

As indicated by an increase of what is called non-regular workers, recently diversification in forms of employment is rapidly advancing in Japan, and various problems have been cast in terms of working environment and working conditions. Accordingly, the Japan Institute for Labour Policy and Training (JILPT) has launched, as a part of project studies to be carried out during the first mid-term plan, a research named “Study on Working Environment Enabling Various Ways of Working and Safety Network” (hereinafter referred to as “Diversification Project Research,”) and has been conducting research and study for understanding the actual status of various forms of employment, extracting policy challenges, and presenting desirable directions of policies. This study emphasizes not only non-regular employment, including part-time workers and dispatched workers who have already attracted much attention, but also individual business contracts for work and those working at nonprofit organizations, focusing on increasingly flexible working hours and second jobs of regular employees. In this way, the study covers areas beyond the scope of conventional employment. In addition, as a basis for examining policies on various ways of working beyond the scope of conventional employment, we have studied the concept of “workers” which is supposed to identify the target of labor acts, mainly by comparing it to that of other countries.

This paper introduces current situations and challenges in diversification of forms of employment (= ways of working) in Japan.

1. Diversified Ways of Working and Its Background

A. Overview of the diversification in the employment and work styles in recent year

a. Transition of work force composition of various forms of employment style— Increasing share of non-regular employees

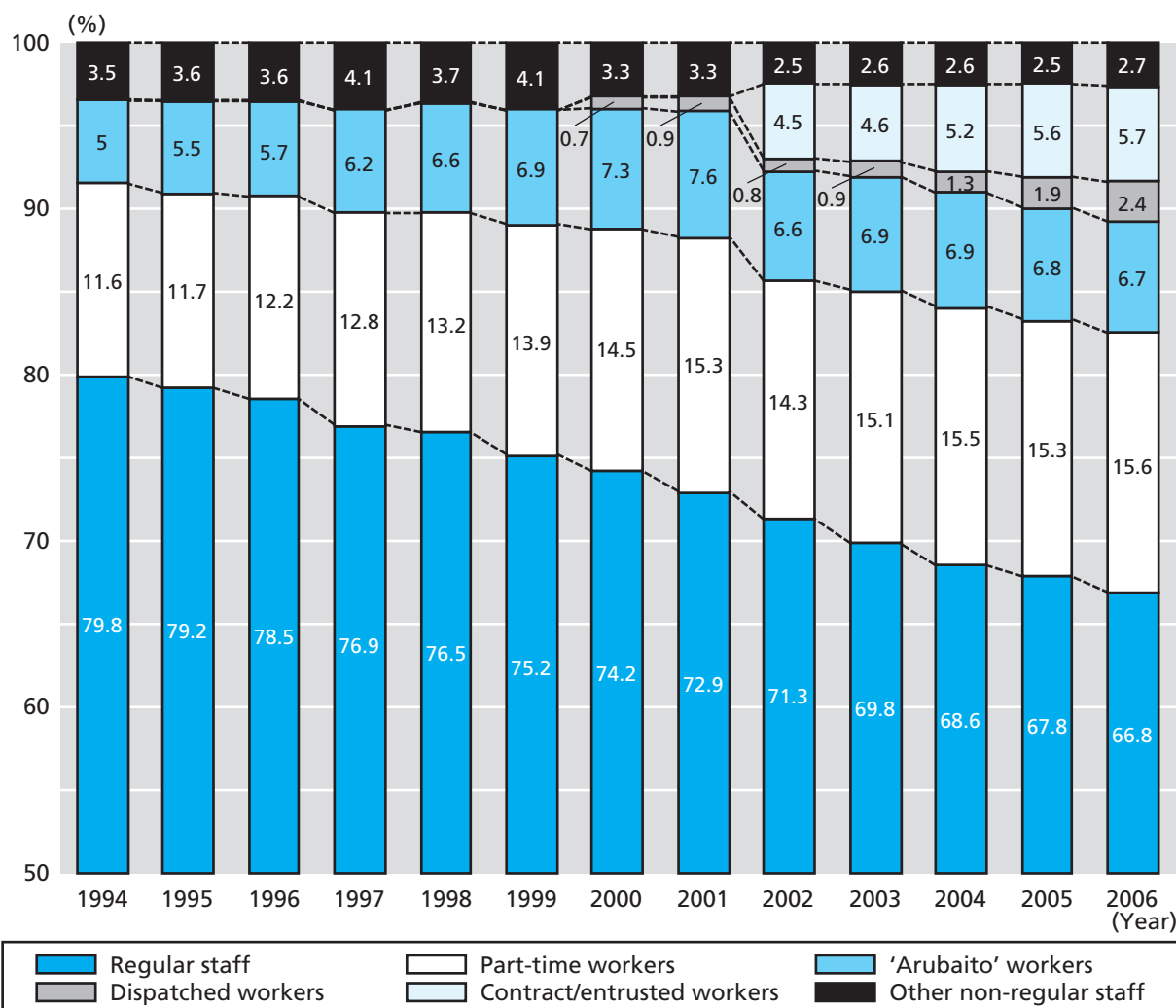
Let’s look at the transition of forms of

employment among employees indicated by “the Labour Force Survey,” a basic governmental statistic data prepared by Statistic Bureau of Ministry of Internal Affairs and Communications (until the year 2001 “Report on the Special Survey of the Labour Force Survey,” and since the year 2002 “Labour Force Survey Detailed Tabulation”) (see Figure 4-1). The proportion of regular employees, except officers, to the total employees, was 79.8% or nearly eight out of ten in February, 1994. This proportion has been declining year by year since then, to 69.8% or less than seven out of ten in 2003 (January to March) and to 66.8% or almost two-thirds in 2006 (January to March). In the last 12 years, the proportion of regular employees dropped by 13.0 percentage points, or approximately 1.1% percentage points a year on average. There were relatively sharp yearly drops in 1997 (a drop by 1.6 percentage points compared to the previous year), 2002 (a drop by 1.6%) and 2003 (a drop by 1.5%). The year 1997 is a period when deterioration in economic conditions began to seriously affect employment. On the other hand, from 2002 and 2003, signs of economic recovery appeared after a prolonged slump in Japan’s economy.

A decrease in the proportion of regular workers means an increase in the proportion of non-regular workers. Focusing on changes in non-regular employees in each working style category during the same period (1994 to 2006), first, we find an increase in the proportion of part-time workers from 11.6% in 1994 to 15.6% in 2006, an increase by 4.0 percentage points (or yearly increase by approximately 0.3 percentage points on average). While the period from 1996 to 1998 experienced an increase of around 0.5% a year, the period from 1999 to 2003 saw more significant increase of approximately 0.7 to 0.8 percentage points per year. Since 2004, though the proportion of part-time workers has been still on an upward trend, the rise in 2005 was smaller than the previous year. The period since the year 2004 saw a much smaller increase of approximately 0.2% a year.¹

The proportion of ‘*arubaito*’ (temporary workers)

Figure 4-1 Labor Force Composition of Various Forms of Employment, Except Officers (Non-agriculture, Forestry and Fishery)



Source: Until the year 2001 "Report on the Special Survey of Labour Force Survey" which was conducted in February and since 2002 "Labour Force Survey Detailed Tabulation" which was conducted during period from January to March.

Notes: 1) The proportion of dispatched workers has been surveyed since 2000, and the proportion of contracted employees and entrusted employees has been surveyed since 2002. Accordingly, it is believed that a large number of workers previously registered as "part time workers" or "arubaito (temporary workers)" have been recorded as "contracted employees and entrusted workers" since 2002.

2) Please note that the axis of the graph starts at 50%.

increased from 5.0% in 1994 to 6.7% in 2006 by 1.7 percentage points, a modest increase of approximately 0.1% per year. The proportion of *arubaito* peaked at 7.6% in 2001, followed by

relatively modest levels of around 6.5% to just below 7.0%.²

The proportion of dispatched workers, which has been surveyed since 2000, more than tripled from

1 As indicated by Note 1 of Figure 4-1, what is covered as part-time workers in 2001 may be different from that in 2002. Accordingly, this paper disregards a 1.0% drop in 2002 from the previous year.

2 Many of 'arubaito' are students working as a temporary worker, and the total numbers of 'arubaito' may have been influenced by the number of students. There is no denying the possibility that the proportion of 'arubaito' peaked in 2001 because they started calculating the proportion of "contract workers and entrusted workers" in 2002. (i.e. the figures of 'arubaito' recorded in 2001 and before may have included workers that would be later categorized as "contract workers and entrusted workers.")

0.7% in 2000 to 2.4% in 2006, while its absolute values are small, after seesawing in a narrow range around just below 1% from 2001 to 2003 and indicating a remarkable increase since 2004.

The proportion of contract employees and entrusted employees, which has been surveyed since 2002, steadily increased from 4.5% in 2002 to 5.7% in 2006.

b. Transition of workers who are moving beyond corporate frameworks—dispatched workers and contracted workers in places of business

Next, let's take a look at data on employees working and moving beyond traditional corporate frameworks. A basic governmental statistic data prepared by Statistic Bureau of Ministry of Internal Affairs and Communications regarding places of business and enterprises, "Establishment and Enterprise Census" indicates changes in dispatched workers and subcontracted workers at four time points (in 1996, 1999, 2001 and 2004).³ In privately-run places of business, the proportion of dispatched workers and subcontracted workers (Non-agricultural forestry workers) sent from separately managed businesses account for 3.3% and 4.4% of the total number of employees in 1996 and 1999, respectively. This proportion was slightly reduced to 3.9% in 2001, yet increased in 2004 to 4.7%. In this way, this proportion is continuing a mild upswing. It can be said that, on average, nearly just below 5% of employees working at each place of business are not directly employed by the place of business (see Figure 4-2).

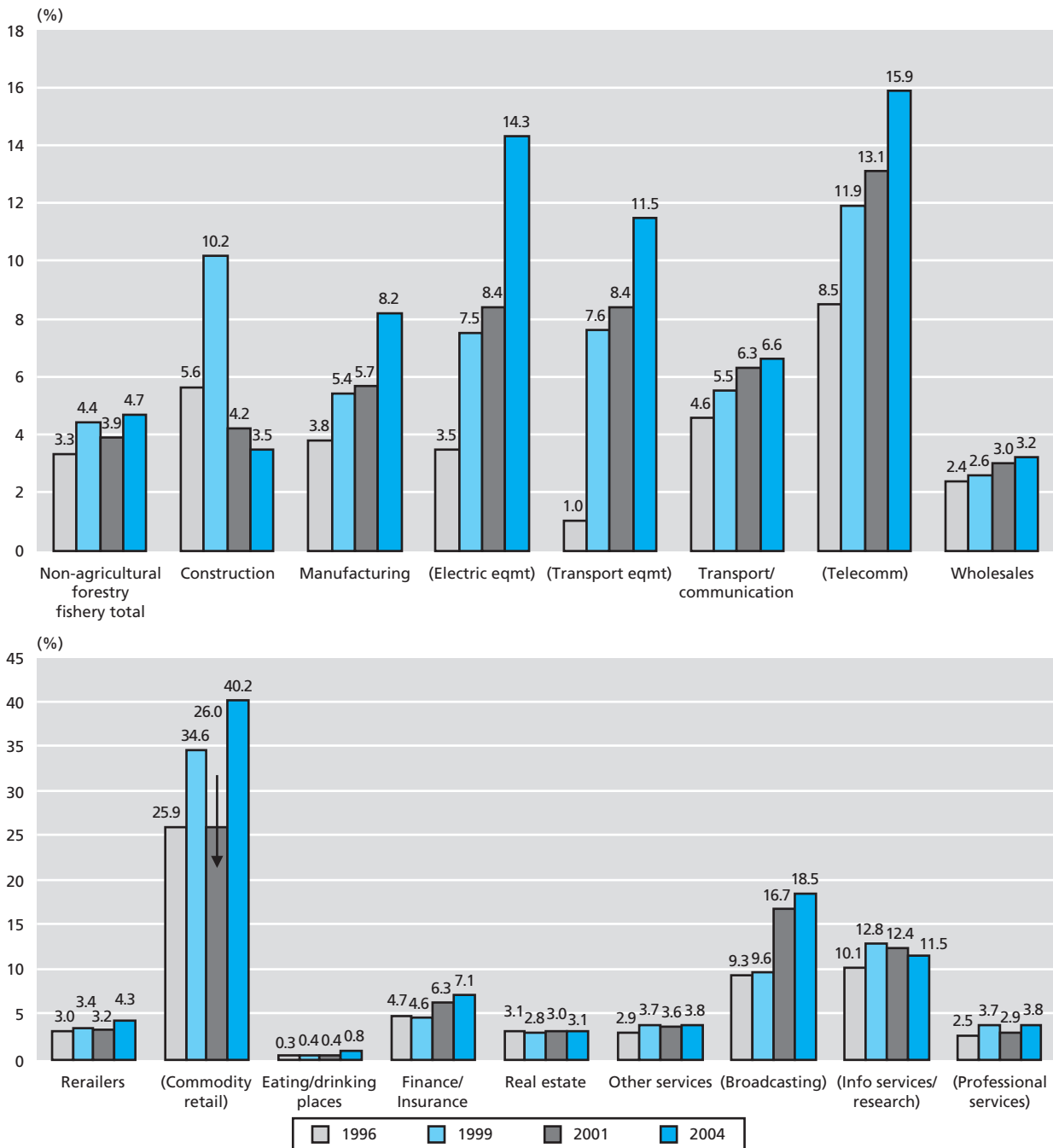
The proportion of dispatched workers and subcontracted workers sent from separately managed businesses has accounted for an increasing share of the total number of employees on an industry-by-industry basis in varying degrees, except some sectors such as construction industry. In particular in manufacturing businesses, the proportion more than doubled from 3.8% in 1996 to 8.2% in 2004. The

striking increases were observed over the same period of time in the manufacturing of electrical machinery, equipment and supplies, which saw a fourfold rise from 3.5% to 14.3%, and in the manufacturing of transportation equipment, which experienced a more than 10-fold increase from 1.0% to 11.5%. Elsewhere, the telecommunication industry, the retail trade (general merchandises) industry, the broadcasting industry and the finance and insurance industry experienced remarkable increases, from 8.5% to 15.9%, 25.9% to 40.2%, 9.3% to 18.5% and 4.7% to 7.1%, respectively. We can see from these statistics that in these industries, utilization of dispatched workers and subcontracted staff working in places of business has been increasing.

