

# THE DYNAMICS BETWEEN REGULAR AND NON-REGULAR EMPLOYMENT: LABOUR MARKET INSTITUTIONALISATION IN JAPAN AND THE NETHERLANDS

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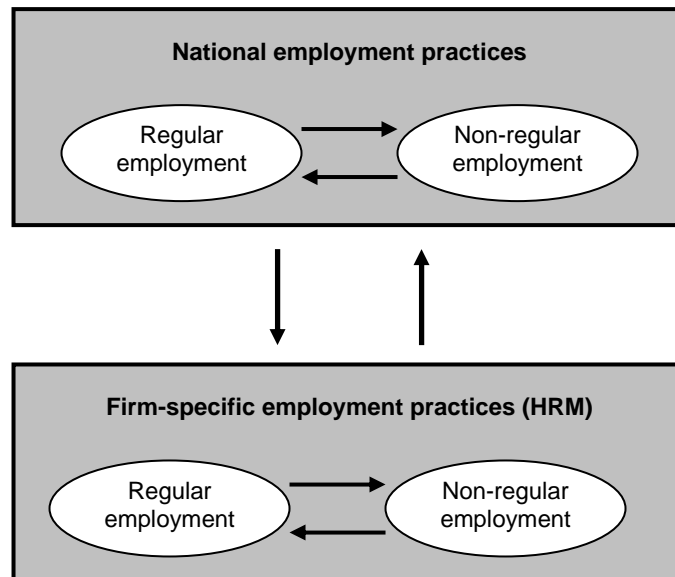
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## 1. Introduction

Recent decades have seen major changes in the employment practices of industrialised economies. A fundamental change has been the rise in non-regular (part-time, temporary, dispatched) employment (e.g. Felstead and Jewson, 1999; Auer and Cazes, 2003). Another major development has been a rise in performance-related pay (e.g. Redman, 2001). The prevalence of these trends suggests some form of international convergence in employment practices. However, we also see important differences. The character and treatment of these trends differs as they are 'institutionalised' through such various aspects and actors as legislation, unions, firms, governments, culture, and social norms. This suggests that the implications of the rise in performance-related pay and non-regular employment may differ substantially.

This paper therefore analyses the developments in a specific labour market context by discussing the introduction of performance-related pay and the rise in non-regular employment in Japan. At the heart of this discussion are two case-studies that address these developments at the level of the individual firm. The first case describes the introduction of performance-related pay by a major electronics firm. The second case describes the introduction of a personnel system for non-regular – mostly part-time – employees by a major supermarket chain. These case-studies are not discussed for their own sake but, in accordance with the previous remarks about the importance of 'institutionalisation', will be related to the developments at the national level. The basic framework for doing so is shown by Figure 1.



**Figure 1: Institutional change in employment practices**

Figure 1 illustrates two major relationships that can be said to characterise institutional change in employment practices. First, there is the relationship between national employment practices and human resource management strategies that firms develop (the relationship between the boxes). National employment practices do not exist independently from but are constituted by the firms' behaviour; to an important extent they can be considered as the aggregate of the individual firms' strategies for human resource management (the upward arrow between the boxes). However, the national practices also determine the strategies that an individual firm can implement as they 'assume the guise of impersonal and objective reality' (Scott, 1995: 34). In other words, the existing practices determine which strategies for human resource management are

considered legitimate or efficient (the downward arrow). In addition, we can also distinguish a second relationship, that between regular and non-regular employment. Given the specific institutionalisation in labour markets, the character of these employment types is likely to differ. Moreover, their mutual relationship is likely to be dynamic rather than stable. This is well illustrated by Grimshaw and Rubery (1998) who present a dynamic approach to the study of interactions between internal and external labour markets. Internal labour markets not only respond to changing conditions in the external labour market but changes in the rules of the internal labour market – for instance inspired by the model of the ‘flexible firm’ – can also shape the external labour market. *‘The result is a continuous redrawing of the boundaries between core and periphery employees, as the changing contours of the external labour market are embedded in the internal labour market’* (Grimshaw and Rubery, 1998: 218).

