

Report on Analysis of Issues Regarding Diversified Working Styles

Summary

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Research Objectives and Methods

This report compiles an analysis of various issues regarding diversified working styles (ways of employment or working) in Japan, using data from the "Comprehensive Survey on Japanese Working Styles (hereinafter referred to as the "Working Style Survey") that the Japan Institute for Labor Policy and Training conducted in late August and early September 2005¹.

An outline of the working style survey was released as the "Comprehensive Survey on Japanese Working Styles --Data about Diversified Working Styles" (JILPT Survey Series No. 14) in February 2006. In March 2006, the JILPT conducted an analysis including a cross tabulation of data for a limited scope of issues and published a Labor Policy Report (Vol.5) on "Diversified Working Styles and Relevant Policy Challenges" which specified policy issues and directions regarding diversified working styles based on the analysis. Following the two, this report gives detailed, comprehensive analyses of the above survey data.

Diversification of working styles has led to a diverse range of employees including part-time, temporary and subcontractor employees who work at the offices of

¹ Here is an outline of the survey. See the JILPT Survey No. 14 for details.

(1) Survey sample: 10,000 out of mail-based monitors who are aged between 20 and 59 and appropriately managed by a private sector opinion survey agency. They are broken down as follows: 3,500 regular employees, 3,500 non-regular employees, 3,000 self-employed or family workers.

(2) Survey period: Between late August and early September 2005

(3) Response collection rate: 82.7% for regular employees, 80.6% for non-regular employees and 52.5% for self-employed or family workers.

contractors, and expanded even among self-employed workers. Labor researchers are now required to comprehensively grasp the realities of not only employed workers but also workers who provide labor under personal contracts with contractors and to analyze and consider policies aimed at specific issues if any. Researchers should not limit their analyses to new working styles alone. They should review changes in traditional working styles of regular employees as well as other working styles from a comprehensive viewpoint.

Among various analysis achievements, this summary focuses on basic policy directions gained through a comprehensive analysis and classification of working styles.

Outline of research results

We classified various working styles by "economic subordination" and "personal subordination" into four types based on data from the "Working Style Survey" and considered the basic direction of a policy for each type.

1. Economic subordination and personal subordination

- Irrespective of whether workers are employed or not, labor provisions are implemented and regulated under agreements that are concluded between labor providers (workers) and labor receivers (employers or contractors) on an equal footing. This is the principle of private autonomy. From the perspective of economics, we can conclude that an optimum can be achieved through free labor market competition. If labor providers and receivers are not on an equal footing for some reasons, however, leaving the principle of private autonomy or free market competition to determine working conditions may lead to various problems.
- Apparent factors behind unequal footing are "economic subordination" and "personal subordination."
- "Economic subordination" means a possible power imbalance between parties to an agreement and often has a theoretical risk to be reflected in a labor agreement. Meanwhile, considering a case of employment relations, "personal subordination" may have a theoretical risk to bring about employers' wrong or excessive use of employees. In order to forestall such risks, the government may have to make policy or institutional responses as necessary, instead of leaving labor relations subject to the principle of private autonomy or free market competition.
- Whether some people are "employees" subject to labor law may depend on their "personal subordination" (employment subordination). In this sense, we view "personal subordination" as representing "concept of employee."

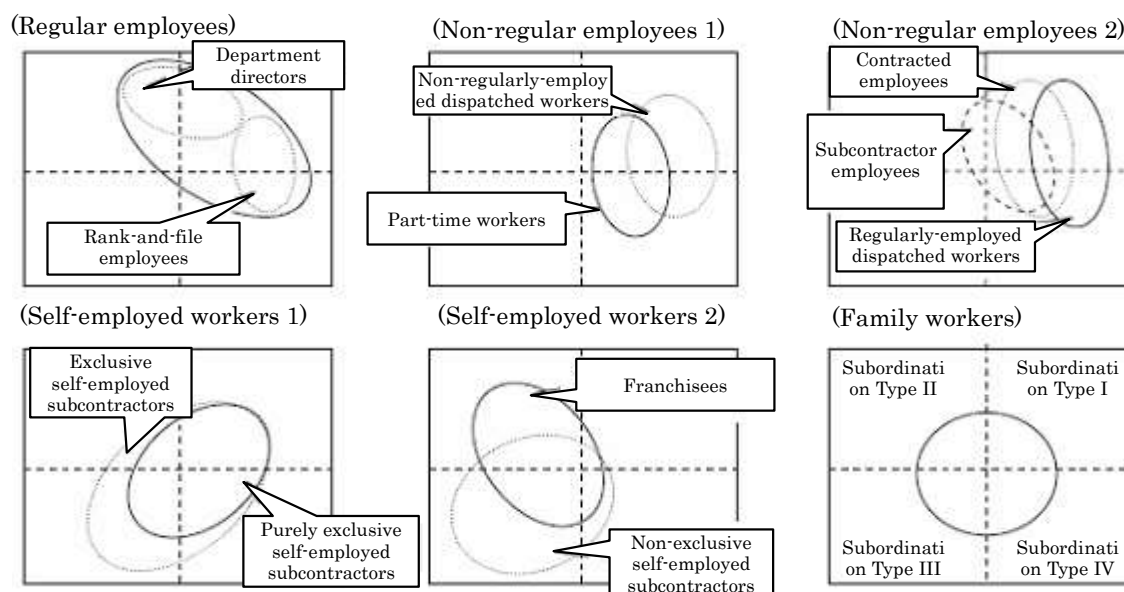
2. Classification of working styles by employee indicator and economic subordination indicator -- 4 types of subordination --

