

---

## Introduction

### **Human Resource Management of Atypical Employment**

Japanese enterprises have promoted the utilization of atypical employees such as part-time workers, fixed-term contact workers and temporary agency workers. Under this circumstance, the number of workplaces utilizing atypical employees for not only temporary jobs but also jobs which require certain education and training has increased. In enterprises and workplaces which utilize atypical employees, it is getting a bigger issue to improve education and training for atypical employees and human resource management measures for settlement and improvement of their willingness to work.

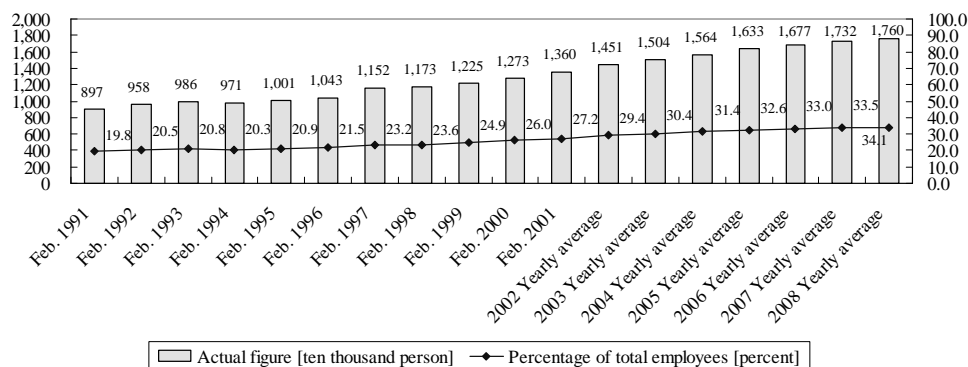
This Special Edition of Japan Labor Review introduces cutting-edge experimental studies on human resource management for atypical employment in this trend. In the following, I would like to briefly explain the recent situation of utilizing atypical employment to understand the significance of such studies in the context of Japanese labor environment followed by brief introduction of each study.

#### 1. Expansion of Utilizing Atypical Employment

One of recent big changes in Japanese employment is that the number of atypical employees has increased. Given that full-time regular employees signing an employment contract without term are defined as typical employees, the number of atypical employees whose relationship with employers and working hours are different from typical employees had been gradually increasing up to 2008, and their percentage of total employees had been getting higher as well. Atypical employees in this paper include part-time workers, fixed-term contact workers and temporary agency workers.

Figure 1 shows the number of atypical employees and changes in the percentage of total employees since the early 1990s based on “Special Survey on Labor Force” (up to 2001) and “Labor Force Survey (Detailed Tabulation)” (since 2002). Since survey methods and surveyed months are different between data up to 2001 and since 2002, an easy comparison cannot be made. However, it is possible to understand the ballpark trend. Looking at the past decade up to 2008, the number of atypical employees has increased from 12.25 million in February 1999 to 17.60 million in 2008 (annual average). During this time, the percentage of atypical employees to total employment has increased from 24.9% to 34.1%. Nonetheless, atypical employment, mainly temporary agency workers in manufacturing industry, has been cut due to the recession since 2008. As a result, according to “Labor Force Survey (Detailed Tabulation),” the percentages of atypical employees in January-March and April-June 2009 are 33.4% and 33.0% respectively.

Comparing the percentages of atypical employees in February 1999 and 2008 (annual average), both female and male percentages have increased from 45.2% to 53.6% and from 11.7% to 19.2% respectively. The percentages of both female and male youth atypical employees (in Japan, youth means mainly people aged up to 34) have also increased. Because of this, the public concern has increased over destabilization of youth employment, possibility of dwindling education and training opportunities during the early years of business



Sources: *The Special Survey of the Labour Force Survey* from 1984 to 2001 and the *Labour Force Survey (Detailed Tabulation)* since 2002. Because there is difference such as survey methods and reference period, attention need to be paid to the time series comparison.

Notes: 1. The data classified “Entrusted, Other” prior to Aug. 2000 and Feb. 2001 (“Other [entrusted, etc]”). The data subdivided “contract employee or entrusted employee” and “Other” since Aug. 2001.

2. Rates are to the totals shown in breakdown of “Employee, excluding executive of company or corporation.”

3. Non-regular staff includes part-time worker, temporary worker, temporary agency worker, contract employee or entrusted employee and other non regular employee.