Meanwhile, the increase in the proportion of dispatched workers and subcontracted workers sent from separately managed businesses in the total employees was not so remarkable in non-agriculture, forestry and fishery industries in total, slightly increasing from 2.1% in 1996, to 2.5% in 2001 and to 2.6% in 2004. Accordingly, we can say that the increase in the proportion of dispatched workers and subcontracted workers sent *from* separately managed businesses in this period is significantly attributable to an increasing number of people working simultaneously at more than one place of businesses, though an increase in the actual numbers of such workers has been playing a role, too. Now let's look at the actual numbers in 2004. While the number of dispatched workers and subcontracted workers sent from separately managed businesses (in non-agriculture, forestry and fishery industries in total) was 2.43 million, the number of workers dispatched or subcontracted workers sent to separately managed businesses was 1.36 million. The number of workers sent or dispatched from separately managed businesses was approximately 1.79 times as many as the number of workers sent to separately managed businesses. This means that up to 1.07 million are working simultaneously at more than one places of business as dispatched workers or subcontractors.

³ Since this survey is supposed to cover "workers," its findings may include those who are not "employees." Yet we may be right in believing that most of "dispatched workers and subcontracted workers" are employees. "Dispatched workers and subcontracted workers" are supposed to include transferred workers, dispatched workers and contract-based workers

Figure 4-2 Dispatched Workers and Subcontracted Workers Sent from Separately Managed Businesses



Source: Statistic Bureau of Ministry of Internal Affairs and Communications, Statistic Survey of Institutes and Companies.

Notes: 1) "Dispatched workers and subcontracted workers" are supposed to include workers dispatched from parent / affiliated companies or temporary help service companies and those working as subcontractors.

2) Industry classification applied in governmental statistics was changed in October 2002. Accordingly, to ensure the consistency of the classification before and after the change for the data for 2004, we have classified industries into medium categories as shown below. Please note that the calculation is only tentative and is not to ensure consistency in a strict sense.

Transportation/communication: "(Medium category) Communication" + "(Large category) Transportation" + "(Medium category) Postal"

Telecommunication: "(Medium category) Communication"

Service industry: "(Large category) Medical healthcare / welfare" to "(Large category) Services (Not elsewhere classified)" + "(Medium category) Accommodation facilities - "(Medium category) Post offices" + "(Medium category) Information services"

Eating / drinking places: "(Medium category) General eating / drinking places" + "(Medium category) Spree eating / drinking places"

B. Factors behind recent increasing diversification of forms of employment and working

Now let's take a look at general factors behind features of recent increasing diversification of forms of employment and working. The diversification has been driven by various needs from a demand-side (enterprises) and from a supply-side (workers) as well as by other circumstances. The discussion in this section will focus on factors behind recent rapid expansion of the diversification.

a. Needs from a demand-side (enterprises)- Reduced personnel costs—

Let's review relevant data and take a look at why enterprises are more willing to utilize non-regular workers. The data is "Survey of the Diversification of Employment Status" prepared by Ministry of Health, Labour and Welfare including relevant data for 1994, 1999 and 2003, and this section discusses three types of workers: contract workers, dispatched workers, and part-time workers.

First, let's take a look at data for 1994. Many of the responding places of businesses quoted "require persons capable of doing specialized work" (55.7%) as the primary reason for utilizing contract workers; "require persons capable of doing specialized work" (36.4%) and "need to control personnel costs" (34.7%), "require persons with experience and expertise" (22.5%) and "adapting to changing

business cycles" (18.9%) as the main reasons for utilizing dispatched workers; and "need to control personnel costs"(51.6%) as the primary reason for utilizing part-time workers, followed by "require additional personnel on a daily or weekly basis" (33.7%) and "adapting to changing business cycles" (20.6%).

Comparing the three time points, we can point out an increasing proportion of employers quoting "saving of personnel costs" as the main reason for utilizing non-regular staff, regardless of whether they are contract workers, part-time workers or dispatched workers. At the same time, the proportion of employers citing "require persons capable of doing specialized work" as the main reason for selecting non-regular staff has decreased. Also noteworthy is, on the whole, a decreasing proportion of employers citing "unable to recruit regular staff" as a major reason for utilizing non-regular staff. At the same time, the proportion of employers citing "require persons with experience and expertise" as a main reason for utilizing contract employees and dispatched workers has been increasing year by year (see Table 4-3).

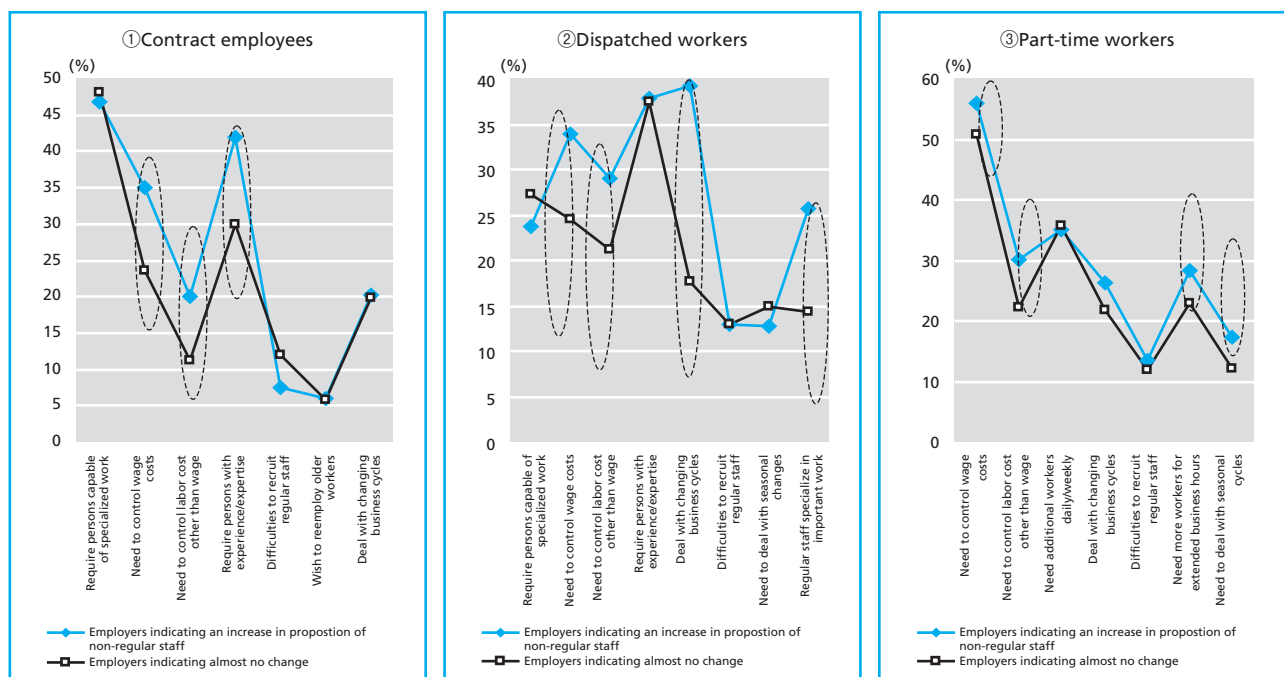
From the data above we can conclude that employers' willingness to reduce personnel costs (or labor costs) in response to deteriorating economic conditions has played a major roles in driving and amplifying recent rapid diversification of working styles. We can assume that "require persons with experience and expertise," which has been

Table 4-3 Reasons for Hiring Non-regular Employees

	1994	1999	2003		1994	1999	2003
Control personnel costs				Difficulties to recruit regular employees			
Contract workers	19.3	31.9	33.6	Contract workers	13.9	7.1	10.4
Dispatched workers	34.7	38.6	41.7	Dispatched workers	16.4	8.1	16.2
Part-time workers	51.6	58.0	61.2	Part-time workers	20.0	8.8	11.8
Specialized work				Need persons with expertise/experience			
Contract workers	55.7	40.0	39.5	Contract workers	19.2	32.6	38.1
Dispatched workers	36.4	22.8	24.9	Dispatched workers	22.5	29.8	38.0
Part-time workers	—	—	—	Part-time workers	—	—	—

Note: "—" : Not surveyed.

Figure 4-4 Reasons why enterprises use non-regular staff: comparing employers indicating an increasing promotion of non-regular staff and those indicating almost none



Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status" (Special tabulation by JILPT).

Notes: 1) ◆ Represents reasons quoted by employers indicating an increasing proportion of non-regular staff over the past three years.

2) □ Represents reasons quoted by employers indicating almost no change over the past three years.

increasingly cited, also derives from their willingness to cut labor costs by reducing in-house capacity-building and training costs.

More plainly speaking, by comparing employers indicating an increase in the proportion of non-regular staff in the past three years and employers indicating almost no change in the proportion, the former has a higher tendency to cite "need to control personnel costs" as a reason for utilizing non-regular staff. Accordingly, we can conclude that hiring practices of enterprises aimed at reduced labor costs has played a significant role in a recent rise in the number of non-regular workers (see Figure 4-4).

Reasons for using independent contractors

With an increasing proportion of non-regular staff now in place, reportedly an increasing number of enterprises are utilizing independent contractors (i.e. individual performing temporary services) in parts of their businesses. Though it is difficult to clearly outline that trend, the primary reason enterprises are

using independent contractors is "require persons capable of doing specialized work" (63.6%), followed by "require persons with experience and expertise" (55.9%), "need to control personnel costs" (36.2%), and "need to adapt to changing business cycles" (30.8%), according to "Survey on the Actual Status of the Usage of Outside Contractors (Multiple answers allowed)" prepared by JILPT in February, 2004 (The survey was conducted in January the same year.) In addition, 26.3% of the surveyed cited "no need for social insurance" as one of reasons in favor of using independent contractors.

When the above replies cited as reasons for utilizing independent contractors are compared with those for utilizing non-regular staff, there are similarities in "require persons capable of doing specialized work" and "require persons with experience and expertise" both cited as primary reasons for using individual contractors and for using contract employees, though at varying levels. At the same time, the above replies cited as reasons for

utilizing independent contractors look similar to the reasons cited for using dispatched workers when the percentages of the respondents citing “need to deal with changing business cycles,” “need to deal with temporary or seasonal business fluctuations” and “need to deal with daily or weekly business fluctuations” are considered. Enterprises appear to regard independent contractors as workers having characters of both contract employees and dispatched workers. We can conclude that enterprises also consider independent contractors as workers similar to contract employees and dispatched workers in terms of “need to control personnel costs.” Accordingly, we can attribute a great part of the increased use of independent contractors to enterprises’ willingness to cut labor costs.

b. Why workers have selected their present working styles—Increasingly unlikely to be hired as regular staff

Then let’s take a look at why non-regular workers have selected their present working styles and circumstances that have driven them to select their present working styles. As examined in the above section, we have compared replies from three types of workers—contract employees, dispatched workers (non-regularly-employed) and part-time workers—at the three time points, 1994, 1999 and 2003.

When looking at why they have selected their present working styles, with a central focus on data as of 1994, 26.0% of contract employees surveyed cited “I can put my special qualifications and abilities to use” and 21.0% quoted “working time flexibility.” On the other hand, the primary reason for working as dispatched workers (non-regularly-employed) is “working time flexibility” (36.9%), followed by “supplementing family income”(23.5%), “slim chance of obtaining regular employment” (23.4%), and “I can put my special qualifications and abilities to use” (18.1%). Main reasons for working as part-time workers are “working time flexibility” (47.1%) and “supplementing family income” (46.7%).

When the replies are compared across the three time points, the percentage of “slim chance of

obtaining regular employment” as a reason for selecting working styles apparently increased. The percentage of contract employees citing “slim chance of obtaining regular employment” increased from 16.9% in 1994, to 28.7% in 1999, and to 31.5% in 2003. The percentage of dispatched workers (non-regularly-employed) citing “slim chance of obtaining regular employment” was on a rise, too, from 23.4%, to 31.2% and to 38.0% during the same period. The share of part-time workers citing “slim chance of obtaining regular employment,” which has remained relatively low, also increased from 11.9% in 1994 to 19.5% in 2003.

Other reasons cited by dispatched workers (non-regularly-employed) which remarkably increased during the same period include “avoiding being tied down by an organization,” which jumped from 9.4% in 1994 to 32.7% in 1999, followed by a decline to 25.2% in 2003.

We can guess, in general, it is natural to conclude that a majority of non-regular workers had to or selected to serve as non-regular workers due to slim chance of obtaining regular employment as a result of payroll cost-conscious enterprises’ reluctance to hire new regular employees, while most of job applicants are seeking regular employment, though some have chosen to work as non-regular staff for making better use of their skills or for better work-life balance.

We can draw graphs to somewhat symbolize two sides of a single phenomenon: enterprises’ willingness to “save labor expenses” and job applicants’ “lack of opportunities for regular employment,” as shown in Figure 4-5. It can be summarized that while enterprises, having struggled with labor cost containment to deal with adverse economic conditions, have refrained from hiring new regular staff and have expanded the use of non-regular employment, job seekers hoping to get regular jobs are more likely to serve as non-regular workers due to a limited chance to obtain regular employment. (The figures below illustrate reduced opportunities for regular employment as downward-sloping lines.)