- We estimated "employee indicator" and "economic subordination indicator" by using data from the "working style survey."
- Based on the two indicators, we can extract four subordination types as indicated by the upper table of Figure 1. The six middle and lower figures of Figure 1 conceptually illustrate a planimetric distribution of workers among the four types for each working style. Each working style is summarized below:
 - a. While most regular employees belong to Subordination Type I, some are distributed to Subordination Types II to IV. Regular employees of Subordination Type II include relatively more department directors, administration and planning workers, operating officers and others who are subject to moderate time management or the discretionary labor system. Those of Subordination Type IV are mostly rank-and-file employees.
 - b. Non-regular employees are almost evenly divided into Subordination Types I and IV. Subordination Type IV covers more than a half of part-time workers, approximately 40% of non-regularly-employed dispatched workers, one-third of regularly-employed dispatched workers and about a quarter of contracted and subcontractor employees.
 - c. Most self-employed workers belong to Subordination Type III and the remainder takes part in other types. Of self-employed workers, many exclusive self-employed subcontractors are distributed to Subordination Types I and IV. Particularly, more purely exclusive self-employed subcontractors belong to Subordination Types I and IV than to Subordination Type III². Some 30% of them take part each in Subordination Types I and IV.

² An "exclusive self-employed subcontractor" undertakes work for one or a few contractors. A "purely exclusive self-employed subcontractor" undertakes work for only one contractor.

Figure 1 Four Subordination Types and Distribution of Working Styles

	Employee indicator: small	Employee indicator: large
Economic subordination indicator: large	Subordination Type II "Hidden subordination"	Subordination Type I "Typical employee"
Economic subordination indicator: small	Subordination Type III "Typical self-employed workers"	Subordination Type IV "Peripheral workforce"



