

**The Diverse Working Situation Among Workers of
Non-Standard Employment Type**

**- Analysis based on the “General Survey on Diversification in
Types of Employment” -**

(Summary)

The Japan Institute of Labour

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Executive Summary of Research Results

1. Research Questions

In recent years there has been a rapid increase in the number of workers aside from typical salaried employees - workers of non-standard employment types such as part-timers, dispatched workers, and contract employees. This diversification in employment patterns is a phenomenon with far-reaching implications in a number of areas, such as workers' life and career plans, employment management at companies, labor-management relations, and the framework for labor policies. The current research examines the substance of this diversification of employment patterns, from a number of angles, based on an analysis of individual workers' responses to the "General Survey on Diversification in Types of Employment (1994, 1999)" and other studies.

2. Research Methods

Within The Japan Institute of Labour we have set up the below Research Committee on Diversification in Types of Employment, Primarily focusing on analysis of the micro data (individuals' survey responses) from the "General Survey on Diversification in Types of Employment (1994, 1999)," each research committee member presented a report to a study group based on case studies and other literature he or she had collected on the subject. Report chapters were written by the authors responsible for the original articles.

Research Committee on Diversification in Types of Employment

Chief	Hiroki Sato (JIL Senior Research Fellow, Professor, Institute of Social Science, University of Tokyo)
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3. Executive Summary of Report

(1) Contents of Report

The full report was compiled from the reports of committee members below, statistical charts and tables, and questionnaires from the Survey on Diversification in Types of Employment (1994, 1999).

- Chap 1 Summary (Iwata)
- Chap.2 The Diverse Working Situation Among Workers of Non-Standard Employment Type (Iwata, Fujimoto)
- Chap. 3 The Use of Non-Standard Employees in the Workplace, Workers' Shift to Non-Standard Employment (Nishikawa)
- Chap. 4 Part-timers' Working Style: as Characterized by Working Hours (Sato)
- Chap. 5 The Part-timers' Desire to Become Standard Full-time Employees (Wakisaka)
- Chap. 6 Estimates of Wage Structures and Wage Differentials between Gender and among Employment Types (Nagase)
- Chap. 7 Non-Standard Employment and Social Insurance (Nagase)
- Chap. 8 Diversification in Types of Employment: an International Comparison (Watanabe)

The report begins, in chapters 2 and 3, with a comprehensive analysis of the working situation of workers of non-standard employment type, from both the demand side (employer surveys) and the supply side (worker surveys). Chapters 4 through 7 provide a more in-depth study of labor issues of relatively great concern to non-standard employment, such as a comparison between short-workweek and short-workday part-time work, the desire of part-timers to become standard full-time employees, and wage structures and social insurance. Finally, chapter 8 is an international comparison of definitions of part-time work, temporary employment, and dispatched work, and the respective working situations.

A detailed summary of each chapter's contents appears below.

(2) The Diverse Working Situation Among Workers of Non-Standard Employment Type (Iwata, Fujimoto)

This article, on the situation of so-called "non-standard work," compares and analyzes 1994 and 1999 data on non-standard workers and their full-time counterparts, from the viewpoints of sex, age, type of employment, and so on. In addition, a comparison was made by employment type among highly specialized workers. The findings of these comparisons and analyses are as follows.

1) In terms of attitudes toward working, full-time employees and permanent-employment type dispatched employees, as well as older part-timers (age 61 or older), showed greater tendency in 1999 than in 1994 to view their jobs as important;

on the other hand, registration type dispatched workers and younger part-timers (unmarried, 24 or younger), - especially men - placed higher emphasis on their lives outside of work. This can also be construed as a reflection of the so-called “freeter” (from “free” plus the German “arbeiter”) phenomenon. Married women (aged 25-60) in short-time part-time positions showed little change over the five-year period. In a comparison of short-time part-time workers and other part-time workers, part-timers working about the same number of hours in a day or days in a week as full-timers, aside from older female part-timers, showed mostly the same tendencies as standard full-time employees, such as a reduced emphasis on life outside of work. Looking at satisfaction with working life, too, we see that, excluding older workers, other part-timers are less satisfied than short-time part-timers, and their involvement in their jobs is higher. Male contract employees placed the same high emphasis on their jobs as did their standard full-time and permanent employment type dispatched counterparts; female contract employees showed stronger interest in life away from work, though not to the extent of part-timers and dispatchees.