Figure 1. Actual Figure and Rate of Non-Regular Staff

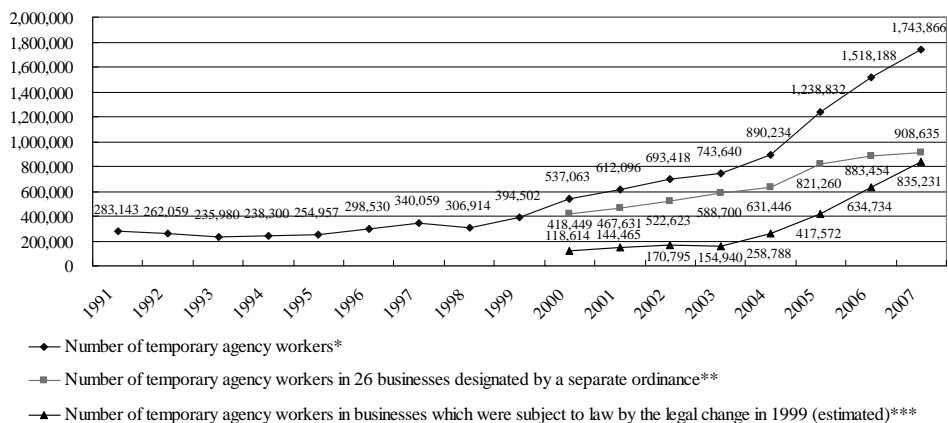
career and measures against such issues.<sup>1</sup>

In addition, during this time, the number of temporary agency workers has increased in accordance with Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (hereinafter referred to as “Act for Dispatched Workers”) as a change in atypical employment though the percentage of total employees is still low. According to recent data from Statistical Report on Worker Dispatching Undertakings released from the Ministry of Health, Labour and Welfare (hereinafter referred to as “MHLW”), the number of temporary agency workers<sup>2</sup> has significantly increased from 306,914 in 1998 to 1,743,866 in 2007 (Figure 2).

One of the causes of this situation is relaxation of Act for Dispatched Workers. The Act for Dispatched Workers had permitted the dispatch of workers to listed services, mainly specialized services, and prohibited the dispatch of those to other services. According to a revision of the Act in 1999, however, the temporary agency work has been liberalized in principle except port transport services, construction work, security services and other exempted services designated by a separate ordinance, e.g., medical-related services. For

<sup>1</sup> See, Special Edition: The Transition from School to Working Life (*Japan Labor Review*, vol. 2, no.3, 2005. The Japan Institute for Labour Policy and Training, Tokyo) and Special Edition: Current Situations of Work Hours and Vacations in Japan (*Japan Labor Review*, vol. 3, no.3, 2006. The Japan Institute for Labour Policy and Training, Tokyo).

<sup>2</sup> The number of temporary agency workers was calculated by dividing total annual working hours of surveyed non-regular workers by total annual working hours per regular worker.



Sources: The Ministry of Health, Labour and Welfare, *Statistical Report on Worker Dispatching Undertakings*.

Notes: \*The number of temporary agency workers was calculated based on the number of those workers who were dispatched with fixed term and worked during that period. For the calculation method, see Footnote 2.

\*\* As for the number of temporary agency workers by business type, since the report format changed in FY1999, the number of workers was counted by two standards in FY1999. Therefore, the number of workers by business type in FY1999 was removed from the figure.

\*\*\*Estimated number of temporary agency workers in businesses which were subject to law by the legal change in 1999 = Number of temporary agency workers - number of temporary agency workers in 26 businesses (as of every 1st of June)

Figure 2. Number of Temporary Agency Workers in Total and by Business Type

newly liberalized services other than 26 services which have been allowed to receive dispatched workers since before the revision, however, the permitted period of temporary agency workers was limited to one year. The period has expanded up to three years by the revision of the Act in 2003. By this revision, the Act has permitted the dispatch of workers to “services of manufacturing products” which was prohibited by the supplementary provision of the Act for Dispatched Workers revised in 1999 with a limitation of the dispatch period; one year within three years after the enforcement of the Act revised in 2004 and up to three years after that.

The reason why the number of temporary agency workers has significantly increased since 2004 may be the impact of the Act revised in 2003. According to “Statistical Report on Worker Dispatching Undertakings” since 2006 which can be used for understanding the number of temporary agency workers dispatched to the services of manufacturing products, the number of temporary agency workers engaged in such services was 239,243 as of 1 June 2006 and increased to 466,493 as of 1 June 2007.