Figure 4-5 Symbolically Expressed Factors Behind a Recent Surge in the Use of Non-regular Employees (%)

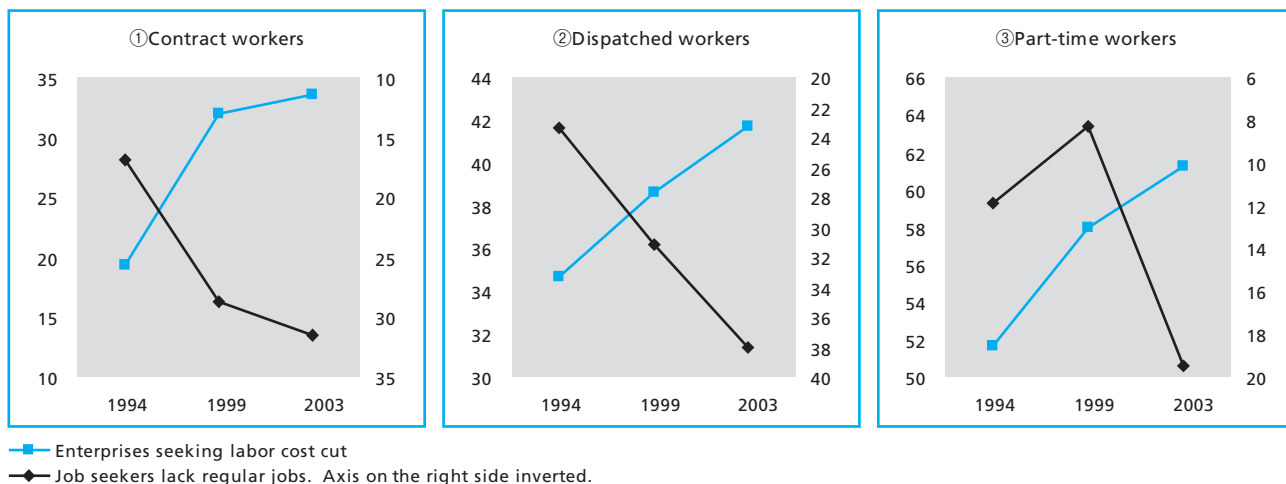
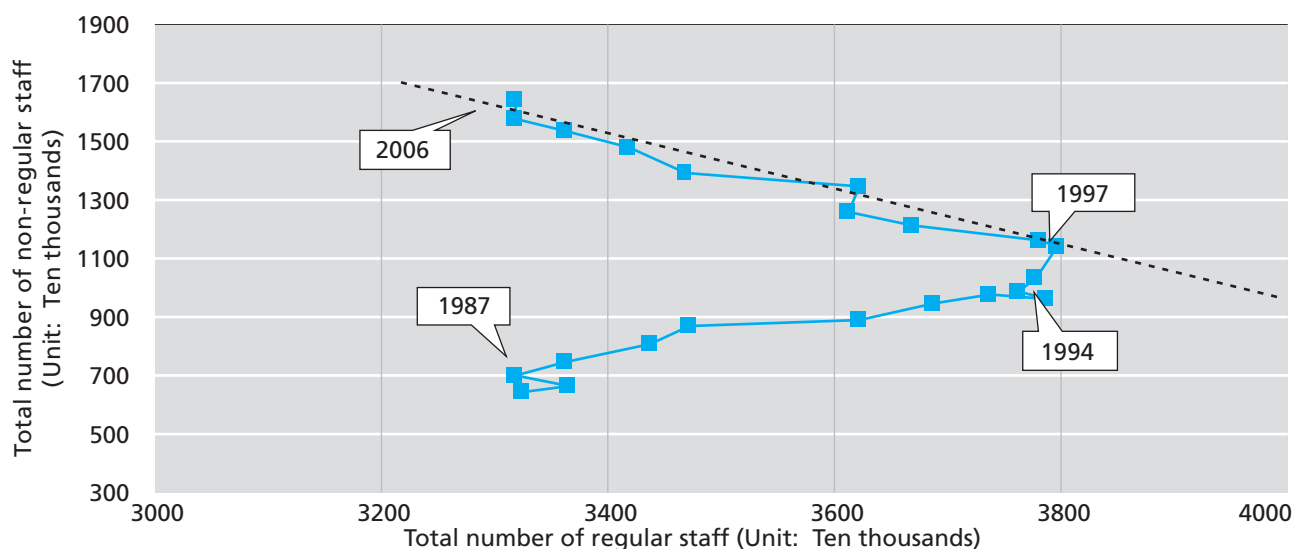


Figure 4-6 Total Numbers of Regular Staff and Non-regular Staff



Source: Until 2001 "Report on the Special Survey of Labor Force Survey" conducted in February each year and since 2002 "Labor Force Survey Detailed Tabulation" conducted in January to March each year, by Statistic Bureau of Ministry of Internal Affairs and Communications.

Note: The dotted line indicates where the sum of regular and non-regular employees remains unchanged. Points to the upper right of the line indicate that the sum total value is larger than the value indicated by the line, and points to the lower left of the line indicate that the sum total value is smaller than the value indicated by the line.

**c. Curbing the number of regular staff and expanding usage of non-regular staff—
Supplementing regular staff with non-regular staff, and ultimately replacing regular one with non-regular one**

So far we have mainly discussed changes in the composition of various working styles, excluding officers. If the actual number of regular staff was reduced and that of non-regular staff was increased

instead, we can more clearly prove the correctness of what we have said at the end of the previous section. To help to verify the correctness, we have prepared Figure 4-6. The vertical axis represents the actual number of non-regular staff, and the horizontal axis shows the actual number of regular staff, and its data is derived from "the Labour Force Survey" previously mentioned at the top.

When taking a look at the fluctuations in the

actual numbers of regular employees and non-regular staff, we find that until around 1994, both the numbers of regular employees and of non-regular employees steady increased from 33.19 million in 1987 to 37.88 million in 1994 (up by 14.1%), and 7.01 million in 1987 to 9.60 million in 1994 (up by 36.9%), respectively, followed by practically unchanged levels of regular employees up until 1997 (37.97 million in 1997, up by 0.2% compared to 1994) and a significant increase in the number of non-regular employees (11.39 million in 1997, up by 18.7% compared to 1994). And then, while the total number of regular employees has been declining year by year (33.19 million in 2006, down by 12.6% compared to 1997), the number of non-regular employees has increased remarkably to 16.46 million in 2006, up by 44.5% from 1997. Also noteworthy is that since 1997, the sum of regular and non-regular staff combined, except officers, has basically been reduced. From a macroscopic viewpoint only, we can say that both the total number of regular staff and that of non-regular staff had increased and both appeared to supplement each other until around 1994, followed by some signs of change. Since around 1997 and 1998, seemingly an increasing number of non-regular staff has been taking the place of regular employees that are now on a decline.⁴

Factors behind expanding replacement of regular staff by non-regular staff

What factors lie behind the above mentioned apparent transition from mutually supplementary relation between regular and non-regular workers to replacement of regular staff by non-regular staff?

For one thing, an increasing number of non-regular staff have started taking on tasks that have been traditionally held by regular staff. In other

words, as is represented by a saying “non-regular staff offers supplemental assistance to regular staff,” if tasks shared by regular staff and those shared by non-regular staff are distinct from each other, when the labor input is adjusted in response to changing amounts of tasks, the numbers of both regular and non regular employees tend to move in the same direction. On the other hand, if distinction of tasks shared by regular staff and by non regular becomes ambiguous, one of the two parties will replace the other. In short, in recent years, non-regular staff can increasingly replace regular staff.⁵ The replacement of regular staff by non-regular one is attributed to changing regulations for enterprises’ labor management.

Secondly, once non-regular staff can get engaged in tasks similar to those traditionally carried out by regular staff, with deteriorating economic conditions, naturally enterprises are more likely to turn to cost-conscious hiring practices. In short, employers are more likely to compare immediate labor expenses of different working styles and to replace higher priced staff by lower priced one doing the same jobs. Such a move is “to meet the demands of the marketplace” and in turn, when there is no particular obstacle, apparently almost every enterprise is now seeking ways to replace regular staff with non-regular one.

Thirdly, we must also take a look at manpower suppliers. This is because, how hard enterprises (i.e. labor demanders) are trying to put into practice such employment principles, they can not carry out such practices unless some workers accept such non-regular positions.

The fourth factor that must be considered is whether proper institutional conditions are already in place which enable non-regular employment to replace regular one.⁶

4 It is difficult to definitely conclude that an enterprise has reduced the number of regular staff and in turn has increased the number of non-regular staff. Anyway, some research have reported there is a significant increase in the percentage of companies or places of business that have increased non-regular staff and in turn reduced regular staff.

5 It can be said that corporate employment strategies regard regular and non-regular employment, as parts of production factors and as mutually replaceable factors now, though they have been traditionally seen as mutually supplementing factors.

6 For example, at the site of manufacturing, it is believed to be difficult to utilize “part-time” workers which literally represent “workers serving for a limited working hours per day.” In addition, there may be many restriction in utilizing ‘*arubaito*’. Accordingly, seemingly, traditional non-regular staff such as part-time workers or ‘*arubaito*’ are difficult to be utilized on a full scale operation in some industries and some business categories. Under such circumstances, the scope of duties that dispatched workers can be engages in has been dramatically expanded, and institutional conditions have been put in place, legally or practically, that allow the use of contract-based workers as indirect labor sources, by way of utilizing foreign workers. It is believed these factors have played significant roles.

Due to the availability of data, we have studied institutional conditions covering part-time workers only. The percentage of part-time workers to regular staff remained almost unchanged on the order of 14% (except 15.0% in 1993) from 1990 to around 1995, followed by a significant increase in 1996 and after. Then, from 2004 to 2005 the percentage again remained nearly unchanged, showing signs of easing down in recent years. Meanwhile, the wage rate (regular earnings per actual working hours) was on a decline until around 1995 at slightly over 70%, followed by a significant drop from 1996 to 2002. Then it remained almost unchanged in 2003 and 2004, and showing a significant rise in 2005.

It is difficult to clarify factors influencing manpower suppliers, with verifiable data. Yet for example, when looking at changes in the female labor force participation rate in the 35-54 age group, which is an important source of part-time workers, we find that the rate slowly declined until around 1995 after being on a rise up until 1992. We can attribute this to their behaviors in response to somewhat deteriorating labor market conditions. Then, the rate remained almost flat in 1996, followed by another significant rise in 1997, a leveling-off in 1998, a significant drop in 1999 and a slow upturn since 2000 and 2001. Among many possible factors behind the fluctuation of the rate, we have no doubt that women in this age group have been indicating active willingness to work.⁷

d. Establishing various coherent ways of working—Mutually complementary relationship again

Only in very recent years, there have been signs

of possible “swinging back” against “a surge of non-regular workers.” Though these signs are yet to be tangibly identified and we have no verifiable data on their “swinging back in favor of regular staff,” based on the discussion above we can attribute it to factors shown below. This can be explained by the following situations.

- i. Enterprises, especially big businesses have now successfully improved or expanded their business performance. Then “cost reducing strategies,” including labor cost saving, is slightly less important for them and they now tend to focus more on “business innovation strategies” based on the qualitative upgrade of products and services. Non-regular staff hired for saving labor costs may be able to carry out businesses that are already established, but are unable to carry out business innovation including development and commercialization of new products and services, we must say. This is partly because non-regular employees have not been trained for building capacity required by business innovation, but also because they lack incentives to be trained for such capacity building. Anyway, accordingly, enterprises demand more regular employees.
- ii. In addition, the usage of non-regular staff for the purpose for saving labor and other costs may not achieve the intended saving, if the wage of non-regular employees is rising.⁸ As mentioned above, in the last decade or so, many of existing non-regular employees “have been forced to give up regular staff positions” due to a slumping demand for regular staff. Therefore it is quite natural to believe that many of those non-regular staff will eventually turn to regular staff as employers’

⁷ We did a trial calculation of simple regression expressions based on factors discussed in this section. The following shows calculation results. It is believed that related regression analysis somewhat acknowledges the assumption discussed in the above section.

$$\begin{aligned} \text{Log} \left[\frac{\text{Part-time workers}}{\text{Regular workers}} (\%) \right] &= 2.199 + 0.0559 \times \left[\text{Survey amendment dummy variable} \right] \quad (t \text{ Value: } 4.633) \\ &- 3.318 \times \text{Log} \left[\frac{\text{Female part-time workers' wage}}{\text{Female regular workers' wage}} \right] \quad (-7.584) \\ &+ 3.471 \times \text{Log} \left[\text{Female labor force participation rate in 35-54 age} \right] \quad (2.851) \end{aligned}$$

Measured for the period from 1988 to 2005 (Yearly data) AR=0.921
Survey amendment dummy variables: 1 for the year 2002, 2 for 2003, 3 for 2004 and 4 for 2005

⁸ When we look at the wage gap comparing the average wage of regular staff and that of non-regular staff, the wage gap is around 60% to 70%. Yet it must be noted that, looking at the wage of regular employees in the external labor market, (i.e. the wage paid to a person when he or she is hired), we can see only very little gap between the average wage of regular staff and that of non-regular staff.

demand for regular employees recovers. Then, in turn, the supply of non-regular workers will be reduced, and the wage on average will upturn. In addition, the fact that tasks carried out by non-regular staff have increasingly overlapped with areas of work assigned to regular staff, as discussed above, may ensure “more appropriate” wages for non-regular staff.

- iii. Non-regular workers will change their employers to select jobs that will pay more, unless other incentives are offered due to their defining features. In an extreme case, there may be even a possibility that an enterprise will be unable to secure necessary labor force in quantity. To avoid such shortage of workers, in the internal labor market, improvement in working condition for non-regular staff, as symbolized by “turning non-regular workers into regular employees,” may take place.

The discussion in this section represents “what is theoretically likely to occur” only, and is not intended to directly argue what will take place. However, unless other conditions change, most certainly as a general trend, an increasing number of non-regular staff will turn into regular staff as discussed above. As a result, it is believed that through understanding how both workers and enterprises will behave and through making better use of characteristics of each working style, both employment structures and employees’ status that are more suitable for socio-economic systems will be realized.⁹ Then, there will be no possibility for one working style one-sidedly replacing another, and it is conceivable that both employers and workers will be satisfied in seeing every working style contributing to businesses in a mutually complementary manner.