It is within this context that this paper discusses performance-related pay and non-regular employment in Japan. It does so in relation to the aforementioned remarks about the importance of institutionalisation and argues that its impact is twofold. On the one hand, existing practices constrain change as they attain legitimacy and tend to be dependent upon and presuppose each other. This fact is often stressed by institutional sociologists (e.g. DiMaggio and Powel, 1991) and rational choice theorists (e.g. North, 1993). However, the existing practices also enable change as they offer the means for adjustment.<sup>1</sup>

In addition, the paper compares the developments in Japan to earlier and ongoing developments in the Netherlands. Several factors make such a comparison interesting. First, the Netherlands have seen a similar rise in non-regular employment but with very different implications; especially for the dominant group of part-time employees. The comparison will therefore provide further illustration of the specific character of the Japanese situation. Moreover, the differences might provide insights into future developments in Japan. Not only have the Dutch developments provided a major inspiration for the ‘flexicurity’ concept that has become popular in labour market discussions (e.g. Bredgaard and Larsen, 2006) but they have included a ‘regularisation’ of part-time employment that appears to be required in Japan.

The structure of this paper is as follows. After describing the character of the underlying studies, it briefly describes the core aspects of Japanese employment practices as they were known until recently. The paper then discusses the introduction of performance-related pay and the rise in non-regular employment as the two major changes during recent years. Both developments will be sketched through a general discussion and the aforementioned case studies; with special attention to the unions’ perspective. The findings are then compared to the developments in the Netherlands.

## **2. Study design**

This paper is based on two studies among Japanese firms and representative organisations. The first study took place in 2002/2003 and focused on the changing employment practices in response to the economic problems in the 1990s and the early years of the 21<sup>st</sup> century. The study was held among major Japanese firms, resulting in case-studies of firms in the automobile, construction, electronic and retail industries. The information thus obtained was augmented by existing labour market statistics and Japanese studies on changes in human resource management. The findings have been

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<sup>1</sup> It is important to acknowledge that the focus on just two case-studies does not allow for a full-scale analysis of developments at the national level. This problem can be partly neutralised by reference to labour market statistics and other studies, including previous research from 2002/2003 (Keizer, 2005). More importantly, this paper mostly aims to illustrate the issues concerned. Future publications, based on a wider set of case studies, will have to provide more definite results.

previously presented in Keizer (2005, 2007a, 2007b, 2008). The second study took place in the last four months of 2007. Nine of the 13 firms included in the original study were re-visited to study the perception and the continuation of the changes discussed in the original study. In addition, interviews were included with representatives of the three levels of Japanese unionism (national, industry and enterprise level). This paper presents some early findings from the second study and, as mentioned, focuses on the case-studies of two firms. Future publications will include the wider set of case-studies.

In the latter part this paper the findings on Japan are juxtaposed with earlier and ongoing developments in the Netherlands. These developments, said to constitute an 'employment miracle', have been widely discussed in recent years (e.g. Auer, 2000; Freeman, 1998; Visser, 2001, 2002; Visser and Hemerijck, 1997; Visser et al. 2004). In addition, they have provided a major inspiration to the flexicurity debate that has come to dominate the labour market policies of the European Union in recent years (e.g. Auer, 2007). The discussion of the developments in the Netherlands will be based on this literature and complemented by statistics and analyses of recently introduced legislation (e.g. MuConsult, 2003).

### **3. The character of Japanese employment practices**

To interpret the changes in Japanese employment practices, we first need to set a necessary point of reference. This section therefore briefly discusses the established literature on Japanese employment practices.

Analyses of Japanese employment practices have focused mostly on the internal labour markets for regular workers (e.g. Aoki, 1988; Itoh, 1994; Koike, 1997). These analyses relate the employment practices to the organisation of work in Japanese firms, characterised by simple, broad job descriptions, an ambiguity and fluidity of jurisdiction, and teamwork. The skills this requires from employees are taught through a combination of job rotation and on-the-job training. Such training is a relative long-term process and the employment practices are therefore required to show a similar long-term focus. This is provided by internal labour markets based on a so-called ranking hierarchy. In the ranking hierarchy, *'the remuneration paid to an employee depends on his or her rank and internal promotion from lower to higher ranks is based on a certain formalized standard. In this structure, ranks are not directly associated with particular jobs'* (Aoki, 1988: 72). Marsden (1999) speaks in this case about a 'classification rule' that only defines an indirect relationship between remuneration and allocation. Within the ranking hierarchy, a distinction is usually made between vertical and horizontal ranks. Vertical ranks are associated with hierarchical titles and promotion to a higher vertical rank (*shōshin*) implies changes in authority and responsibility. The horizontal ranks are artificially created grades, used for a differential treatment of individuals in terms of status and pay only, and promotion to a higher horizontal rank (*shōkaku*) does not imply a change in authority, responsibility, or job.