2) Workers who have selected their current employment type reluctantly, because of lack of choices, are particularly few among short-time part-timers. Comparing the situation in 1999 with that in 1994, this proportion is decreasing among all but the elderly short-time part-time workers. The percentage of dispatched workers who chose their employment type out of necessity has risen in the meantime. This rate is also relatively high for contract employees, younger other part-timers.

3) The number of dispatched workers in the workforce is on the rise, in part due to a move toward outsourcing all types of work by companies, on the labor demand side. In this environment, there are more and more dispatched workers with a high sense of professionalism, working in jobs that “demand a higher level of qualification and skill.” These workers also expect more of their employers.

4) Overall, non-regular employment is becoming more widespread, and the trend that arose in the 1994 survey results – that workers basically select employment types to meet their working needs – has not changed. Yet, in hiring workers of non-standard employment type, there are still many points in need of improvement. For example, these workers should have greater access to employee benefits and social security programs, and should be motivated toward more vigorous skill development. In addition, many registered dispatchees and contract employees stated, “there were no companies where I could work as a regular full-time employee.” This shows that the employment environment is having a large influence on the choice of employment type.

5) Focusing only on technical and other specialized workers, we can see that part-timers have a higher level of satisfaction with their working life than do full-time employees, and dispatched workers are at the same level as male full-time employees. Particularly striking is that female full-time employees in technical and specialized

fields had a high index of satisfaction, which was also higher than the average female full-time employee on almost factors except working hours, number of vacation days, and work schedule. For male full-time employees, contract employees, and dispatched employees, dissatisfaction with wages exceeds satisfaction. Motivation among specialized workers to improve work-related skills is high, regardless of employment type. Full-time employees are the most likely to receive education and training at their companies, and standard-employment type dispatched employees often receive such training both at work and away from the company. The future is expected to see further improvements in treatment of specialized workers, as well as greater efforts to develop their skills.

6) Finally, comparing data between this study and the Special Labor Force Survey, we confirmed that trends were fairly consistent in basic attributes, such as distributions of age, sex and working hours among different employment types.

(3) The Use of Non-Standard Employees in the Workplace / Workers' Shift to Non-Standard Employment (Nishikawa)

This article offers an analysis of the recent prevalence of non-standard employees from both the demand and supply sides.

According to “Part 1: The Use of Non-Standard Employees in the Workplace,” which analyzed the demand side, a trend was visible in 1994 whereby companies’ employment policies were grouped into two extremes: those employing higher percentages of standard employees would increase hires of standard employees, and those with larger numbers of non-standard employees would continue to add to their non-standard roster. This trend had all but disappeared by 1999. The number of employers increasing their ratio of standard employees dropped sharply, and the percentage of companies planning to hire more non-standard employees was lower than before among those companies already employing a high percentage of non-standard employees. So the remarkable polarization of employment visible in 1994 had begun to show signs of slowing down by 1999.

Taking a closer look at certain employers that are increasing their percentage of non-standard employees, the reason most often cited for doing so was a prime importance placed on economizing personnel expenses. A large number of employers also make use of non-standard employees as a way of adjusting staff size through the ups and downs of their business cycles. However, most employers are filling their non-standard employment needs with one type – at the most, two – of non-standard employment. Employers are using different types of non-standard employees to fulfill different needs, with short-time part-timers being the sole predominant choice to save on labor costs and provide flexibility in staff size. Other part-timers were the second most commonly used in this regard. Further, when companies desired workers with

specialized skills or workers who could contribute immediately with no training, contract employees were the top choice, followed by seconded staff and dispatched workers; a few companies made exclusive use of short-time and other part-timers. As can be seen, from the employer standpoint, part-time (in particular short-time part-time) is an extremely convenient type of employment, capable of meeting a variety of staffing needs.

Next, in “Part 2: Workers’ Shift to Non-Standard Employment,” which analyzes the supply side, it was brought to light that the spreading shift to non-standard employment is not uniform among all workers, but rather a specific group of workers is disproportionately affected. There are few non-standard employees in management and clerical/office positions, while concentrations are high in service, transportation and communications. In terms of company size, the smaller the company the more they make use of male non-standard employees. For women, the opposite is true.