As above, the number of Japanese temporary agency workers has been steadily increased. Since late 2008, however, temporary agency workers mainly in the services of manufacturing products have been cut due to the impact of the recession.

Table 1. Reason for Utilizing Atypical Employment (Up to three multiple answers)  
(Unit: Percent)

	Part-time workers	Agency workers
Need to control wage cost	41.1	18.8
Require additional personnel on daily or weekly basis	37.2	13.1
Require more workers due to extended business hours	21.7	3.4
Need to control labour cost other than wage	21.3	16.6
Need to adjust hiring practices due to changes in business conditions	18.0	25.7
Unable to recruit regular staff	17.6	26.0
Allow regular staff to specialize in important work	15.3	20.4
Need to meet temporary or seasonal demand	14.5	20.3
Require persons capable of doing specialized work	12.7	20.2
Require persons with experience and expertise	11.8	35.2
Wish to re-employ older workers	7.9	2.6
Substitute for staff on childcare or family-care leave	1.6	6.5
others	10.6	7.0

Source: The Ministry of Health, Labour and Welfare, *General Survey on Diversified Types of Employment 2007*.

## 2. Enterprises' Human Resources Utilization Policy and Atypical Employment

As mentioned above, the recent basic trend is that the number of atypical employees including temporary agency workers has increased and the percentage of total employees has also increased. The factors would be the impact of above mentioned relaxation of the Act for Dispatched Workers, workers' choice of employment and enterprises' will to utilize atypical employment.

Table 1 shows the statistics of reasons why enterprises (businesses) utilize part-time workers and temporary agency workers on the basis of "General Survey on Diversified Types of Employment 2007." Many businesses answer that they utilize part-time workers "to save wage costs," followed by "to respond to the fluctuation of daily and/or weekly businesses," "to respond to long sales (operating) hours" and "to save labor costs other than wages." It tells that the main reason why enterprises utilize part-time workers is to save labor costs through lower wage level than regular full-time workers and flexible personnel assignment which rapidly responds to amount of business and sales/operating hours.

On the other hand, many businesses point out the reason for utilizing temporary agency workers "to secure work-ready/talented human resources," "because it is hard to secure regular employees" and "to adjust employment depending on business fluctuation." Enterprises would aim to save fixed labor costs by flexibly adjusting the number of personnel depending on the amount of businesses as well as securing human resources suited to the businesses.

Generally, it can be said that the main reason of utilizing atypical employment such as part-time workers and temporary agency workers is to save labor cost and make it variable cost.<sup>3</sup>

<sup>3</sup> Susan N. Houseman and Machiko Osawa, "The Growth of Nonstandard Employment in Japan and United States: A Comparison of Causes and Consequences," in *Nonstandard Work in Developed Economies*, ed. Susan N. Houseman and Machiko Osawa, 175-214 (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2003).

The increased utilization of atypical employment never means that enterprises give up the employment security for regular employees and long-term in-house human resource development which are characteristics of Japanese employment practices. Enterprises hire core employees (*Sei-Shain*) as regular employees and target them for the employment security and long-term human resource development. The disemployment of regular employees is also constrained by the Employment Contracts Act and case laws.<sup>4</sup>

The recently increased number of atypical employees is a result of enterprises' measures to limit the number of regular employees with employment security and long-term human resource development. Based on the experience of the long-term recession since the late 1990s and the uncertainty of business growth outlook, many of Japanese enterprises are trying to limit the number of regular employees who are guaranteed employment, in-house career and continued pay raise and save labor cost and make it variable cost by increasing the utilization of atypical employees.

The Japan Federation of Employers' Associations which had emphasized "Japanese-style" employment practices published a report, "'Japanese-Style Management' for a New Era" with human resources managers of member enterprises as committee and showed a model of using human resources, "employment portfolio" in 1995.<sup>5</sup> This symbolizes above-mentioned Japanese enterprises' policies.