The criteria for promotion differ in accordance to the positions within the ranking hierarchy. They tended to be strongly based on seniority during the early years of a career while afterwards employees would be promoted at different speeds and at different moments. Imada (1995) speaks about a change from 'seniority-based' to 'promotion-speed type' and 'tournament type' promotion. Crucial for the evaluation of employees is the so-called 'ability qualification system' or 'qualification grading system' (*shokunō shikaku seido*), which translates the results of assessment into ranks. This system was introduced at the end of the 1960s to complement the seniority rule and its importance has been increased ever since. Instead of simply assuming that longer tenure implies higher productivity, it actively monitors the development of human capital.

The ranking hierarchy also used to be the major structure in the determination of

remuneration. Holzhausen (2000) describes the basic wage (*kihonkyū*) as a combination of a person-related (*zokujinkyū*) and a job-related wage (*shigotokyū*). The person-related payment is determined by the position in the ranking hierarchy and based upon both seniority and (past) merit. The job-related payment is, in principle, determined by a job evaluation scheme but since job demarcations and assignments are rather fluid, jobs tend to be evaluated on the basis of employees' skills and experiences in a very broad sense. Finally, the thus determined pay can be supplemented by a merit payment (*nōryokukyū*), which concerns an additional payment based on the supervisor's assessment of individual merit but, at least until recently, the size of this last component was modest.

This approach, which makes promotion and pay dependent upon the long-term development of skills, has been a crucial factor behind the long-term employment relationship and the rising wage-tenure profile that have become known as lifetime employment (*shūshin koyō*) and seniority wages (*nenkō jōretsu*). Besides as a reflection of a higher productivity of firm-specific skills (Becker 1964), they can be explained by interpreting seniority wages as an incentive mechanism (Lazear 1979). In accordance, Itoh (1994) describes promotion in Japanese organisations as a so-called 'late-selection approach' in which 'career concerns' are used as an incentive device. A crucial role in this process is reserved for the ranking hierarchy. First, the horizontal ranks provide elaborate possibilities to differentiate between employees. Secondly, the ranking hierarchy provides flexibility in the number of promotional positions as the fact that ranks are not directly associated with particular jobs '*may lead workers to perceive that there is always room at the top for a good performer*' (Aoki 1988: 75).

In comparison to the elaborate attention for regular employment, the discussion of non-regular employment in Japan has been modest. Chalmers (1990: 3) describes how non-regular employment in Japan was long treated as 'the passive residue of the mainstream of industrial relations in Japan's large enterprise sector'. To the extent that the role of non-regular employment is included, it is as an 'employment buffer' to protect the long-term employment of the regular employees in the internal labour market (e.g. Rohlen, 1979, Odagiri, 1994, Usui and Colignon, 1996). In accordance, Nishiguchi (1994) has qualified the labour market as dual.

These employment practices have served Japanese firms well during the high-growth period. However, important questions have been raised in recent years. First, it has become difficult to align the fast rising percentages of non-regular employees with the 'buffer' interpretation. Secondly, several developments suggest a diminished efficiency of the internal labour market for regular employees. Most striking have been the economic malaise of the 'lost decade' and the subsequent period of low economic growth. More structural factors include the ageing population, the long-term decline in economic growth, the decline of the manufacturing industry, the need for specialist rather than firm-specific skills, processes of globalisation and deregulation and changing values, work- and lifestyles. It has become accepted wisdom that change is needed and the next sections discuss the most prevalent changes in greater detail.

#### **4. Performance-related pay (*Seikashugi*)**

The rise in performance-related pay, in Japan referred to as '*seikashugi*', is without a doubt the most fundamental change in the management of regular employees. The extent of this development is, for instance, indicated by a 2004 study from the JILPT, which showed that 57.8 per cent of all firms and 74.0 per cent of firms with more than 1,000 regular employees has introduced *seikashugi* (JILPT, 2005b).<sup>2</sup> This suggests an

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<sup>2</sup> This paper will refer to publications by the Japan Institute for Labour Policy and Training with the

important break with the past as the introduction of performance-related pay seems to imply a shift to the short-term evaluation of contribution.