2. Diversification in Forms of Employment and Related Challenges

A. Surge of non-regular staff and related challenges

“Diversification in forms of employment” refers

to the diversification of working styles, excluding self-employed workers. Japan’s labor market is recently featured by increasingly diversified forms of employment with a surge of “non-regular staff,” who are not conventional “regular staff,” both in range and quantity. In principle “non-regular staff” refers to any form of employment, other than “regular staff” that work full-time for an infinite period of time. “Non-regular staff” include workers called “part-time workers,” “*arubaito*,” “dispatched workers,” and “contract employees.” “Non regular staff” covers various forms of employment including those having no employment relationship with enterprises they actually work for, such as workers “dispatched” from contractors. The following sections will identify recent trends in diversified employment styles based on data derived from one of comprehensive government statistics on various working population, Ministry of Labour and Welfare’s “Survey of the Diversification of Employment Status” (1994, 1999 and 2003), and discuss some potential challenges.

a. Increasing percentage of non-regular staff Rise of ratio of non-regular staff

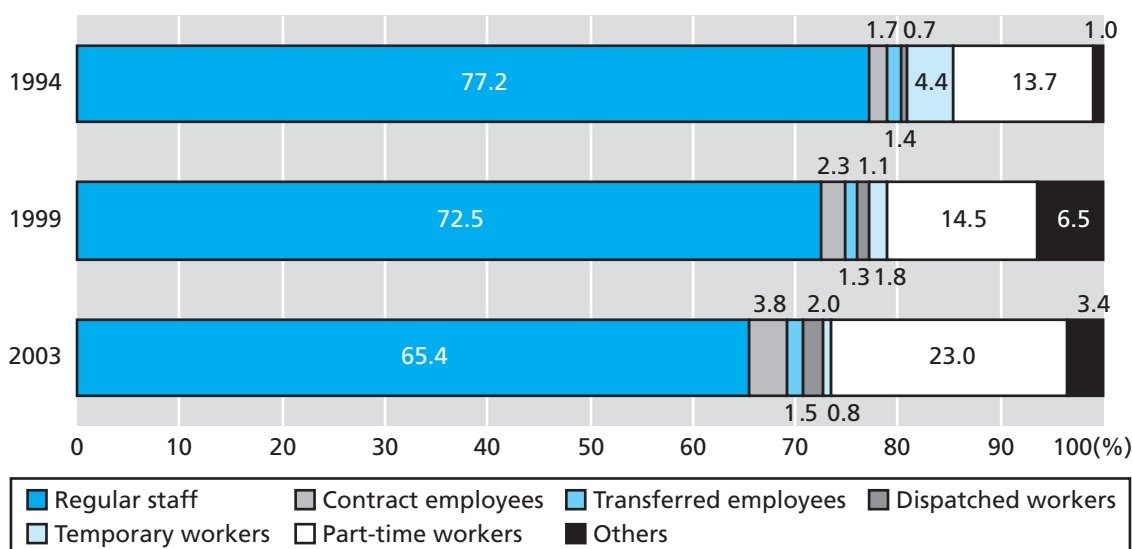
The percentage of regular staff dropped from 77.2% in 1994 to 65.4% in 2003, and the total number and percentage of non-regular staff steadily increased from 9.8147 million or 22.8% in 1994 to 13.3536 million or 27.5% in 1999, and to 16.3676 million or 34.6% in 2003 (see Figure 4-7).

Declining share of regular staff by industry

When looking at changes in the percentage of regular staff in each sector, we find the percentage was slowly declining from 1994 to 2003 in all industries except in the construction, electricity, gas, heat supply and water-supply industries. Meanwhile, in particular, the information and communications, transportation, wholesale, retail sales, finance and insurance, real estate, eating and drinking places, lodging (accommodations) and service industries show more than 10 percentage point drops. We see that these sectors increased the number and

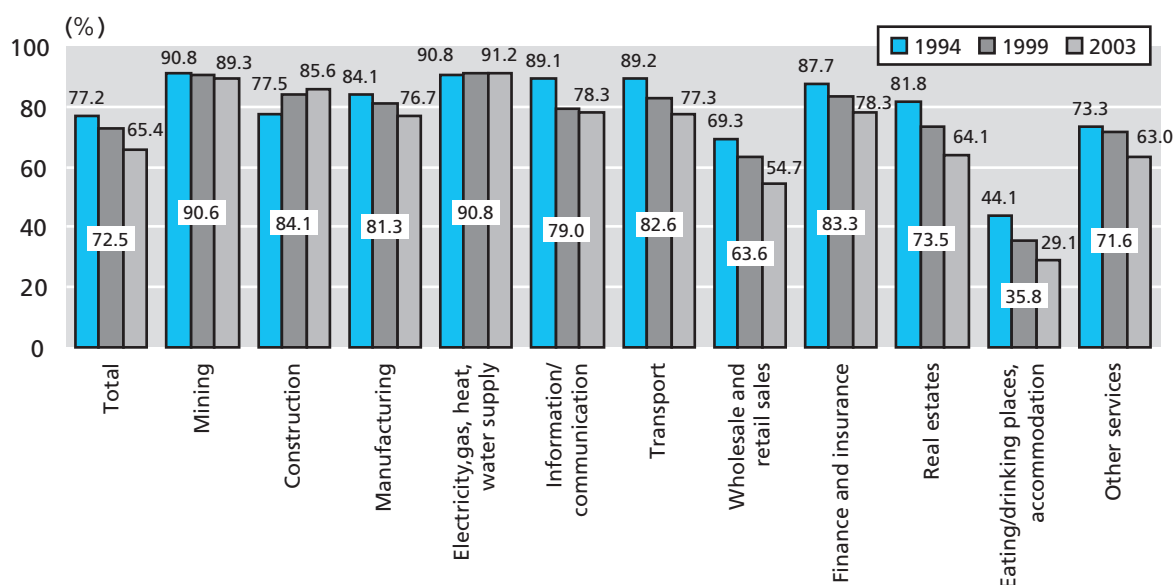
⁹ In other words, this state of things represents a market equilibrium in a short to medium term basis. On the other hand, situations in recent years can be considered as a series of transitional short-term market equilibrium due to deteriorating economic conditions and/or social economic structural transformation. In addition, the process to reach the equilibrium will not go completely smooth. For example, some enterprises may go bankrupt due to labor shortage and there may be concerns about possibly criminal behaviors just for obtaining labor force supply. The market equilibrium is not a mere intersection of a line with another, but is what has to be achieved by practical activities of economic entities.

Figure 4-7 Proportions of Regular Staff and Non-regular Staff



Source: Ministry of Health, Labour and Welfare, "Survey on the Diversification of Employment Status"

Figure 4-8 Ratio of Regular Staff by Industry



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

percentage of non-regular staff from 1994 to 2003 (see Figure 4-8).

A closer look at each form of non-regular employment including contract employees, dispatched workers and part-time workers, indicates the following tendencies.

i. The percentage of contract employees increased in almost all sectors from 1994 to 2003. In

particular, significant increases were seen in the manufacturing, transportation, real estate, service industries during the decade.

ii. The percentage of dispatched workers increased in almost all sectors. In particular, significant increases were seen in the information and communication industry and the finance and insurance industry. Dispatched workers in these

industries increased in share in the total employees, too. Hence one can say that these two sectors experienced a surge of dispatched workers both in number and share during the same period.

- iii. The transport, wholesale and retail sales, finance and insurance, real estate, and other service industries are sectors that experienced a steady increase of part-time workers in share. In particular, the surge was remarkable in the wholesale and retail sales sector which experienced the largest surge during the same period. The increase of part-time workers significantly fluctuated in eating and drinking places, accommodations and the manufacturing industry, which was probably due to correlation with economic business cycles.

Declining share of regular staff by size of enterprise

By looking at the percentage of regular staff by size of enterprise, we can see that the share of regular staff tended to decline for all every sizes of enterprise. In particular, enterprises of large or relatively medium sizes employing 1,000 or more workers, 500 to 999 workers, 300 to 499 workers, and 30 to 49 workers showed significant drops. Apparently, in enterprise of these sizes, the

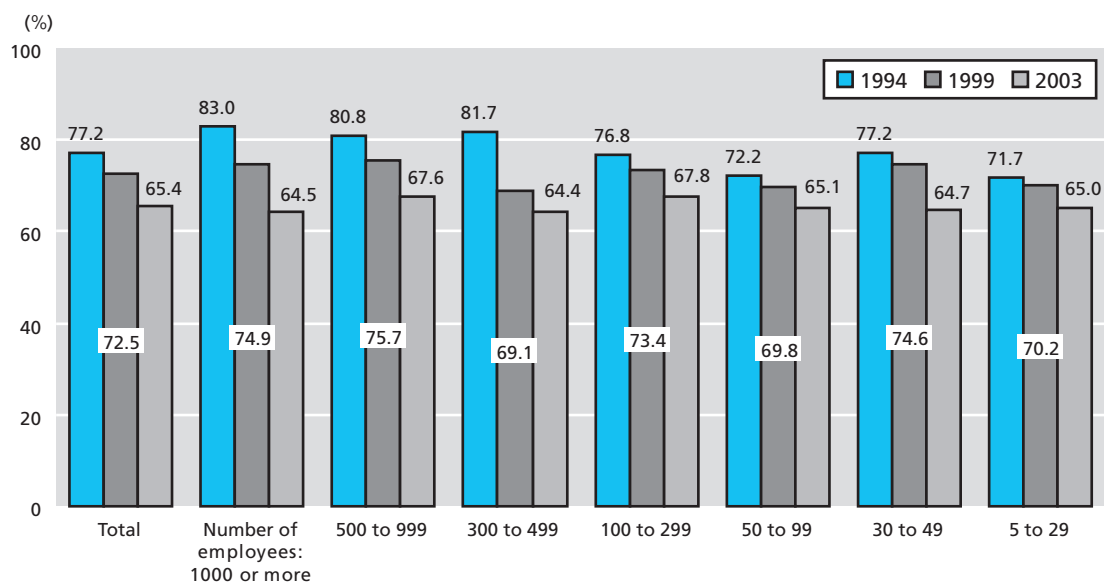
proportion of non-regular staff increased in the same period (see Figure 4-9).

In addition, by taking a look at major forms of non-regular employment—contract employees, dispatched workers and part-time workers—we can find the following tendencies.

- i. The proportion of contract employees increased in any size of enterprise from 1994 to 2003. In particular, we can see remarkable increases for medium sized enterprises employing 500 to 999 workers, 300 to 499 workers, and 100 to 299 workers.
- ii. The proportion of dispatched workers increased for enterprise of almost all sizes. In particular, we can see remarkable increases for medium sized enterprises employing 500 to 999 workers, 300 to 499 workers, and 100 to 299 workers.
- iii. The share of part-time workers steadily increased for any size of enterprise. In particular, we can see extreme remarkable for every size of enterprise for the period from 1999 to 2003, when compared to the period from 1994 to 1999.

As discussed above, non-regular staff steadily increased both in number and share. Yet, the degree of increase in non-regular staff varies with forms of employment. Almost all industries experienced increases in the proportion of contract employees

Figure 4-9 Ratio of Regular Staff by Size of Enterprise



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

from 1994 to 2003, in particular in the manufacturing, transport, real estate, and other service industries. The proportion of dispatched workers increased steadily in almost every sector. In particular, remarkable increases were observed in the information and communications industry and the finance and insurance industry. Sectors where the proportion of part-time workers steadily increased include the transport, wholesale and retail sales, finance and insurance, real estate, and service (not elsewhere classified) industries. In particular, the wholesale and retail sales industry saw an extreme increase in the share of part time workers.

b. Problems of young people working as non-regular staff

Actual number and proportion of young people categorized by sex and working style

Looking at the actual number and proportion of young people (ages 15 to 34) categorized by sex and working style, we can see that while the actual number of regular staff increased from 1994 to 1999, the number of regular staff of both sexes reduced in 2003

reflecting the decreasing number of male workers. On the other hand, the proportion of regular staff significantly decreased in both periods of time. We can get a sense that during the same periods, the proportion of non-regular staff among young people increased rapidly. Looking at non-regular workers categorized by working style reveals that, every non-regular working style, excluding temporary employees and others, increased in share. In particular, contract employees of both sexes, dispatched workers (particularly, female dispatched workers of non-regularly-employed) and part-time workers of both sexes indicated remarkable increases (see Table 4-10).