There is a close correlation between non-standard employment and family structure. For men, the employment status differs by age and family makeup, while for women marital status appears to have much greater impact on non-standard employment than do the ages of the women or their children. A large number of married women are working short-time part-time jobs. The reasons they give for choosing their employment have less to do with the type of work than with an emphasis on striking a balance in their lives. They appreciate the shorter working hours and shorter commute, and view their pay as supplementary income. This intentional, active choice to work on a non-standard basis is the general trend among female married workers. Men, on the other hand, once they secure a standard position, usually tend to pursue a stable career at the company. In this way, the shift to non-standard employment is closely tied to gender role and sexual division of labor within the family.

(4) Part-timers’ Working Styles as Characterized by Working Hours (Sato)

Short-time part-time workers can be divided into two types. One type works about the same number of days per week as standard workers, but fewer hours each day; the other type works about the same number of hours in a day as regular workers, but the number of workdays in a week is few. Let’s call the working style of the former, “short-workday,” and the working style of the latter, “short-workweek.” At present, most short-time part-timers work “short-workdays,” and very few work “short-workweeks.” In other words, most short-time part-timers work “short-workdays,” about the same number of days per week as standard workers. However, taking into consideration managerial costs and the burden of commutation expenses, we should seek in the future to make greater use of “short-workweek” jobs in addition to “short-workday” jobs.

This article analyzes the characteristics of female short-time part-time workers,

from the standpoint of working hours. The following facts were revealed.

1) Looking at different combinations of scheduled workdays and scheduled working hours in a week, the two most common types are “regular number of workdays, very short working hours” (40.4%) and “regular number of workdays, short working hours” (35.0%). Following them is the combination of “short workweek, very short working hours” (23.3%), and the extremely uncommon “short workweek, short working hours” (1.6%). Among workers with short workweeks, few have “short working hours,” where scheduled working hours per day are close to those of standard workers. Most of this group works “very short working hours,” and many fewer workdays than standard workers.

2) Percentages of employees with short workweeks, both “short working hours” and “very short working hours” combined, are highest in the finance/insurance industry (41.2%), service industry (34.4%), and mining industry (30.7%). By occupation, they are relatively numerous in safety maintenance (51.3%), administrative (38.9%), and specialized/technical (38.7%) lines of work. Female part-timers most often work in clerical (23.8%), sales (24.0%), and service (20.1%) positions, with these three accounting for 67.9% of all part-time working women. But “short-workweek” employees are few in these three occupational categories, where regular workweeks are the norm. Safety maintenance, administrative, and specialized/technical lines of work all show potential to make greater use of the “short-workweek” working style.

3) With respect to satisfaction with working hours and work shifts, the degree of satisfaction with working hours is high for a working style that involves not only few working hours in a day, but at the same time a fewer number of workdays in the week. If we make a further distinction between workers who value their jobs and workers who value their private lives, degree of satisfaction differs by the type of work shift. Workers who value their private lives are more particular about working short workdays than they are about having few workdays in the week. On the other hand, workers who value their jobs work fewer days each week, while preferring to work comparatively longer hours on the days they go to work. Because workers who value their jobs also show fairly high satisfaction with the combination of “short workweek, very short working hours,” it is believed that making more widespread use of this “short workweek” working style may contribute to getting more of these workers involved in part-time jobs.

(5) The Part-timers’ Desire to Become Standard Full-time Employees (Wakisaka)

This article clarifies which part-time workers desire to become standard full-time employees. “Part-timers who want to become full-time employees” and “workers who don’t want to become full-time employees” were compared, by taking a survey of individual workers, and the following conclusions can be drawn.

1) Viewing results by gender, males are more likely to want to become standard full-time employees: 13.2% of short-time part-timers (females, 6.5%) and 21.1% of non-standard full-timers (females, 17.0%) want to become standard full-time employees. This desire is also related to educational background and age. Male college graduates express a lower desire than high school graduates, and this desire appears to decrease with age. Female workers show a tendency similar to their male counterparts, but compared with men their educational background greatly influences their desire to become standard full-time employees. This effect of women's education is clear even when the analysis is restricted to married women aged 35 to 55. We are in need of labor policies that accommodate a labor market varying by gender and age.

2) It is important to recognize the fact that the majority of part-timers do not wish to become standard full-time employees. Even among non-standard full-time workers, a group that makes up 30% of the non-standard workforce, only 20% express this desire. Further, in a comparison of 1994 and 1999 surveys of short-time part-timers, the percentage of these wanting to become standard full-time employees is decreasing overall. Looking at male short-time part-timers only, those desiring standard full-time employment have increased in proportion.