There is a convincing argument for a change to short-term evaluation. The ability qualification system, with payment on the basis of acquired skills, assumes that an employee will not lose his or her ability once it has been acquired and that the positions exist to take advantage of the acquired skills. This assumption was efficient in times of high economic growth when plenty of promotional positions were available. However, this is no longer the case in the face of low economic and organisational growth, an ageing population and a trend to flatter organisations. In this context, the introduction of performance-related pay can provide a solution. It allows firms to bring total wage costs down because it rewards employees for their actual contribution rather than the potential productivity of their skills. Moreover, as expressed by a JTUC-Rengo representative, the relation to individual performance can provide legitimacy to the reduction in wage costs. This importance of cost reduction was illustrated by the case studies during the 2002/2003 study when all firms included had already introduced performance-related pay (Keizer, 2005). The reasons provided were various and included the rise in the average age of employees, the decrease in promotional positions, and the pressure of the wage rises as created by the ability-based system. However, all these reasons can be summarised under the need to reduce labour costs, a motivation that has been confirmed by others (e.g. Vogel, 2006; Jacoby, 2004).

Several aspects tend to characterise the introduction of performance-related pay. First, there is the widespread introduction of management-by-objectives (*mokuhyō kanri seido*). In 2002 almost 70 per cent of firms had already implemented management-by-objectives while another 22.5 per cent were planning or studying its introduction (Seisansei Rōdō Jōhō Sentā, 2002). The popularity of management-by-objectives was also illustrated by the 2002/2003 case-studies as it had been introduced by all firms in the study (Keizer, 2005, 2007b). A second aspect is that most firms are relatively modest in their attempts to introduce performance-related pay among more junior employees. Ability and even seniority continue to be important criteria in the personnel management of younger employees. Finally, most firms limit the impact of performance to the bonus payment, especially for the aforementioned younger (non-management) employees. In this context it is also important to point out that individual performance is not the only determinant of the bonus. Most firms first set the overall amount available for bonuses in accordance to the firm's performance. This is, and even more so than the individual distribution of the bonuses, a major strategy to bring the wage costs in line with the firm's performance (Keizer, 2005).

However, in spite of its popularity, the introduction of performance-related pay is neither self-evident nor straightforward. Arguments by Koike (1997) are particularly relevant in this context. He argues that job- and result-based wages cannot be effective in the typical Japanese organisation because they cannot be a fair assessment of skill development and thus do not complement the practices of job rotation and on-the-job training. Dore (1998) has made a similar claim concerning job-based wages. Given concerns like these, the introduction of performance-related pay raises a wide variety of questions: How have firms implemented performance-related pay within their internal labour markets? How have they dealt with the challenges associated with performance-related pay like the possible disruption of teamwork and 'unfair' evaluations (e.g. Bach, 2005; Redman, 2001)? How has the new focus on short-term performance affected the

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abbreviation JILPT. It will also use this abbreviation for publications under the Institute's former name (Japan Institute of Labour) and publications under its Japanese name (either 'Nihon Rōdō Seisaku Kenkyū – Kenshū Kikō' or the former 'Nihon Rōdō Kenkyū Kikō').

long-term provision of motivation and training? The next case-study of a major electronics firm, based on an interview with a representative of its human resource department, will suggest answers to questions like these.

#### **4.1 Case-study: Competency system at a major electronics firm**

This case describes the introduction of performance-related pay at a major electronics firm. An interesting aspect of this case is the choice for competencies as an important means to evaluate jobs and employees. This makes for an interesting test-case to evaluate how a competency-based system agrees with and has been adjusted to the internal labour market based on the ranking hierarchy. The firm has two different, though rather similar, personnel systems for respectively union and management employees.

1. For union employees there is a 'practice system' which focuses on the practice (competency) level of each person. The person is evaluated in relation to the standards and promotion requisites as defined by the (best) practices. The personnel review determines raises and promotions, the performance review determines bonus.
2. For management employees there is a 'job grade system' which focuses on the size of the jobs to be filled. The person is evaluated in relation to the job appointment prerequisites. Performance reviews determine bonuses.

The case study discusses the personnel systems for union and management employees and the way they affect the issues of evaluation, promotion and remuneration.