Why young people are working as non-regular staff

By looking at young people's reasons (multiple responses allowed) for selecting their present working styles with focus on three types of reasons after excluding other possible answers, we can see two long-term tendencies from 1999 to 2003: namely, an increasing share of young workers "involuntary non-regular employment", and a decreasing

Table 4-10 Numbers and Ratio of Young People (aged 15 to 34) Categorized by Gender and Working Styles

	(Actual Numbers, %)								
	Workers of both sexes			Male workers			Female workers		
	1994	1999	2003	1994	1999	2003	1994	1999	2003
Regular Staff	8,892,081	12,652,909	11,978,329	5,565,011	8,137,724	6,474,576	3,327,070	4,515,184	5,503,753
	89.0	75.0	69.5	92.9	84.5	79.2	83.0	62.3	60.8
Transferred employees	85,722	133,801	157,148	68,270	94,129	111,987	17,452	39,672	45,161
	0.9	0.8	0.9	1.1	1.0	1.4	0.4	0.5	0.5
Contract employees	75,364	338,117	502,085	23,824	132,692	174,681	51,540	205,425	327,403
	0.8	2.0	2.9	0.4	1.4	2.1	1.3	2.8	3.6
Dispatched workers (Regularly-employed)	59,366	78,730	160,092	26,798	36,521	53,115	32,568	42,209	106,977
	0.6	0.5	0.9	0.4	0.4	0.6	0.8	0.6	1.2
Dispatched workers (Non-regularly-employed)	60,827	237,592	407,483	8,235	27,413	46,856	52,592	210,179	360,627
	0.6	1.4	2.4	0.1	0.3	0.6	1.3	2.9	4.0
Temporary workers	197,654	242,449	74,445	102,081	91,162	33,373	95,573	151,286	41,072
	2.0	1.4	0.4	1.7	0.9	0.4	2.4	2.1	0.5
Part-time workers	592,120	2,030,944	3,263,293	180,652	722,597	996,020	411,468	1,308,347	2,267,274
	5.9	12.0	18.9	3.0	7.5	12.2	10.3	18.1	25.1
Others	32,943	1,162,314	681,293	14,734	386,448	285,585	18,209	775,866	395,709
	0.3	6.9	4.0	0.2	4.0	3.5	0.5	10.7	4.4
Total	9,996,077	16,876,856	17,224,168	5,989,605	9,628,686	8,176,193	4,006,472	7,248,168	9,047,976
	42.1	41.9	38.7	39.1	41.3	36.3	47.6	42.7	41.1

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Note: The upper figure in each column is the actual number, and the lower figure is the proportion of young people (aged 15 to 34) in the total population aged 15 to 34. However, the lower figures in the columns of "Total" represent the proportions of the population aged 15 to 34 in all age groups.

proportion of young workers who cited that they have selected their working styles “for their convenience.” An increase in the number of young workers “involuntary non-regular employment” has posed serious problems (see Figure 4-11).

c. Problems of labor conditions for non-regular staff

Increases in overtime working hours and frequency of overtime working

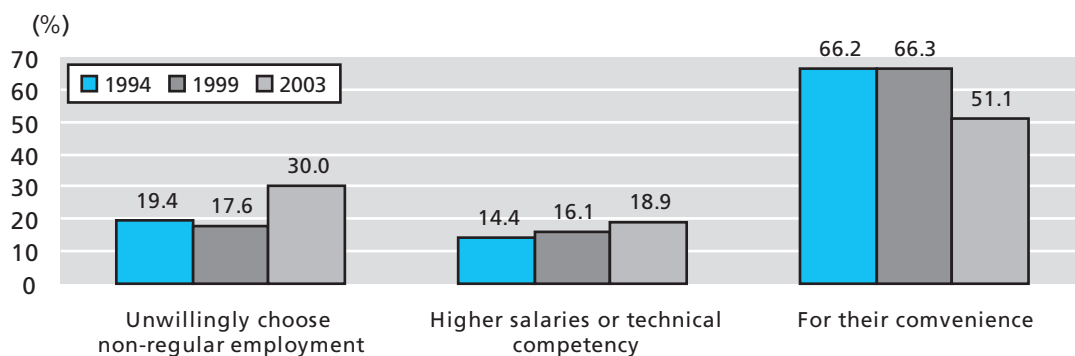
Looking at the overtime working hours per week of non-regular staff by sex and form of employment, we see that workers of both sexes and of all forms of employment, except female transferred employees, worked longer overtime in 2003 than in 1999 both in “the average overtime hours including 0 hour” and “the average overtime hours of those working more than one hour overtime.” By studying fluctuations at the two different time points in the proportion of “those working no overtime at all,” we can define features of these non-regular staff. The proportion of those working no overtime at all decreased from 1999 to 2003 in both sexes and all forms of employment, by 4.1 percentage points for male regular staff, by 19.9 percentage points for male dispatched workers

(non-regularly-employed), and by 29.0 percentage points for male part-time works. In this way, every type of non-regular staff experienced a more pronounced drop than regular staff. In other words, non-regular staff more frequently works overtime than regular staff while workers of every type of employment, including regular staff, are working overtime for a prolonged period of time. Female regular staff experienced an 11.8 percentage point drop, and female part-time workers indicated an apparent difference from female workers of other forms of employment. In other words, while female workers, as a whole, work longer overtime hours and more frequently work overtime, in particular, female part-time workers more frequently work overtime (see Table 4-12).

Actual wage disparities by form of employment

After correcting the difference of research methods at the two time points as much as possible and reviewing the total wage during a single month (September of each year) of each form of employment for both sexes, we can see that male regular staff experienced a drop by ¥12,000 (a drop

Figure 4-11 Reasons Why Young Non-regular Staff Selected Their Present Working Styles (Ratio in the Total Number of Non-regular Staff)



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

Notes: 1) The survey covers non-regular workers aged 15 to 34 excluding transferred employees and regular employees.

2) “Involuntary non-regular employment” means those who quoted “no company hired me as a regular employee.” “Higher salaries or technical competency” refers to those who quoted “hoping to engage in a job that pays a higher salary” or “for utilizing his or her own technical competency and skills,” “For their convenience” refers to those who quoted “easy task and less responsibility,” “short working hours and days,” “less commuting hours” or “physically only able to work as non-regular Employees.”

3) Multiple answers are possible, but we have excluded multiple responses to just keep three types of responses and make the sum 100%. More specifically, a respondent quoting “involuntary non-regular employment” and other reasons was regarded as a respondent selecting “involuntary non-regular employment.” A respondent citing a number of other reasons and not quoting “involuntary” was regarded as a respondent selecting “higher salaries and technical competency.” Otherwise, a respondent selecting neither “involuntary” nor “higher salaries or technical competency” but citing other reasons was regarded as a respondent selecting “for his or her convenience.”

Table 4-12 Overtime Working Hours per Week of Non-regular Workers by Gender and Working Styles

		Average overtime hours (including workers not working overtime at all)		Average overtime hours for workers working one hour or more overtime		Proportion of workers working no overtime (% and percentage point)		
		1999	2003	1999	2003	1999 (%)	2003 (%)	Change from 1999 to 2003 (Percentage point)
Male	Regular Staff	5.7	6.7	9.1	10.0	37.1	32.9	-4.1
	Contract employees	3.4	4.3	8.6	9.7	60.3	56.2	-4.1
	Transferred employees	4.5	5.7	8.5	8.9	47.2	35.5	-11.7
	Dispatched workers (Regularly-employed)	4.5	7.6	8.2	10.3	45.6	25.9	-19.7
	Dispatched workers (Non-regularly-employed)	4.4	6.3	8.5	8.6	47.6	27.7	-19.9
	Temporary workers	1.9	3.8	5.8	7.5	67.8	49.2	-18.7
	Part-time workers	0.5	3.0	4.2	7.2	87.4	58.4	-29.0
	Others	2.8	4.3	6.9	8.0	59.2	46.7	-12.5
	Total	5.2	6.2	8.9	9.8	41.5	36.2	-5.3
Female	Regular Staff	2.9	4.3	5.8	6.9	49.6	37.8	-11.8
	Contract employees	1.9	3.0	4.9	6.4	61.8	52.5	-9.2
	Transferred employees	4.8	2.7	12.2	5.5	60.3	51.1	-9.1
	Dispatched workers (Regularly-employed)	2.3	2.9	5.5	5.6	59.1	47.8	-11.3
	Dispatched workers (Non-regularly-employed)	1.7	3.1	3.9	5.5	56.6	42.8	-13.8
	Temporary workers	0.4	1.6	4.4	7.1	90.7	77.4	-13.3
	Part-time workers	0.6	2.3	3.9	6.7	84.5	65.5	-19.0
	Others	1.5	2.6	5.0	6.9	69.6	56.7	-12.9
	Total	2.0	3.4	5.4	6.8	63.7	49.9	-13.8

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

by the median value of ¥13,000) on average from 1999 to 2003. During the same period, male contract employees, male transferred employees, male dispatched workers (regularly-employed), male dispatched workers (non-regularly-employed), female regular staff, female contract employees, female dispatched workers (regularly-employed), and female dispatched workers (non-regularly-employed) also saw decreases. On the other hand, male temporary workers, male part-time workers, female transferred employees, female temporary workers, and female part-time workers experienced increases during the same time.

Then, by comparing pseudo hourly wages in 1999 and in 2003 after computing them based on data of the monthly total wage and actual working hours per week, we see that only female transferred employees experienced a rise in hourly wages, and other types of employment experienced decreases in hourly wages as a general. Accordingly, if the wage as a whole increases like the case mentioned above, this is due to

the increased working hours, and we can say that wage per hour has continued to decline (see Table 4-13).

Data indicated by Table 4-13 is unsuitable for comparing different forms of employment, since the influence of various attributes of workers are not eliminated from the data. Accordingly, we have examined wage disparities compared to regular staff, calculating estimated formulas by using forms of employment, sex, age and square of age, marital status, academic background, type of job, place of employment (its category of business and size), and length of service as "explanatory variables," and using the actual pseudo hourly wage (logarithm) as "explained variables." As a result, the values for contract employees, dispatched workers (regularly-employed), temporary workers, and part-time workers proved to be significantly negative. In other words, these forms of employment were paid actual pseudo hourly wages lower than those of regular staff. On the contrary, transferred employees and dispatched workers (non-regularly-employed) proved

Table 4-13 Wage Differences by Gender and Form of Employment

	Average total monthly wage (10,000 yen)			Average pseudo hourly wage (Yen)			
	1999	2003	Change from 1999 to 2003	1999	2003	Change from 1999 to 2003	
Male	Regular employees	34.4	33.2	-1.2	1,944	1,811	-133
	Contract employees	27.7	24.6	-3.1	1,888	1,545	-343
	Transferred employees	42.6	38.5	-4.1	2,496	2,196	-300
	Dispatched workers (Full-time)	27.7	25.3	-2.4	1,709	1,369	-340
	Dispatched workers (Non-regularly-employed)	25.0	21.8	-3.2	1,461	1,228	-232
	Temporary workers	12.9	15.1	2.2	1,091	980	-111
	Part-time workers	9.4	12.8	3.4	1,071	1,054	-17
	Others	20.1	20.7	0.6	1,280	1,219	-61
	Total	32.4	30.9	-1.5	1,878	1,732	-147
Female	Regular employees	22.9	21.7	-1.2	1,418	1,258	-161
	Contract employees	18.1	16.9	-1.3	1,370	1,134	-236
	Transferred employees	23.6	24.6	0.9	1,440	1,515	75
	Dispatched workers (Regularly-employed)	18.3	15.7	-2.6	1,192	1,045	-147
	Dispatched workers (Non-regularly-employed)	19.3	17.9	-1.4	1,346	1,168	-179
	Temporary workers	10.1	10.1	0.1	922	888	-34
	Part-time workers	9.0	10.1	1.2	956	881	-75
	Others	13.9	13.8	-0.2	1,029	940	-88
	Total	17.1	16.6	-0.5	1,221	1,096	-125

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Notes: 1) In the data for 1999, an amount less than 20,000 yen has been corrected to "20,000 yen" and an amount more than 525,000 yen has been corrected to "525,000 yen."

2) The median value of each category in the data for 2003 has been converted to a real number (Lower limit: 20,000 yen, upper limit: 525,000 yen.)

3) Amounts have been already adjusted for inflation with the aid of Consumer Price Index (based on the index for 2000, excluding imputed rents.)

4) The following formula has been used for calculation for 1999 and 2003. [Total wage for September] ÷ [Actual working hours per week × 4] = Pseudo hourly wage.

to be positive. After attributes are controlled, these two forms of employment proved to be paid higher actual pseudo hourly wages than regular staff (see Table 4-14).¹⁰

Non-regular staff is seldom covered by social insurances and other welfare programs

We have examined the proportion of places of business which apply social insurance and other welfare programs to workers of different styles of employment. First we see that while employment insurance schemes, health insurance and employees' pension plans are applicable to almost all regular staff, only 53.2%, 36.2% and 33.1% of part-time

workers had the coverage by employment insurance schemes, health insurance and employees' pension plans, respectively, in 2003. While the proportion of part-time workers entitled to social insurances and other welfare programs increased slightly from 1999 to 2003, the percentage of places of business which apply these benefits to part-time workers was declining. In addition, the share of places of business providing contract employees with the coverage of social insurance programs was around 75% both in 1999 and 2003.

Next, by examining various systems and plans for workers, we can find that some places of business actually provide contract employees and part-time

¹⁰ However, the analysis in this section uses "the actual pseudo hourly wage," and reflects neither bonus payment nor lump-sum payment. Since many of regular staff are paid bonus payment and lump-sum payment and probably many of non-regular staff, excluding transferred employees, do not receive these payments, it should be noted that the above method which has compared only actual pseudo hourly wages has limitations.

**Table 4-14 Actual Pseudo Hourly Wage Differences by Style of Employment
(Based on Data for Regular Staff, Using an OLS Method)**

Explained variable: Actual pseudo hourly wage (Logarithm)

Explanatory variable	Estimate coefficient	Standard deviation	T value
Constant term	1.284	0.001	1095.719 ***
Time point dummy (2003=1)	-0.197	0.001	-146.993 ***
(Disparities common to the two time points, compared to regular staff)			
Contract employees	-0.073	0.001	-74.993 ***
Transferred employees	0.333	0.001	249.121 ***
Dispatched workers (Regularly-employed)	-0.018	0.004	-3.954 ***
Dispatched workers (Non-regularly-employed)	0.074	0.002	31.565 ***
Temporary workers	-0.413	0.001	-617.658 ***
Part-time workers	-0.302	0.000	-926.116 ***

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Notes: 1) Please refer to main text for more information on "actual pseudo hourly wage."

2) *** refers to a 0.1% significance level, ** refers to a 1% significance level and * refers to a 5% significance level.

3) Explanatory variables other than those indicated above include sex, age and square of age, marital status, academic background, type of job, place of employment (its category of business and size), and length of service. For the purpose of simplification, results obtained from these explanatory variables are not indicated.