3) In considering the issue of part-timers and standard full-time employees, it is insufficient to simply recommend that a company establish an "appointment system" or "conversion system" from part-time to standard full-time. Although more eligible part-timers for a "conversion system" want to work standard full-time than non-eligible part-timers on average, an analysis using micro data reveals that presence of such a system is not significant to desire to become full-time. In fact, the opposite is true: fewer eligible part-timers desire to become full-time employees than do non-eligible part-timers. It is therefore not enough just to have a "conversion system" in place.

4) Workers may not desire to become standard full-time employees because the working hours are long. Examining this hypothesis, we find that in offices where standard full-time employees work 60 hours or more per week, the majority of part-timers "don't want to change." It is suggested not only to reduce the working hours of standard full-time employees, but also to try something like introducing a "short-time regular employee" system.

5) There is very little desire on the part of standard full-time employees to become part-timers. The assumption is uncertain, but the desire is greater among younger workers, those who are not primary providers for a household's needs, and those with many children. If a "short-time regular employee" system were introduced, it can be assumed that not only the standard full-time employees possessing these attributes, but many others as well would desire to become short-time standard employees.

(6) Estimates of Wage Structures and Wage Differentials between Gender and

among Employment Types (Nagase)

The average wage gap between male and female among standard full-time employees is large in Japan. The gap is larger when non-standard employees are included in the analysis. Women are over-represented in this non-standard employment sector. What cause such large average wage difference between gender, and within gender but between work categories? Is it because of the difference in wage rewards by gender, or is it because women choose to work in a more flexible but lowly paid non-standard employment due to family responsibilities? This chapter gives one empirical result by Oaxaca decomposition of cross sectional data.

An analysis of the gender wage differentials revealed the following. Crude gender wage gap was 0.45 expressed as log of wages. About 30 percent was explained by women having lower human capital than men, such as lower tenure, lower educational background and lower age. Including marital status and having children in the earnings equation did not improve wage regression to a large degree. However, 10 percent more can be explained by women taking part-time and other non-standard job compared to men. Remaining gap is attributed to different rewards to attributes between genders. A huge reward difference was observed for age. Seniority-based portions of wages for non-standard full-time employees as well as other types of employment are large for males and small for females, showing a large gap between the sexes.

Earnings gap within gender but between different work category was then studied. Crude wage gap between full-time and part-time female as expressed in log wage was 0.38. A 30 to 50 percent of the gap was explained by lower educational background, shorter tenure, and difference in age or occupational distribution of part-time workers. The remaining gap was due to difference in rewards to attributes. The practice of adjusting employment to avoid tax and social insurance payments is taken to be one cause of low wages for part-timers. Such practice was especially noticeable among married women. Family responsibility can be another cause of more women taking such lowly paid but more flexible part-time job. Though the newly enlarging type of work category, dispatched work and contract work, may offer better wage opportunity than part-time work and temporary work, the percentage of female workers with children was low, even lower than the typical standard full-time employees, perhaps because of the short length nature of their contract term. Low wage part-time and temporary work seemed the main work category that enable mothers to regain employment.

The analysis showed that the main wage gap between genders in Japan is mainly caused by different rewards for age between the two sex.

(7) Non-standard Employment and Social Insurance (Nagase)

The use of non-standard employment is becoming rapidly more widespread, but little analysis is made about who is actually covered in the social insurance programs. Our rule demands that employed workers with 20 hours work week to be enrolled in employment insurance, and for those with more than three fourth of regular workers' work week to be enrolled to both employees public pension plan and employees public medical insurance. This rule excludes substantial portion of short-time employees, but it is also said that actual practice even differs from this formal rule, as employers and employees may seek to avoid coverage to save premium payment.

The analysis showed that non-standard employees' enrollment in social insurance is on the whole less applied to women than to men. Around 80% of male non-standard employees in their late 30s and older are enrolled in health insurance and employment insurance, possibly because many of these workers are seconded staff. However, as much as half of male non-standard employees in their 20s, who are more likely to face unemployment, were found not to be covered in social insurance. Among women, non-standard working wives had the lowest rate of enrollment in pension and health insurance programs, at around 30%, but their enrollment in employment insurance is higher, at about 50%. This may be due to the fact that low earning spouse can get basic pension coverage and medical insurance coverage *without* one's own premium payment through husbands' enrollment, which lowers their incentive for coverage. On the other hand, no special benefit is given to low earnings wives in terms of unemployment insurance, so more female prefer to become subscribers only for unemployment insurance. Unmarried non-standard female workers have a relatively high rate of enrollment, around 70% through their 30s, but the number of unmarried female subscribers in their 40s decrease. This means a substantial percentage of single women in their middle age living on non-standard employment is excluded from employees' social insurance coverage. It should also be mentioned that unlike low earning wives who can get coverage through their husbands, many of these unmarried singles on unstable employment lacks any employees social insurance coverage.