##### **4.1.1 The personnel system for union employees**

In 2000 the firm introduced a new personnel system for union employees in the form of a so-called 'practice system' to improve the efficiency of human resource management. At the core of the personnel system for union employees is the distinction between four occupational groups according to job roles. Each of these groups offers different career perspectives and working conditions. Behavioural standards and required skills are clarified for each occupational group and evaluation and treatment are carried out appropriately. The definition of the four groups is as follows:

- Occupation group A: Jobs that create new customer value using creative, innovative ideas and methods of their own; with advanced discretion and judgement in the work processes of planning, customer solutions, technological research and development, and production operations.
- Occupation group B: Jobs that involve promoting efficiency and improvements in planning, customer solutions, technological research and development, and production operations.
- Occupation group C: Jobs that involve promoting efficiency and improvements in manufacturing and inspection work by using specialised skills.
- Occupation group D: Jobs that involve promoting efficiency and improvements in work that requires particular expertise by using specialised knowledge and skills.

Occupational group D actually concerns a 'rest' category of special employees like company doctors. Their employment relationship is different from that of regular employees and they often work under a closed-term contract. The employees in the other three groups are all regular and union employees. Figure 1 shows the four groups together with job grades and hierarchical titles. Group 'A' contains university graduates who are likely to achieve a management position and can have global careers. The 'B' group also concerns white-collar employees but they are clerks and secretaries that remain in one branch or area. The 'C' group concerns physical labour. As a matter of fact, the firm currently only hires employees for the 'A' group. The hiring of clerical people stopped about seven years ago and their positions are nowadays taken by

agency (*haken*) workers. However, it is possible that an ‘A’ employee is demoted to a ‘B’ position in case of poor performance.

Occupation Group A		Occupation Group B		Occupation Group C		Occupation Group D	
1 <sup>st</sup> grade	Manager ( <i>shunin</i> )	1 <sup>st</sup> grade	Manager ( <i>shunin</i> )	1 <sup>st</sup> grade	Manager ( <i>shunin</i> )	Qualification is set individually according to the kind of work	
2 <sup>nd</sup>	Staff in Charge ( <i>tantō</i> )	2 <sup>nd</sup>	Staff in Charge ( <i>tantō</i> )	2 <sup>nd</sup>	Team leader ( <i>hanchō</i> )		
3 <sup>rd</sup>		3 <sup>rd</sup>		Staff in Charge ( <i>tantō</i> )	3 <sup>rd</sup>		Staff in Charge ( <i>tantō</i> )
		4 <sup>th</sup>			4 <sup>th</sup>		
	5 <sup>th</sup>	5 <sup>th</sup>					
	6 <sup>th</sup>	6 <sup>th</sup>					
	7 <sup>th</sup>	7 <sup>th</sup>					
Planning positions, customer solution positions, technology development positions, etc.	Planning and clerical positions, development support technology positions, etc.	Inspection positions, manufacturing positions.	Guard positions, company doctors, etc.				

Figure 2: The different classes, grades, and work categories

### Practice file

Each occupational group and job grade has its own, precisely set, criteria for evaluation and promotion. The actions and required skills for each position are named ‘practice’. For each position a ‘conduct-standards-document’ known as ‘practice file’ describes the skills (‘competencies’) for that specific function and evaluation is based on the achievement of the requirements as they are set in that specific file. This then determines the ranking of an employee. The composition of the practice file is twofold: platform practice and professional practice. The items for platform practice are common to all union employees. The items for professional practice, on the other hand, are dependent upon work, position and department. Figure 3 discusses the two practices in greater detail.