4) Sample size=75,623,954 (For the two time points, after the multiplication factor was normalized)

F value=1,284,049.5 (p <.000)

Determination coefficient which was adjusted for the degree of freedom=.599

workers with the coverage by "corporate pension plans" or "retirement benefit systems." Yet, more employers provide the coverage to contract employees than to part-time workers. However, the proportion of places of business providing these systems or plans to contract employees and part-time workers declined from 1999 to 2003. The proportion of employers applying "bonus payment systems" to contract employees and part-time workers was higher than the one applying other systems or plans. Yet this proportion also declined from 1999 to 2003. In addition, the share of employers opening their "corporate welfare facilities" to non-regular staff was declining. The difference between the proportion of employers providing "programs to patronize and subsidize workers' self-development initiatives" to regular staff and the one providing such programs to non-regular staff was relatively small, though for the first place, some employers may have none. Yet like other fringe benefit systems, the share of employers providing the programs declined from 1999 to 2003. Places of business promoting contract employees to "regular positions" decreased from 38% in 1999 to 23% in 2003. Similarly, places of business promoting part-time workers to "regular positions" experienced

a more moderate drop from 31% in 1999 to 26% in 2003.

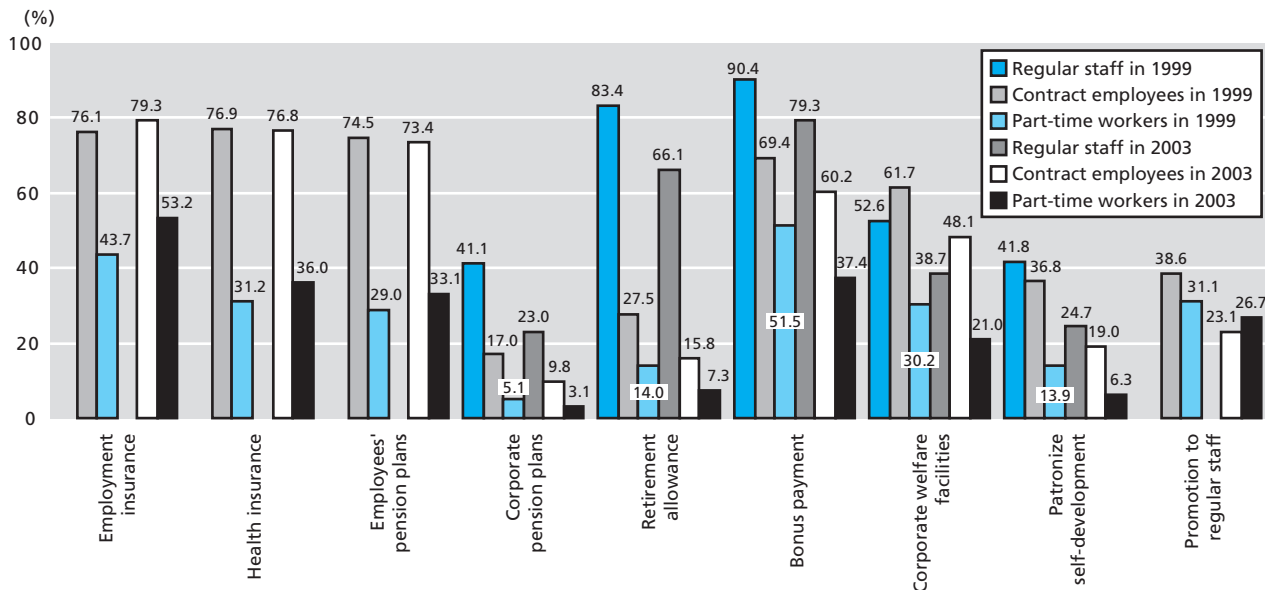
d. Issues in non-regular employment

Key issues in increasingly diversified employment—in other words, challenges arising from a surge of non-regular staff—can be summarized as follows:

i. Non-regular staff increasingly regarded as key workforce and equal treatment of non-regular workers

A close look at part-time workers, which account for a majority of non-regular staff, indicates that some of them have been increasingly regarded as key workforce. In addition, we have confirmed that dispatched workers as well as part-time workers are working overtime more frequently in recent years. In this way, some of non-regular staff are working as hard as regular staff, yet there is significant wage disparities between regular staff and non-regular staff, and not many places of business apply social insurance systems to non-regular workers. Equal treatment provisions, including wages, social insurances and fringe benefits, for non-regular staff must be strengthened all the more, particularly for part-time workers who have been increasingly

Figure 4-15 Ratio of Employers Providing the Coverage of Social Insurances and Other Fringe Benefits to Different Types of Workers



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

Notes 1) Data on the percentage of regular employees entitled to the coverage of employment insurance, health insurance and employees' pension plans are not available.

2) In 1999 respondents were asked to choose "Applied to all," "Partially applied," or "not available at all." In 2003, they were asked to answer if they had so-and-so systems/plans. Accordingly, the data for 1999 includes both respondents selecting "Applied to all" and those selecting "Partially applied."

regarded as key workforce.

ii. An increasing number of young people having no choice but to work as non-regular staff

Like other generations of workers, an increasing number of young people are now working as non-regular staff. What is remarkable about it is a surge of "involuntary non-regular employment" in recent deteriorating employment climate. This is a matter of concerns both from a viewpoint of young people's vocational self-development and for industries which need qualified human resources. More assistance in their vocational capacity development and new systems allowing full-time workers and part-time workers more job opportunities to pursue career paths are essential for keeping young generations from involuntarily going into the precarious workforce at the start of their long working life.

iii. Others

Non-regular staff especially female non-regular

workers, appear to work more than one job. This means that they currently have to do so just to make both ends meet, since income from a single job is low. Non-regular staff who have to take on burdens of child care due to a divorce, a bereavement, or an illness of his/her spouse should not necessarily be left unattended, and their difficulties should not be dismissed as matters of their "self responsibility." Accordingly, some kind of income compensation should be introduced.

B. Increasingly diversified ways of working for regular staff.

Regular staff also have different ways of working. A discretionary scheduling system literally allows workers to make decision on their working hours "at their own discretion," and the telecommuting and home-based working style allows workers to work for an enterprise from home without having to commute at all. Some but not many regular staff have already selected such unconventional ways of working. The section below introduces these new ways of working

for regular staff and their related issues, reviewing their flexible working hours and telecommuting and home-based working styles.

a. Flexible working time management

Workers with more flexible time management

Article 41 of Japan's Labor Standards Act excludes the application of regulations on working hours, breaks and days-off for "persons in positions of management or supervision." In addition, we can say that, workers under discretionary scheduling systems and salespersons who are subject to "de facto working hours systems" stipulated by Article 38 of the same act are also regarded as workers with significantly flexible time management.

Laws and regulations provide that who are actually "persons in positions of management or supervision" shall be determined on the basis of "current working situations and not based on their position titles," and we have tentatively regarded those "at the section chief level," "at the managerial level," and "at other levels (including officers)" as "persons in positions of management or supervision," and we also have included persons working under "discretionary scheduling systems" or "de facto working hours" systems and those "not subject to time management" in the subject of our observation. As discussed above, this section presents survey results of "JILPT's Survey on Current Status of Ways of Working and Workers' Attitudes" conducted in 2005 (Hereinafter referred to as "JILPT's Survey on Ways of Working"), examining working conditions of regular staff who are "working flexible working hours," including those in management positions "at the section head level" or higher levels and those covered by "discretionary scheduling systems and deemed working hours systems" and those not subject to "time management."¹¹

Attributes of workers who are working flexible working hours

When comparing attributes of "those who are working flexible working hours" and those who are not, the former are older with longer length of service

and paid better on an annual basis. In addition, males are more likely to work "flexible working hours." "Workers working flexible working hours" are likely to have finished "four-year colleges and graduate school" education. Types of jobs those with flexible working hours are doing are likely to be "white-collar specialist professions such as survey analysis, patent procedures and legal affairs," "sales and marketing," "field-work management and field supervision," and "technical specialist professions such as research and development, designing and sales engineering." We have found these findings quite reasonable, since they are persons in managerial positions and those subject to discretionary scheduling systems.

Working hours for workers with flexible working time management

"Total working hours" (the sum of working hours workers actually worked during the month of June 2005) for workers "with flexible working times" was 210.8 hours on average, 14.0 hours longer than those without flexible time management. The "overtime working hours" for workers "with flexible working time management" was 42.8 hours on average, 15.1 hours longer than those without flexible time management.

When asked about the frequency of working overtime, 61.3% of workers "with flexible working time management" answered "frequently," 18.3 percentage points higher than those without flexible time management. When asked "how often they take work home," 14.3% of workers "with flexible working time management" answered "frequently" and 29.6% replied "sometimes," 7.5 percentage points and 7.6 percentage points higher than those without flexible time management, respectively. We can say that workers "with flexible working time management" are more frequently work overtime hours for a longer period of time and more frequently take work home.

Attitudes of workers with flexible working time management

Factors behind the long working hours of workers

11 Accordingly JILPT's Surveys on Ways of Working, Workers "with flexible time management" accounts for 20.3%.

“with flexible working time management” may be vocational responsibilities, the amount of tasks, and strong motivation for working. At the same time, these factors are thought to have led to high levels of stress.

When asked about the frequency of feeling “too much responsibility,” the percentages of workers “with flexible working time management” quoting “strongly feeling too much responsibility” and of those quoting “somewhat feeling too much responsibility” were higher than those without flexible time management by 3.1 percentage points and 4.0 percentage points, respectively. When asked about the frequency of feeling that your workload is heavy, the percentages of workers “with flexible working time management” quoting “strongly feeling” and of those quoting “somewhat feeling” were higher than those without flexible time management by 1.2 percentage points and 6.2 percentage points, respectively. In addition, when asked about attitudes to “the need for business-leisure balance,” the percentage of workers “with flexible working time management” quoting “my work is pretty much what I live for and which needs all my strength” and those quoting “making efforts for work and sometimes enjoy myself in my leisure time” were higher than those without flexible time schedule by 1.8 percentage points and 8.5 percentage points, respectively. On the other hand, the percentage of workers “with flexible working time management” quoting “getting my work done as quickly as possible to enjoy myself in my leisure time” and those quoting “life is for enjoying myself in my leisure time and not for working” were lower than those without flexible time management by 10.0 percentage points and 3.5 percentage points, respectively. As shown above, we would suggest that workers “with flexible working time management” are very “work-oriented.” A mere comparison between workers’ attitudes to their jobs and subjective stress they feel in the workplace implies significant differences between workers “with flexible working time management” and those “with less flexible time management.”

As discussed above, we have found that workers “with flexible working time management” are working longer than those “without flexible working

time management.” Under “flexible time management” systems, one does not always have to work longer. In short, “flexible time management” systems allow workers greater liberties in deciding how long they work and what kind of work they do than those without “flexible time management.” In spite of all this, workers under “flexible time management” work longer. Some of the important factors behind this include vocational responsibilities, the amount of tasks, and strong motivation for working.

b. Workplace flexibility

Status of telecommuting and home-based working style

So called “Telework” has attracted attention as a working style providing regular staff greater workplace flexibility. “Telework” is socially expected to play a role in “supporting a healthy work life balance for workers and at the same time improving their business efficiency, while providing equal opportunities and working conditions to both male and female workers (ensuring gender equality) and contributing to resolve social issues such as the falling birthrate and the aging population, and reducing environmental burdens.

According to estimates by the Ministry of Land, Infrastructure and Transport and Tourism, the number of Japanese style, corporate-employed teleworkers and self-employed teleworkers were 3.11 million and 0.97 million in 2002, respectively, and in 2005 they were 5.06 million and 1.68 million, respectively, or almost 1.7 times as many in 2002. The above corporate-employed teleworkers include both full-time employed workers and those working as teleworkers in addition to doing household affairs or attending schools.

Corporate employed-teleworkers who sometimes work at home (sometimes telecommute and do home-based work) account for 68.8%, or 2.14 million of the total teleworkers (3.11 million). However, only 31.4% of the above corporate-employed teleworkers are utilizing “in-house teleworking systems” to work as “teleworkers,” and teleworkers quoting that “having decided to work as a teleworker at my own discretion” represent the largest proportion, or 56.2%.

“Comprehensive Survey on Japanese Ways of Working” conducted by JILPT in 2005 found that 34.0% of regular staff quoted “sometimes working at home” but only 0.6% of them then had in-house systems for telecommuting or home-based working. In other words, the remaining 33.4% of them work as teleworkers by taking their work home at their own discretion.

Current situation and challenges of telecommuting and home-based working style

According to a survey conducted by the Ministry of Land, Infrastructure and Transport and Tourism in 2002 on the current situation of telecommuting and home-based working style, the percentage of corporate employed teleworkers is relatively high in the “manufacturing industry”(19.7%) and “the service industry” (18.6%). Types of job where a high percentage of corporate employed teleworkers are working are “sales and marketing” (20.8%) and “clerical jobs” (18.7%).

The highest percentage (45.4%) of corporate-employed teleworkers cited as an advantage of telecommuting “improved productivity and efficiency of works,” followed by “reduced commuting burdens both physically and psychologically” (cited by 34.7%). On the contrary, the highest percentage (49.3%) of corporate-employed teleworkers cited as a challenge in promoting telecommuting working styles “difficulties in distinguishing working hours and non-working hours,” followed by “tend to work longer” (cited by 31.4% of them.) In fact, working hours per week for them is 50.6 hours, longer than the average of total occupied persons (43.6 hours).

As discussed above, telecommuting is expected to play a role in ensuring gender equal society and responding to the nation’s declining birthrate. According to case interviews on current situation of telecommuting and home-based working styles for workers with very young children (schoolchildren in the lower grades) conducted by the Japan Institute for Labour Policy and Training, only a small number of females workers have selected “completely home based jobs” where most of works can be done at home when they cannot commute to workplace, when commuting is too time-consuming or when they have

to care children undergoing medical treatment for a prolonged period. On the contrary, “partial teleworking,” where workers are working in the company’s premises as needed alongside with home-based working, is being utilized, for example, by workers who have to get their works done as scheduled and at the same time, have to care kids who suddenly get sick. In addition, some male workers select “partial teleworking” to take part in child care, or an alternative to taking child-care leave, as the second-best option.

In short, key features of current telecommuting and home-based working styles for workers with very young children include:

- i. Upon request, can reduce a period of child care leave
- ii. If needed, allows workers to work full time or almost full time including overtime working hours, and at the same time reduces the period of paid leave stemming from child care.
- iii. Allows some male workers to select “teleworking” to take part in child care, or an alternative to taking child-care leave, as the second-best option.