As for the employment portfolio, enterprises divide human resources into the following three groups: (i) "Long-term accumulated capacity utilization type"; the employer signs an employment contract without term, continues the long-term employment and actively carries out education and training centered on On-the-Job Training (hereinafter referred to as OJT), (ii) "Highly-specialized capacity utilization type"; the employer signs a fixed-term employment contract, not necessarily premise a long-term employment, and carries out education and training centered on Off-the-Job Training (hereinafter referred to as Off-JT) and self-development support and (iii) "Flexible employment type"; the employer signs a fixed-term employment contract and carried out education and training if needed. Typical businesses of "long-term accumulated capacity utilization type" in which a long-term employment practice is applied are assumed as management post, general staff worker and production sector's core worker. Models show an idea to widely utilize fixed-term employees using "highly-specialized capacity utilization type" mainly in planning, sales and R&D sectors and "flexible employment type" for routine work and specialized work in regular service and technical/sales sectors.

Of course, the actual human resources utilization is not necessarily carried out in line with such models. Nonetheless, such models reflect that the policy to save labor cost, make it variable cost and secure personnel by limiting the number of regular employees who are targets of the employment security and long-term human resource management and utiliz-

---

<sup>4</sup> Takashi Araki, *Labour and Employment Law in Japan* (Tokyo: The Japan Institute of Labour, 2002).

<sup>5</sup> New Japanese-Style Management System Research Project, ed. *Shin-Jidai no 'Nipponteki Keiei'* ['Japanese-style management' for a new era] (Tokyo: Japan Federation of Employers' Associations, 1995).

ing atypical employment such as fixed-term employees in a wide range of businesses and services.

### 3. Core Workforce of Atypical Employment and Human Resource Management

Under this circumstance, Japanese enterprises have promoted the utilization of atypical employment and, as indicated above, the ratio of atypical employees among all employees has been increasing. This would reflect that the number of enterprises utilizing atypical employees has increased and enterprises which have already utilized atypical employment are further utilizing atypical employees more than ever. Especially in the latter enterprises, atypical employees have been in charge of certain high-level jobs in which regular employees were responsible for.

Such trend has already been found since the 1980s in retail and restaurant industries where part-time workers have been utilized. Particularly chain retail shops and restaurants such as supermarkets and chain restaurants are highly utilizing part-timer workers ahead of other businesses/industries in order to manage the shops saving the labor cost. Therefore, part-time workers have been in charge of high-level jobs early in those enterprises. Osaka Women and Minors Bureau's "A Study on the Part-time Worker Problem Concentrating on Skill Questions,"<sup>6</sup> one of pioneering studies, clarified that part-time workers are not only responsible for routine tasks and complement regular employees ("complementary part-time workers") but also in charge of high-level jobs gaining experience at work ("core part-time workers") in 1989.

Such trend has been conceptualized as "core workforce" of part-time workers in the context of Japanese studies and the corresponding reality has been elucidated. A series of studies shows that the ratio of and the number of utilizing part-timer workers have increased ("quantitative" core workforce) and their jobs have been highly-advanced ("qualitative" core workforce) up to the present date in chain retail shops and restaurants.<sup>7</sup> In re-

---

<sup>6</sup> Osaka Women and Minors Bureau, Ministry of Labour, *Gino to Iu Shiten kara Mita Patotaimu Rodo Mondai ni tsuite no Kenkyu* [A study on the part-time worker problem concentrating on skill questions], report compiled by Study-Group for Improvement of Part-time Labor and Labor Management, Osaka Women and Minors Bureau, Ministry of Labour.

<sup>7</sup> Akira Wakisaka, "Supa ni okeru Joshi Rodoryoku [Female labor force for supermarkets]," *Ookayama Economic Review* 17, no. 3-4 (1986):853-66; Etsuko Aoyama, "Patotaimu Rodosha no Jinji Kanri: Ote Supa wo Chushin ni shite [Human resource management of part-time workers: Centered on major supermarkets]," *Mita Journal of Economics* 83 (1) (1990):155-72; Masako Miyama, "Patotaima Senryokuka to Kigyo-nai Kyoiku [Utilization of part-time workers and training within enterprises]," *The Japanese Journal of Labour Studies* 33, no. 4 (1991):28-36; Kazunari Honda, "Patotaima no Kobetsuteki Chingin Kanri no Henyo [Changes in individual-based pay systems for part-time employees]," *The Monthly Journal of The Japan Institute of Labour* 40, no. 10 (1998): 59-70; Hiroki Sato, Yoshihide Sano and Hiromi Hara, "Koyo Kubun no Tagenka to Jinji Kanri no Kadai: Koyo Kubunkan no Kinko Shogu [Diversifying employment categories and issues of HRM: Balancing wages across employment categories]," *The Japanese Journal of Labour Studies* 45, no. 9 (2003):31-46; Jean Gadrey, Florence Jany-Catrice and Thierry Ribault, "Levels and Systems of Employment in the Japanese Retail Trade : A Comparison with France," *Cambridge Journal of Economics* 25, no. 2 (2001):165-84.