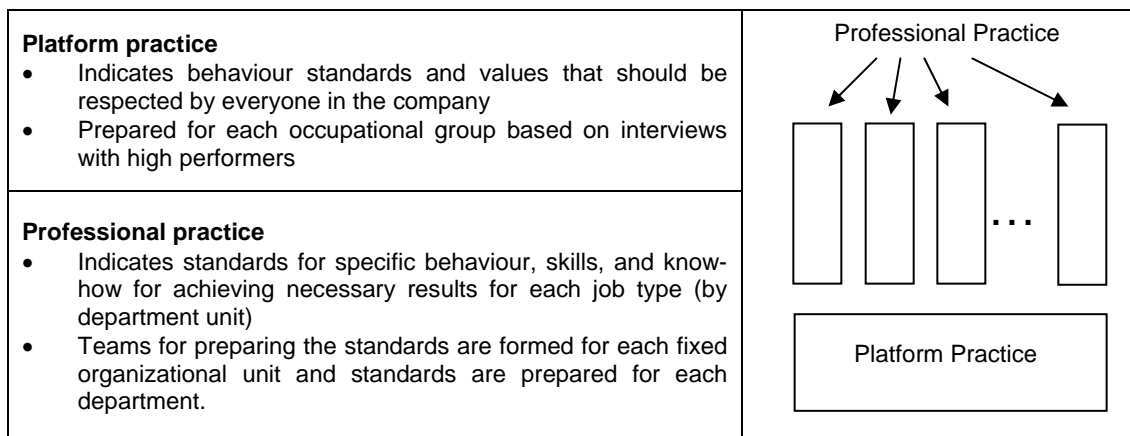


Figure 3: Composition of practice files

Table 1 provides the structure of a platform practice. The column on the left lists the



items for evaluation: (1) corporate ethics or moral, (2) profit orientation, (3) customer orientation, (4) autonomy or self management, (5) collaboration, (6) challenges, and (7) sense of responsibility or initiative. The precise definition of these items is dependent on the occupational group (A, B, C, and D) and job grades. For instance, Table 1 gives a schematic impression of the platform practice for the three grades of occupational group A. The fulfilment of requirements is a prerequisite for promotion to the next level.

Item	Grade 3	Grade 2	Grade 1
Corporate ethics	*****	*****	*****
Profit orientation	*****	*****	*****
Customer orientation	Requirements class 3 behaviour	Requirements class 2 behaviour	Requirements class 1 behaviour
Autonomy			
Collaboration			
Challenges	*****	*****	*****
Sense of responsibility, initiative	*****	*****	*****

**Table 1: Example of a platform practice**

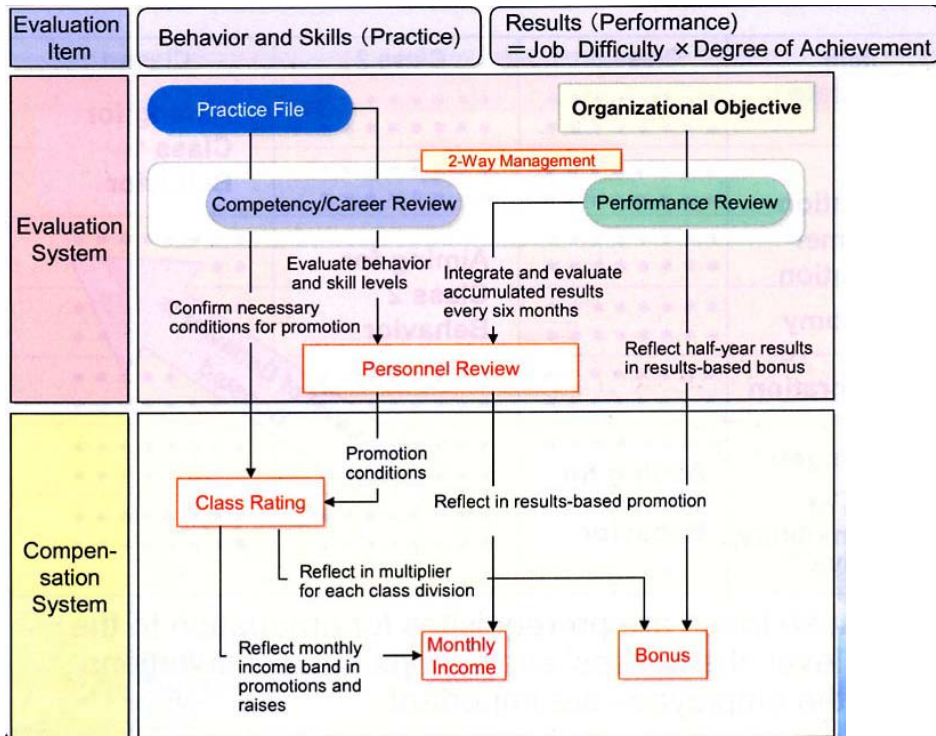
Table 2 offers a partial example of a professional practice which, as mentioned, is specific to different work groups, occupations, and departments. The table shows how generic items like ‘model behaviour’ are further specified. This process of specification takes place at the level of the business unit and the operating division.