However, when working from home with one’s kids staying at home is disturbing or when home-based workers have to show up at the office, work-at-home workers also need to use child-care facilities.

The implementation procedure for home-based working styles and their time management generally requires in-advance application followed by prior approval and after-the-fact reports. It may be necessary to allow workers to plan their work days and working hours accompanied by after-the-fact reports to their bosses, by, in principle, carefully adjusting workloads to hopefully avoid requiring workers to work beyond prescribed working hours (or prescribed overtime hours) and at the same time allowing a certain degree of flexibility in time management and facilitating workers’ self-care and self management.

c. Challenges in diversified ways of working for regular staff

In short, challenges in diversified ways of working for regular staff include:

i. Flexible working time management

With the white-collar exemption system being under consideration, an increase in workers “with flexible working time management” is believed to result in more staff working longer hours. What is important is whether workers are allowed to make better use of working hour flexibility and whether they are allowed to adjust their working hours themselves. To ensure such flexibility, what kind of performances are expected from workers “with flexible working time management” and the workload required by such performance should be reviewed. Unless present practices are improved, more workers with flexible time management will merely lead to more staff working longer hours and deteriorating physical and mental health among such workers.

ii. Workplace flexibility

Currently, telecommuting and home-based working styles for regular staff are seldom being institutionalized. Instead, home-based working styles are selected by individual employees or enterprises on a case-by-case basis. “Teleworking” can reduce a period of child care leave, allows workers to work full time or almost full time including overtime working hours, and serves as the second-best option allowing some male workers to take part in child care as an alternative to taking child-care leave.

The implementation procedure for home-based working styles and their time management generally requires in-advance application followed by prior approval and after-the-fact reports. Home-based working styles can enhance productivity and efficiency since workers need not to commute and may make better use of their time to concentrate on their work. At the same time, home-based workers find it more difficult to distinguish working hours from non-working hours and tend to work longer. For preventing home-based workers from working longer hours, they have to control workloads and working hours by maintaining close contact with their workplaces through after-the-fact reports and other methods.

iii. Other challenges (home-based business as a second job of regular staff)

Regular staff working a second job is a minority. Yet, remarkable changes in the recent labor market will require more proactive reconsideration of second jobs for regular staff. At present, many enterprises have introduced a ban on regular staff’s holding second jobs. Yet, not many court precedents have determined that rules of employment banning regular staff’s second jobs have legally strong binding power. It will be preferable to pay careful attention to physical and mental health of workers holding second jobs, and to deregulate the ban on holding second jobs for more proactively meeting to diversified needs of workers.

3. Challenges in Diversified Ways of Working Other than Employees

So far we have discussed diversified ways of working for employees in 2., and working styles have been diversified for non-employees as well. This section examines trends and political challenges in non-employees’ working styles. The first part of this section discusses independent self-employed workers who practically offer their services in the form of “contract for work” by completing certain designated work. Then the second part examines those who offer their services in the form of “volunteers.” In particular we focus on so-called “paid volunteers” who receive some monetary compensation (or some kind of rewards) for their works in fast-growing non-profit organizations, or NPOs. NPOs are now serving as places for organizing volunteer activities.

A. Independent self-employed contractors offering their services under contracts for services

a. Gradually increasing independent self-employed contractors who offer their services to enterprises

Looking at “independent self-employed workers having no employers” (herein after referred to as “independent self-employed workers”) indicated in “the Labour Force Survey” conducted by Statistics Bureau, Ministry of Internal Affairs and

Communications, the number and the proportion to the total workers of independent self-employed workers decreased from 7.25 million and 12.5% of the total number of workers in 1985 to 4.87 million and 7.7%, respectively, in 2005 on an industry-wide basis. Significant factors behind this long-term decline include a reducing number of independent farmers reflecting the declining share of agriculture and forestry in the entire economy, and a decreasing number of self-employed people in the manufacturing industry, the wholesale and retail sales sector, and eating and drinking places. During the same period, self-employed workers in the manufacturing sector and those in the wholesale and retail sales sector and eating and drinking places reduced from 1.29 million and 1.61 million in 1985, to 0.47 million and 0.92 million in 2005, respectively. These decreases seem to be attributable to a decreasing number of family workers in the manufacturing sector accompanied by declining family-operated small factories, and to reducing family-type retailers or eating and drinking places. On the other hand, the number of independent self-employed workers in the tertiary industry, other than wholesale or retail sales and eating and drinking places, remained almost unchanged or otherwise demonstrated a somewhat upward trend, with repeated rises and falls from 1.57 million in 1985 to 1.69 million in 2005. In general, their percentage in the total people in job also remained somewhat unchanged.

Examining in which medium categories of the industry independent self-employed workers are engaged in, we find that many of them are in professional services not elsewhere classified (Total of male and female in 2005, 320,000), laundry services, hairdressers, beauticians and bathhouse businesses (260,000), other business services (250,000) and other education and learning support

services (200,000). A closer look at their rise and fall for the period from 2003 to 2005, where the industrial categorization of labor force remained consistent, shows remarkable increase in other business services (from 230,000 to 250,000) and in professional services not elsewhere classified (from 300,000 to 320,000). In this way, it would be right to think that independent self-employed workers offering services to enterprises in a broader sense have been on a gradual but steady rise.

b. Current status for single-client dependent self-employed workers indicated by JILPT's Surveys

This section examines the current status of independent self-employed workers outlined by JILPT's "General Surveys on Japanese Ways of Working."¹²

Category of business and type of jobs

Examining what kind of business categories independent self-employed workers (Hereinafter referred to as "single-client dependent self-employed workers" in this section), who offer services to enterprises under contracts for services, are engaged in, we find that the largest share or 16.6% of them serving in¹³ the information and communication sector, followed by the education, culture and sport sector (15.5%), the manufacturing sector (13.9%), and the professional service sector (8.1%). We have also examined types of businesses they are engaged in and have found that 46.6% of them are engaged in clerical works, followed by 18.2% working for manufacturing and assembling. Of clerical works home-based workers are being engaged in, document preparation accounts for the largest share (34.1%), followed by data entry (31.9%), contents development (12.3%), technical drawings (CAD/

12 This survey focuses on the following three business categories, including (1) independent contractors mainly accept orders from and offer their services exclusively to single client, (2) independent contractors mainly accept orders from and offer their services to many, an unspecified number of clients, and (3) businesses selling goods or services to an unspecified number of customers at stores and outlets. This section refers to findings from the survey on (1) and (2). Our focus is on the data on (1) and we discuss (2) just for comparison. We have examined independent contractors grouped in (1), regardless of whether their clients are enterprises or not, yet this section refers to data on those who offer their services to enterprises only.

13 Please note that they are categories of business that independent self-employed workers are engaged in, and not categories of business that enterprises placing orders with the workers are engaged in.

CAM) (10.9%) and program development (10.9%).

Gender and age composition and work experience of independent home-based workers

Looking at gender and age composition of single-client dependent self-employed workers, we find that males are almost evenly divided among all age groups of late 30s or older, while females are concentrated in the age range of early 30s to late 40s, especially concentrated in late 30s.

Looking at work experiences immediately before they started working as single-client dependent self-employed workers, we find that almost two-thirds or 63.4% of male independent contractors were “salaried workers” while only 23.9% of female counterparts quoted “salaried workers” and 50.0% of female independent contractors answered “did not work.” In addition, examining when female counterparts started working as independent contractors, we find that the largest share or 29.6% of them quoted they started their present jobs at their early 30s, followed by their late 20s (23.7%), and their late 30s (19.4%). Considering the fact that female independent contractors mostly start their home-based jobs in their early 30s, we may be able to say that they probably started their home-based individual contractor businesses somewhat immediately after childbirth or child-rearing.

Realities of their businesses

Single-client dependent self-employed workers have the following features: (1) Almost none of them has business premises exclusively used for their jobs and most of them are working at home, (2) while their workloads remain relatively steady, sometimes they have no work at all, and (3) around 30% of them seemingly receive orders from principal contractors acting as go-betweens, not directly from customers.

Concerns of single-client dependent self-employed workers—concerns about job security and health issues

It is noteworthy that concerns of single-client dependent self-employed workers include “concerned about job-related illness or injury” and “somehow

concerned about job-related illness or injury” combined (14.2%). In case of work-related injury or illness, generous workers’ compensation payment is available for employed workers. However, in general, independent contractors working exclusively for a limited number of clients under contracts for services are excluded from workers’ compensation payment. This is one of issues to be discussed from viewpoints of labor policies concerning single-client dependent self-employed workers. In addition, these independent contractors are very concerned about their current situations where “they have to work even when they are exhausted” and “they have to work even when they are somehow sick.” We can say that these findings represent their strong concerns about their job security and health.

c. Treating single-client dependent self-employed workers as “concept of employee”

One of the important issues to be discussed concerning single-client dependent self-employed workers is how far one can treat them as “workers.” This question relates to both data analysis and comprehensive judgment, yet this section only introduces reference data.

Number of enterprises to which independent contractors offer services—pure single-client dependent self-employed workers

More than half or 57.8% of single-client dependent self-employed workers actually offer services to only one outsourcing enterprise. In addition, 3% of outsourcing enterprises they quoted are related mutually to form a small number of groups. Accordingly, we can say that 60% of single-client dependent self-employed workers actually offer services to only one enterprise or one group of enterprises. We can assume that in these cases they are more approximate to organization-employed workers.

Equipment required for work and how they have procure them

Looking at how single-client dependent self-employed workers have procured equipment required for work, the largest share or 70.9% of them replied

“purchased (produced) or borrowed by themselves, while 24.3% or nearly a quarter of them quoted “they have been lent free of charge by clients.”

The relationship of “contracts for services” requires that equipment required for work should be owned or procured by contractors themselves. Accordingly, it is noteworthy that some of independent contractors may be deemed to be employed by outsourcers just because equipment required for work have been procured free of charge by outsourcing enterprises.

Relationship between single-client dependent self-employed workers and their outsourcing clients

i. Possibility of refusing orders

Asked about whether they are able to refuse orders, 16.2% of single-client dependent self-employed workers quoted “cannot refuse orders,” 49.3% replied “sometimes refusing orders when they are beyond their capacity to deliver,” and 27.7% quoted “refusing orders when they do not meet certain conditions.”

ii. How to determine whether to accept conditions of orders or not

Asked about how they determine whether to accept terms and conditions of orders (or terms and conditions of contract for services) or not, 67.6% or more than two-thirds replied “accepting them as they are presented by clients.”

iii. How they are doing their jobs

Asked about how they are doing their jobs, 59.1% replied “deciding everything by themselves as long as high quality products are delivered on time.” Yet 13.2% replied “they have to get instructions on how to proceed with their works from their clients every time their works have entered a new stage.” Accordingly, it would appear that not a few independent contractors are dependent on outsourcing enterprises from viewpoints of concept of employee.

d. Issues to be considered concerning single-client dependent self-employed workers

Key issues concerning independent self-employed workers offering services, including independent

contractors working exclusively for a limited number of clients, are:

- i. Independent contractors offering services exclusively for a limited number of clients, apparently have concerns about their jobs and health, similar to employees’ concerns about job-related injury and illness.
- ii. It would appear that not a few independent contractors working exclusively for a limited number of clients are dependent on outsourcing enterprises from viewpoints of concept of employee, like employees being dependent on their employers. This highlights the necessity of constructing a mechanism which will be able to apply relevant labor policies based on a reasonable judgment of the situation.
- iii. It is also advisable to organize some form of labor unions that ensure fair and decent working conditions and provide independent contractors working exclusively for a limited number of clients with a sort of public income guarantee in case they lose income due to illness or injury or due to lack of orders.

B. Working and Activities for NPOs

In the wake of volunteers’ activities after the Great Hanshin-Awaji Earthquake in January 1995, The Law Promote Specified Nonprofit Activities was enacted in 1998 for facilitating volunteers’ activities and since then, many non-profit organizations (hereinafter referred to as NPOs) have been established in accordance with the Act and have attracted attention as employers and workplaces, in a broader sense. This section presents current conditions of employment and activities in NPOs based on three surveys which were conducted by JILPT from 2004 to 2005 on NPOs and people working there, and discusses related issues.

a. Financial status of NPOs and employment opportunities with NPOs

JILPT’s “Survey on Vocational Development and Job Creation by NPOs” conducted on NPOs in 2004 indicates that many of NPOs are small-sized with the budget of 30 million yen on average (Median value: six million yen). The budget size of organizations

operating in healthcare and welfare sectors, which nearly account for a half of the total number of NPOs, is relatively large but still as low as 43 million yen on average and its median value is 10 million yen. The number of salaried workers (including paid officers) per organization is 4.9 persons, and the number of volunteers per organization is 11.7.