cent studies, it is pointed out that in various industries including department stores and interpersonal services, directly-employed atypical employees including fixed-term full-time contact workers have been core workforce.<sup>8</sup>

These studies show that enterprises promoting the core workforce of atypical employees including part-time workers have evaluated their length of service, skills and work contents and introduced a mechanism to reflect them in their wages, i.e., the wage system of atypical employees has been improved.

As the ratio of atypical employees increases in workplaces and they are responsible for high-level jobs, it should be important to enhance their willingness to work in order to maintain the work quality and efficiency. Furthermore, when atypical employees are in charge of high-level jobs, certain education and training are necessary for them. In order to recoup the investment into education and training, enterprises should increase their job retention rate and let them continue working for a long time. It would also be important to motivate them to improve their skills. In fact, according to the MHLW's General Survey on Diversified Types of Employment 2007 (up to 3 multiple answers were allowed), many of business offices point out that issues on utilizing part-time workers are: "security of good quality human resources" (45.6%), "sense of responsibility for jobs" (45.7%), "job retention" (42.9%) and "improvement of motivation to work" (32.8%).

As above, in order to promote the utilization of atypical employees including part-time workers, issues are how enterprises improve their willingness to work and give them incentive to continue working and improve their skills. Therefore, it would appear that especially enterprises promoting the core workforce of atypical employees have improved the human resource management including the improvement of treatment system for atypical employees.

Regarding the working period of atypical employees, Japanese enterprises utilize atypical employees including part-time workers for a medium to long term by renewing the fixed-term employment contract with them repeatedly. According to the MHLW's Survey on Fixed-Term Contract Labor 2005, for instance, 79.3% of atypical employees with up to three years (legal limit) of fixed-term contract renewed the contract. The average number of their contract renewal was 7.0 and the average number of service years was 5.0. As for temporary agency workers, according to the MHLW's Survey on Temporary Agency workers 2004, the percentage of temporary workers whose length of service in the current client firms is one year or more is 52.5%. The percentage of those working for three years or more is 20.4%.

In this way, many of Japanese enterprises utilize atypical employees including fixed-term contract employees and temporary agency workers as some measure of stationary workforce, not necessarily temporary workforce. That is why many of enterprises utilizing atypical employment need to improve atypical employees' willingness to work and their skills through human resource management. As pointed out above, especially enter-

---

<sup>8</sup> Emiko Takeishi, "Hiseiki Rodosha no Kikan Rodoryokuka to Koyo Kanri no Henka [Utilization and changes of non-regular employees's employment management]," *Nissei Kiso Kenkyujo-Ho*, no. 26 (2002):1-36.

prises promoting the core workforce of atypical employees have such need.

#### 4. Introduction of Featured Papers: Frontier Researches on Human Resource Management of Atypical Employment

As mentioned above, Japanese enterprises have promoted the utilization of atypical employment. Because of this, improvement of atypical employees' motivation to work and job retention have been issues for many of Japanese enterprises. This Special Edition of Japan Labor Review collects researches on human resource management of such atypical employees.

Ariga, Kanbayashi and Sano analyzed the effect of human resource management measures for atypical employees such as part-time workers and contract workers who are directly employed by enterprises.

As pointed out above, researches on core workforce of atypical employees centered on part-time workers have clarified that as directly-employed atypical employees have been core workforce, their continued service and skills are likely to be evaluated and reflected in their wage system. However, such researches have not directly verified the impact of such human resource management measures on atypical employees.

On the other hand, Ariga, Kanbayashi and Sano analyzed effects of various human resource management measures focusing on the difference between enterprises' expected job retention ratio and the actual job retention ratio of atypical employees as an index of human resource management effect. They found that for both part-time workers and contract employees, opportunities of providing OJT and the wage system reflecting skills have stimulated their continued service responding to enterprises' expectations. In addition, they argue that it is effective to introduce a flexible working hour system for part-time workers and make a mechanism of posting to managerial positions for contract employees. However, they also show that for contract employees, support for acquisition of external qualification and improvement of skill-training program may stimulate their turnover and discuss the countermeasures.

