 60 workers dispatched by temporary help agency .
- (6) The scopes of employment categories referred to in sections 1 and 3 of Part III are different from each other. The former covers all categories, whereas the latter excludes (i), a category used to hire workers under an employment extension scheme applied to retired persons, (ii), a category for doctors, nurses, chauffeurs and others engaged in special assignments, (iii), a category for executive board members, and (iv), a category for several workers who belong to the firm due to special circumstances – thus the category will be abolished when they have left the firm. Judging from the design of the question concerning the number of employment categories referred to in section 1, the category for executive board members seems to be excluded. Also, it seems that the analysis in section 3 covers three major categories each for regular and non-regular employees apart from the preceding four categories and that the three employment categories covered account for 80.4 percent of the regular employment category and 77.4 percent of the non-regular employment one, respectively, of the total in section 1.
- (7) More than half (55.6%) firms say that there are part-time employees whose jobs are identical to those of regular employees. But less than half (43.6%) of such firms have done something to achieve the balance between rewards to full-time regular employees and part-time

workers. In the same way, 27.0% firms say that there are part-time employees more than 80% of whose jobs are identical to those of regular employees. But just 34.6% of such firms have done something to achieve the balance between rewards to full-time regular employees and part-time workers.

- (8) Concerning regular workers to whom the balance of rewards between short-time workers pertains, “the Ministry of Labour, Women’s Bureau ed. (2000)” explains that “regular workers” are defined as workers employed under a seniority wage system premised on life-long employment, that is, the premise that they will continue to work over the long term. (p. 180.)

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