Figure 4-16 illustrates the proportion of salaried staff and volunteers categorized by annual income of NPOs. Organizations with an annual income of 10 million yen or more have a significantly higher percentage of paid staff, and eight or nine out of ten organizations with an annual income of 30 million or more tend to employ paid staff. On the other hand, the smaller an organization is, the more it utilizes non-paid volunteers. However, an organization with an annual income of 10 million yen or more tends to have a lower percentage of non-paid office volunteers (who works mainly at an NPO’s office). This suggests that the more annual income an NPO generates, the more likely non-paid volunteers working at its office will turn into paid workers. (Transforming working patterns or replacing working patterns.) On the other hand, the percentage of “paid

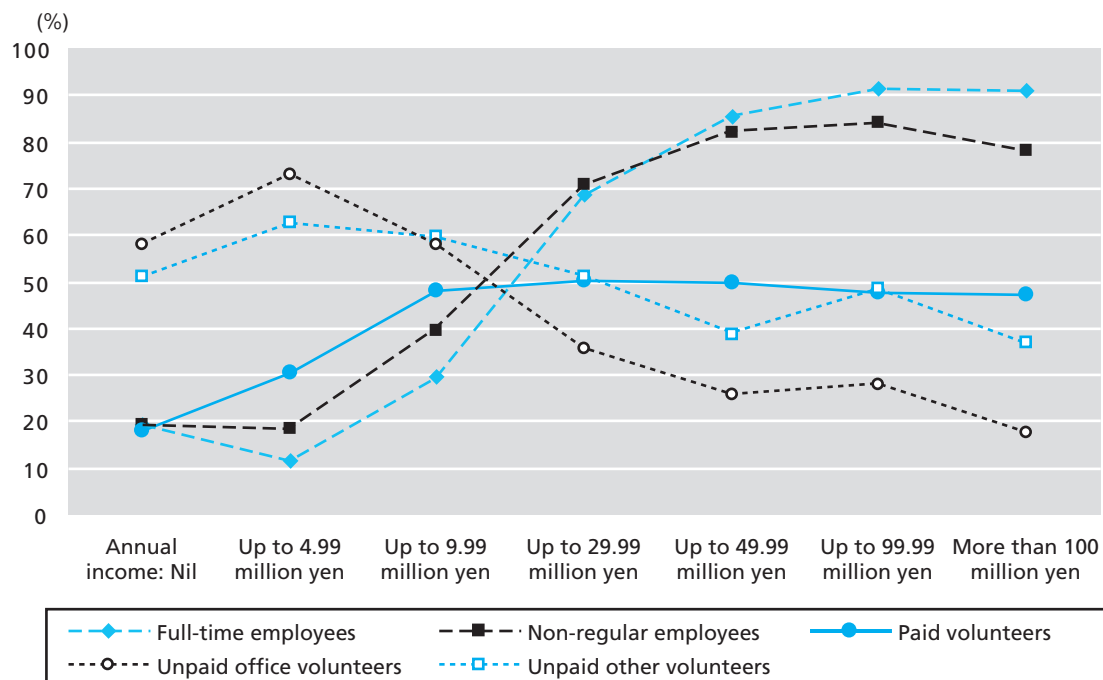
volunteers” does not vary with the annual income level of NPOs, and an almost half of NPOs have paid volunteers.

b. “Paid volunteers” and related challenges

NPO activities are made up of various activity patterns. NPO paid workers can be regarded as workers, and non-paid volunteers are apparently not regarded as workers since they are working without monetary consideration. However, the position of “paid volunteers” is highly ambiguous. At a glance, we can say “paid volunteers” are intermediates between paid staff and non-paid volunteers, yet the position of “paid volunteers” is still ambiguous. Accordingly, the current situation and position of “paid volunteers” would have to be better understood.

Then, why are they “paid” even though they are volunteers? Originally, volunteer duties are defined as “services offered to people other than one’s family members without monetary consideration and not under legal obligation.” Then are “paid volunteers” supposed to be what we call “volunteers” or workers? In the first place, objectives of volunteers’ activities are different from those working for enterprises. The

Figure 4-16 Ratio of NPOs Having Salaried Workers and Volunteers Categorized by Annual Income Level



Source: JILPT, “Survey on Vocational Development and Job Creation by NPOs” conducted in 2004.

primary objective of workers at enterprises is to obtain income, while the primary objective of many of those serving at NPOs is altruistic, such as contribution to society. In this way, though at a glance, paid volunteers look like low-wage precarious workers, their proactive attitude may be totally different from those of average workers. Then it is doubtful whether we should understand what “paid volunteers” are in the context of “workers” defined by existing legislation.

Based on findings from JILPT’s Surveys, we would like to further clarify the current situation of paid volunteers and their attitudes, comparing their activity patterns with those of others.

Current situation of paid volunteers

A closer look at the age level of NPO workers reveals that paid volunteers include, in general, a higher percentage of people aged 60 or older than other working styles. In particular, people in their 60s account for 44.8%, significantly higher than the percentage of regular staff in their 60s that is 10.8%, and still higher by 10 percentage points than non-paid or other volunteers (35.5%).

The average hourly pay for paid volunteers is 775 yen, approximately 150 yen lower than the average hourly wage of non-regular staff of 929 yen. Looking at the annual income of persons working at NPOs, we find that, naturally, the annual income of full-time regular staff is the highest at 2.086 million yen on average, followed by that of non-regular staff of 0.788 million yen. 62.5% of paid volunteers earn annual income of up to 500,000 yen, and they earn 225,000 yen on average from their NPO activities. Their annual income falls halfway between that of non-paid and other volunteers and that of non-regular staff.

Asked about whether they are working jobs other than ones at NPOs on the side, the highest share or 38.5% quoted “not working other than NPOs,” followed by those replying “being stay-at-home housewives” (29.4%), and those quoting “working as part-time workers at enterprises and other workplaces” (14.7%).

Why they are working as “paid volunteers”?

Rating motivations of people of different working styles to taking part in NPO activities on a scale of one to four, we find that altruistic motivation is rated 3 or higher for all working styles in NPOs. In particular, “altruistic motivation” is rated higher than 3.3 among paid volunteers and non-paid volunteers, significantly higher rated than among salaried staff. “Motivation for playing an active role” is rated significantly higher than 2 among them. “Selfish motivation” is rated 2 or lower among paid volunteers as a whole and among non-paid volunteers, but is rated higher than 2 among salaries staff. Selfish motivation is rated highest among regular staff, while the composition of paid volunteers in terms of motivation is quite similar to that of non-paid and other volunteers.

Attitudes of paid volunteers as “workers”

Looking at findings from statistical analysis of research data and reviewing what kind of individual attributes and attitudes of people working for NPOs are likely to have “worker consciousness,” we find that regular staff, non-regular staff and paid volunteers are more likely to have strong worker consciousness than non-paid or other volunteers. Quite understandably, regular staff and non-regular staff feel they themselves are being workers, and this also shows that paid volunteers tend to have “concept of employee.”

Concept of Employee of paid volunteers

Judging from systems and ways of working we see, more organized management of volunteers could lead to more subordination in employment relationships. Since volunteers are indispensable for NPOs’ missions, NPOs need to manage and supervise volunteers for making better use of them. On the other hand, even when subordination in employment relationships is justified, we should have to determine (interpret or politically evaluate) whether labor related acts are legally applicable to relationships between volunteers and NPOs. In other words, we have to pay attention and examine to

underlying feeling of paid volunteers as well as to their apparent ways of working when judging how far paid volunteers can be regarded as workers.

4. How to Address to Challenges in Diversified Ways of Working

A. Legal policies related to diversified working styles

We have already reviewed and discussed court precedents and academic theories on non-regular staff, regular-staff and independent contractors (including self-employed workers), separately, for identifying labor-related policy challenges and solutions for addressing diversified ways of working as research implications. We have particularly focused on viewpoints from labor-related acts including legal responses, in the wake of current situation analysis and findings on related challenges. Consequently, we have identified the following challenges and solutions in general, after concluding that reorganization of laws and regulations, including deregulation as needed, is necessary for responding to diversified ways of working.

Legal policies concerning non-regular staff

- a. It may be feasible to legally guarantee the minimum wage for non-regular staff, since their wage level is absolutely low. Yet, in principle, the viewpoints of the poverty problem in a broader sense for those who need help should be introduced into their working condition problem, just like in cases with one-parent households where breadwinners have to work in precarious positions due to their family circumstances.
- b. Many argue that the “equal pay for equal work” principle should be introduced when assigned duties and working conditions of non-regular staff are similar to those of regular staff, to help combat wage disparity between regular staff and non-regular staff. At present this principle is not supported by a clearly established law, and we should not make haste in making it legally binding in a strict sense, when reflecting how working conditions are being established. However, if required to make “guidelines for

equal treatment” stipulated in current “Guidelines for part-time labor” more effective, further discussion over the principle, including possible introduction of some legal measures, is socially reasonable.

- c. Since non-regular staff mostly work for a definite period of time, how to deal with termination of consecutive employment (or rejection of contract renewal) will be one of major political issues. Some countries have already legally required employers to give adequate reasons when terminating consecutive employment. On the other hand, Japan has discussed this issue only at academic level, and instead has focused more on how to deal with job insecurity for workers after rejection of contract renewal. More efforts are required to identify present operation of “Standards on definite term contracts” (Ministry of Health, Labour and Welfare, Kokuji No.357 in 2003) and to make it more effective.
- d. More clarification should be provided concerning enterprises’ obligation of safety and security of contractors and dispatched workers working within their workplaces, in addition to compliance of adequate rules and regulations concerning issues peculiar to indirectly employed workers such as dispatched workers and contractors.

Legal policies concerning regular staff

- e. Regulations on regular workers who are more autonomously working than average regular staff should be reorganized, with careful consideration given to their unique ways of working. The “white-collar exemption” system, modeled after its counterpart in the United States, may be one of such considerations. Though this system has been highly controversial among academic researchers, proper attention is essential to easing concerns about prolonged working hours, workers’ health, appropriate prerequisite for workers and possible unfavorable treatment concerning determination of the amount of tasks.

Legal policies concerning self-employed workers

- f. In general, independent contractors are not regarded as workers in terms of legal contracts.

However, not a few of them will be regarded as those having so-called “concept of employee” if their job practices are carefully taken into consideration. Accordingly, of importance is how to clearly (and speedily) evaluate “concept of employee” and how to provide necessary protection to those who need it. To address this issue, as in the case of overseas legislation, discussion on possible explicit inclusion of self-employed people who meet certain objective criterion of “concept of employee” into the coverage of some labor-related acts, by treating them as “workers.”

- g. Moreover, not a few argue that self-employed people who are not legally regarded as “workers” but have some economic subordination in relationships with their clients should be covered by some kind of protection, like the coverage under labor related acts. This may requires more discussion on possible coverage by legal protection of self-employed people who are economically subordinated to their clients, regardless of whether they are covered by labor-related legislation or not, in particular when it comes to issues subject to worker protection rules, for example, public order and morals (including consideration to workers’ health and the ban on discrimination) and issues highlighted by economic subordination (including injury compensation and income security during unemployment.)
- h. Similar discussion on the possible coverage of non-paid workers or so-called volunteers by legal protection, for example by injury compensation, should be made. When applying such protection to volunteers, we will have to establish a mechanism ensuring that organizations these volunteers are working for will meet certain standards (for example, organizations are working for the common good.)

B. Strategic directions of policies on diversified working styles

Based on the above observations, we have developed trial assumptions concerning strategic implementation of policies for realizing favorable

working environment for various working styles.

a. Present status

In general, we can say that the labor economy at last started showing signs of recovery in 2006. Accordingly, factors behind employers’ willingness to “use more non-regular staff instead of regular staff” due to their extreme labor cost consciousness are likely to decline in future. In other words, we can say that enterprises have finally reached the stage where they can work out their own human resource strategies from a medium to long-term standpoint, by carefully considering how to make the best use of what kind of human resources in concert with their business development. In short, probably the time has finally come when various “imbalances” accompanied by diversified ways of working and employment, which are inevitable results of tough economic circumstances and management environment, will be corrected to upgrade the working environment. We can also point out that there is increased awareness of various workplace disparities and their countermeasures among all levels of people. In this way, socioeconomic conditions will soon be readily available for every working style to make the best use of its own socioeconomic advantages.

b. Strategic policy objectives concerning diversified ways of working

At the moment, we would like to propose two strategic policy objectives for preparing the working environment that enables diversified ways of working:

Strategic objective I: Encouraging people to select forms of employment and working styles they like

Strategic objective II: Facilitating the upgrading of the working environment and working conditions in harmony with socio-economic conditions, suitable for each form of employment and working style.

Though we can handle each of the above two objectives separately, at the same time, we need to keep in mind these two are being interacting each other. We expect that forms of employment job-seekers and workers want will vary with the upgrading of the working environment and working

conditions of each working style. For example, those who now seek regular staff positions will pay less attention to regular staff positions if the working conditions for non-regular staff are to be significantly improved.

c. Policy challenges concerning strategic objectives¹⁴

【Policy challenges represented by Strategic Objective 1】

Strategic objective 1 represents strategic challenges concerning job development and job changing. The section below outlines potential policy challenges.

Policy challenge 1-A: Allowing those who are in involuntary non-regular employment due to hard times they encountered as young job seekers to get more steady jobs including regular staff positions.

Policy challenge 1-2: Preparing an environment that facilitates job changing between different forms of employment and working styles.

【Policy challenges concerning strategic objectives 2】

Strategic objective 2 represents a number of strategic challenges concerning working environments and working conditions. The section below lists potential policy challenges.

Policy challenge 2-A: Letting enterprises—employers and/or users of non-regular workers—fully understand how to behave and how authorities will respond to them, including best practices and directions, for upgrading working environments and working conditions for non-regular workers.

Policy challenge 2-B: Addressing treatment disparities between regular staff and non-regular staff.

Policy challenge 2-C: Further easing job insecurity for job seekers (i.e. workers previously working under definite-term contracts) after rejection of contract renewal.

Policy challenge 2-D: Establishing labor and social insurance systems for workers in various employment and working styles and in turn, facilitating non-regular staff's vocational self-development.

Policy challenge 2-E: Reorganizing laws and regulations in response to regular staff's need for diversified ways of working.

Policy challenge 2-F : Discussing new policies in response to changing circumstances concerning non-regular workers (For example, policies supporting those who can work only as non-regular staff due to responsibilities for child care and others.)

Policy challenge 2-G: Discussing relevant policies and systems for self-employed workers, including single-client-dependent self-employed workers.

Policy challenge 2-H: Discussing relevant policies and systems for volunteers engaged in NPOs from the workers' viewpoints.

Needs for diversified employment and working styles will increase all the more with a more aging society and an increasing number of people seeking better-work life balance. The social and economic system of Japan also requires the elderly and those work-life balance oriented people to make best use of their ability and motivation in work. Accordingly, further development of relevant policies and measures is essential for improving working environment for various ways of working.

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(As of March, 2007)

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¹⁴ Please note that some of these policy challenges and related specific policy measure have been already undertaken and implemented.