Shimanuki analyzed the effect of improved human resources on temporary agency workers' willingness to work focusing especially on white-collar temporary agency workers among atypical employees.

Researches on human resource management for temporary agency workers are less accumulated among researches on human resource management for atypical employment. Nonetheless, as pointed out, enterprises have recently promoted the utilization of temporary agency workers and sought adequate human resource management for temporary agency workers on a practical level.

Unlike the case of directly-employed atypical employees, both client firms utilizing human resources and temporary agencies hiring temporary agency workers are involved in the human resource management of them. It can also be said that client firms and temporary agencies share the human resource management for temporary agency workers. Therefore, in order to analyze such human resource management, we need a framework of the analysis which is different from that for the case of directly-employed atypical employees.



Given this factor, Shimanuki summarized the share of human resource management between client firms and temporary agencies in the following four fields: procurement, training, evaluation/treatment and others, and analyzed the effect of their efforts on temporary agency workers' attitude toward work. He shows the analysis results that (1) the quality of client firms' and temporary agencies' human resource managements have an impact on their motivation to work for the client firms, (2) the quality of client firms' human resource management has a larger impact on their willingness to continue working for the client firms, (3) the quality of temporary agencies' human resource management has a larger impact on their willingness to continue working through the temporary agencies, (4) the quality of client firms' human resource management has a larger impact on the satisfaction for the way of working and (5) the quality of temporary agencies' human resource management has a larger impact on the future outlook. Based on this, he discusses the implication of these analysis results.

So what kind of jobs are temporary agency workers engaged in? Researches on this have not been sufficiently accumulated yet. As the utilization of temporary agency workers have been greatly promoted, have temporary agency workers' work contents been highly advanced the same as part-time workers? Shimizu analyzed the situation of advancement (utilization) of temporary agency workers' jobs on the basis of interview survey of temporary agency workers in clerical jobs. As an analysis result, she clarified that temporary agency workers have been core workforce.

She further analyzed the relationship between the frequency of changing client firms and the degree of advancement of jobs for career development of temporary agency workers, and found that "retention type," a temporary agency worker works for one client firm for a long time, is more likely to promote the advancement of job than "transverse type," a temporary agency worker changes client firms on a short-time basis. She also points out that in order to develop "transverse type" workers' ability, the selection of client firms by the temporary agency plays an important role.

To promote the utilization of atypical employment would naturally have an impact on the way of human resource management for employees including regular employees. Yasuda analyzed the impact of utilizing atypical employment on education and training. Empirical researches on the possibility that the promotion of utilizing atypical employment decrease the level of education and training for employees including regular employees have been less accumulated in Japan. He analyzed this using a questionnaire survey on enterprises and workers.

As an analysis result, he clarified that the increase in the number of utilized atypical employees itself has no negative impact on in-house education and training and smooth On-the-Job Training is inhibited by the decrease in the number of regular employees and their long working hours caused by the utilization of atypical employment. Based on such results, he points out that not the size of utilizing non-regular employees but what kind of jobs enterprise utilize atypical employees for and how enterprises properly manage the burden share of regular employees have an impact on education and training.

Then, how do atypical employees view their labor conditions and opportunities for

exercising and development of their abilities? Which human resource group is unsatisfied? These are points on the effectiveness of human resource management. Okunishi analyzed the fairness of wage and the determining factor in job satisfaction by employment format focusing on workers' awareness.

As an analysis result, he found that (i) the awareness of classification between employment patterns and career outlook are more important for the awareness of wage fairness than amount of wages or work contents, (ii) the determining factors in job satisfaction of regular and atypical employees are almost in common regardless of employment patterns and the satisfactions on wages, employment security, training and education and working hours contribute to job satisfaction and (iii) regarding opportunities for exercising and development of abilities through work, there is a bigger problem among atypical employees, especially contract employees and temporary agency workers than among regular employees. He also discusses the implication of these analysis results of human resource management and government policies.

I just briefly introduced the summary of featured papers. All of these papers are important to know the current situation of human resource management for atypical employment in Japan and the attainment level of recent researches on it. I hope this Special Edition of Japan Labor Review contributes to deeply understanding the current situation and issues of human resource management for atypical employment in Japan.

Yoshihide Sano  
Hosei University