3. Four Subordination Types and Policy Directions

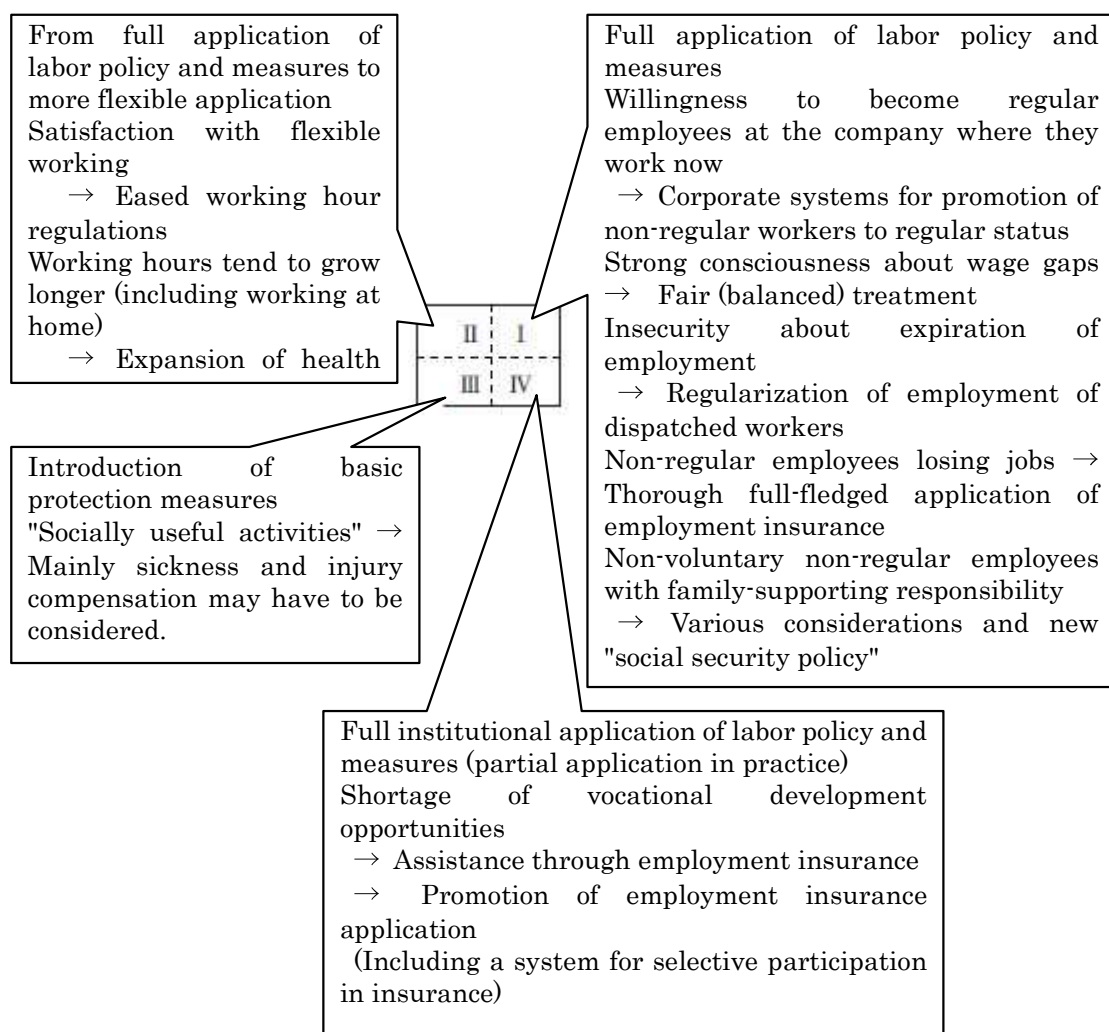
- Policy directions for the four subordination types may be put in order as shown on Figure 2.
- Subordination Type I (typical employee), in the first place, is fully subject to labor law and policy. Non-regular employees of this type are willing to become regular employees and are very conscious about their wage gaps with regular employees. Therefore, job information and job placement services should be expanded to help them become regular employees. Employers should introduce systems for promotion of non-regular employees to regular status and treat them fairly. For dispatched workers who are insecure about expiration of their employment, efforts should be made so that any non-regularly-employed dispatched workers may be allowed to work on a similar basis as regularly-employed dispatched workers. When non-regular employees of this type I lose jobs, the income guarantee under the employment insurance system may

play a key role in supporting them. Therefore, the employment insurance system should be applied accurately. This type covers single mothers and other people who have no choice but to be non-regular employees because of their family-supporting responsibility. A new social security policy should be implemented to allow these people to receive benefits even while being employed.

- Subordination Type IV (peripheral workforce) covers workers who should be considered employees in terms of their subordination (personal subordination) and institutionally fully subjected to labor law and policy. In reality, however, constraints exist on the application of labor law and policy to these workers. The most important issue for workers of this type is a possible shortage of vocational development opportunities. Financial and other assistance under the employment insurance system should be provided to them. In this sense, the employment insurance system should accurately cover these workers. In this respect, policy considerations may have to be given to the fact that these people may have relatively less expectations on the system's income guarantee during their unemployment.
- Subordination Type II (hidden subordination) is positioned between typical employed workers and management. In the past, workers had been considered typical employed workers subject to labor law and policy in principle unless they had been recognized as belonging to management. For Type II employees who are relatively satisfied with flexible working on the condition of loose subordination, however, labor law and policy, especially working time regulations, have been eased partially. Meanwhile, eased working time regulations can lead employees to work longer. Some may work at home in addition to the workplace. Policies may have to be developed to lead employees more appropriately to manage their working hours and health.
- Subordination Type III (typical self-employed workers) may have to be subjected to small enterprise policy rather than labor policy in principle. However, the government may consider subjecting their working and health problems specially to labor policy systems³.

³ It is desirable to consider accident compensation for socially useful activities of volunteers that this report does not cover.

Figure 2 Features of Subordination Types and Policy Responses



4. Practical Indicators for Four Subordination Types

- The four subordination types represent an analytical concept and are rather difficult to practically use for classifying workers. We may have to analyze various attributes of each type to develop more practical indicators.
- Here we propose the following practical indicators for classification.
 - a. The horizontal classification (degree of personal subordination), while being based on the traditional concept of personal subordination or employee indicator, should depend on certain conditions including whether employees are fairly allowed to make discretionary decisions on working hours (length and periods), whether employees' participation in management is required in addition to their provision of labor, and whether annual income exceeds a certain level.
 - b. The vertical classification (degree of economic subordination) depends on whether

employment or contracting has a certain level of continuity and whether working hours reach a certain level. Generally, it depends on whether workers' relationship with employers or contractors is strong or not.

- A procedural requirement may be that some labor-management agreement should exist on matters regarding employment within a company.

(Note) In addition to the above, the report makes analyses of various issues available.