With respect to enrollment-related problems with the existing social insurance system, even long hour work-week employees with unstable employment are excluded from applicability by the current enrollment rules. For example, double work holders are likely to be excluded because working hours' definition for coverage applies to per firm working hour basis. Firms also do not need to enroll contract workers if their contract term is short. In addition, earnings base for determining premium payment is not suited for part-time and other hourly waged workers. In principle, premium for pension and medical insurance is determined in spring for the whole year by the three months' monthly average income. This may cause both advantage and disadvantage to non-standard employees whose work-hours fluctuates much.

Social insurance system needs much structural reform in order to include hourly

wage based employees.

(8) Diversification in Types of Employment: an International Comparison of Definitions and Conditions (Watanabe)

We compared diversification in types of employment among eight countries: Japan, the U.S., the UK, Germany, France, the Netherlands, Sweden, and Denmark. Both part-time workers and temporary workers are on an increasing trend in Japan and the countries on the European continent, and employment types are becoming more diverse. Further, viewed from a broad perspective, differences in the characteristics of these employment types can be seen between the U.S./UK and the countries on the European continent.

In the U.S. and the UK, employment protection systems are weak, and there is little difference in this regard between regular employees and temporary employees, of which there are relatively few. The wage differential between part-time employees and full-time employees is large. On the other hand, with a strong employment protection system for full-time employees in France and elsewhere on the European continent, there is a move toward liberalization of temporary employment, and the proportion of temporary employees is on an upward trend. Due to such factors as an EU council directive prohibiting discrimination in wages and working conditions, the wage differential between part-time workers and full-time workers is small. Part-time work in Japan has been increasing dramatically since the latter half of the 1990s, and the gap in wages vis-à-vis regular full-time employees is widening.

In making international statistical comparisons such as the above, it is necessary to pay heed to the differences in definitions used in each country, in particular the definition of “part-time worker.”

4. Conclusions

In this report, we investigated the situation of workers of non-standard employment type – workers aside from standard full-time employees – from a variety of angles. It was revealed that non-standard workers, who are increasing in number in recent years, are faced with many issues in the working environment such as in position in the labor market and the public insurance and other law application issues.

From the analysis of non-standard workers’ situations, it was confirmed that selection of employment type was in most cases made to correspond to each individual’s working style needs, and that few workers selected their current type of employment reluctantly, for lack of choices. This is a reflection of an “orientation to

view their private life as more important than working,” but we also recognized in several problems such as employment stability and development of career skills.

Short-time part-time workers wanting to become standard full-time employees are decreasing in proportion overall, but this proportion for male short-time part-timers is on the rise. It is probably necessary to handle these workers differently based on gender, age, and other individual attributes. Also, this overall decrease in desire to become standard full-time employees can be understood to be an effect of the long working hours of standard full-time employees. Introduction of a short-time standard employee system means not only changing from so-called non-standard employee to standard employee, but also an increase of more flexible working styles for standard employees. And for workers aside from standard employees, it is probably necessary to develop a wider variety of working choices by occupation, such as cases in which it is possible to work full-time on a day-to-day basis through working fewer days per week. In the diversification of employment types, working hours pose a problem that cannot be bypassed.

Employers use different types of non-standard employees for different positions, depending on the employers' needs. Employers that are actively making use of non-standard employees list saving personnel expenses and adjustment of employment volume as reasons for this practice in most cases. Temporary employment of non-standard workers is an increasing trend, and the widening gap in employment terms between non-standard employees and standard full-time employees is a point of dispute that cannot be overlooked.

The current enrollment conditions for the social insurance system use the standard full-time employee as a model. Most part-time employees and short-term contract employees are excluded from applicability, and it is possible that non-standard employees are at a large disadvantage. In terms of wages, it was confirmed that even within the same employment type a vast gap exists between men and women.

While making sufficient reference to trends in other countries, we hope to see a diversity of employment types develop to meet the needs of workers in Japan and the current conditions at companies. We hope this diversity “is prepared so that choice is possible at any time” (Commission for Employment Policy Research Report, July 2002), and promotes flexible working styles that offer a balance between career and family or individual life away from work.