Major item	Medium item	Minor item	Behavioural criteria
Model behaviour	Sales promotion	Grasp of markets	Understands the business strategy of other companies, draws up a competitive sales strategy for our company
		Planning	Clarifies concepts in a manner that relates to the keynote business strategy
	Planning, proposals	Information collection	Draws connections between regular conversations with customers and available market trend information, and gives shape to customers' vague needs
		Distillation of issues	Sets topics not from within own experience and common knowledge but from a stance with a wide viewpoint
		Proposals	Has a strategy for users and endeavours to always have “answers” that satisfy customers and produce profit to the company
	Qualifications acquired		
Training attended			3 of the designated training courses
Linguistic skills			TOEIC 470 points or higher

**Table 2: Partial example of a professional practice**

### ***Evaluation and compensation***

The practice file (platform practice and professional practice) is core to the evaluation of employees. The allocation of employees to the different grades is based on the evaluation of skill, behaviour and performance as assessed through the use of practice files. Figure 4 shows the logic of this process, together with the link from evaluation to compensation.



**Figure 4: The evaluation and treatment flow**

The personnel review consists of a competency/career review and a performance review. In the competency/career review the behaviour and skill levels of the employee are evaluated in relation to the requirements as formulated in the practice file. During the performance review, the actual performance is related to objectives set through a management-by-objectives system, taking into account the job difficulty and the level of achievement. The details of the competency/career and performance review are as follows.

1. The competency/career review determines the grade of the employee and thus promotion. It is defined as 'a mechanism for competency evaluation, training and career development through dialogue between the employee and the employee's boss' and is based on the practice file. Both the employee and the boss provide their own assessment for consultation. The role of the practice file is threefold:
  - It provides the evaluation criteria as the evaluation focuses on the degree of achievement of the practice
  - It provides behavioural objectives as the degree of achievement of the practice enables a plan to improve behaviour
  - It provides career objectives as it makes the employee aware of own aptitudes and strengths and forms the basis for a plan for career development.
2. The performance review, taking the job grade of the employee into account, determines the bonus and is based on management-by-objectives. An example of the forms used for setting and evaluating objectives is presented in Figure 5. The assessment of performance will result in one of the following assessments (from high to low): S – A – B – C – D. Percentages are ascribed for the distribution of these results with the actual percentages depending on the occupational group and job grade. The outcome affects salary increase, bonuses and promotion.

<b>-Objectives for First Half of FY200X</b> ◇Main Work Objectives for First Half of FY200X (If the boss judges the objectives to be below the expected level, they shall be revised upward upon discussion. The employee under review shall enter the revisions in the column for objective revisions.)				
This section to be filled out by employee under review.		This section to be filled out by immediate superior.		
Main Work Objectives; Specific Content/Objective Promotion Plan; Revisions		Difficulty Level of Objectives		
①		s <input type="checkbox"/> Very Difficult a <input type="checkbox"/> Difficult b <input type="checkbox"/> Average c <input type="checkbox"/> Below Average		
②				
③				
Comments of Immediate Superior (Enter specific details expected and information to comments of immediate superior)		Comments of Top Superior (Enter supplemental supplementation of difficulty level)		
<b>-Evaluation of Results and Performance in Second Half of FY200X</b>				
This section to be filled out by employee under review.		This section to be filled out by immediate superior.		
Main Work Objectives; Specific Details of Results/Performance		Difficulty Level of Objectives	Achievement of Results/Performance	
①		S <input type="checkbox"/> Achieved More Than Expected A <input type="checkbox"/> Sufficiently Achieved B <input type="checkbox"/> Achieved C <input type="checkbox"/> Nearly Achieved D <input type="checkbox"/> Not Achieved	s <input type="checkbox"/> Very High a <input type="checkbox"/> High b <input type="checkbox"/> Average c <input type="checkbox"/> Below Average	S <input type="checkbox"/> Achieved More Than Expected A <input type="checkbox"/> Sufficiently Achieved B <input type="checkbox"/> Achieved C <input type="checkbox"/> Nearly Achieved D <input type="checkbox"/> Not Achieved
②				
③				
Points for Improvement/Comments:		Overall Evaluation S <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/>		
Immediate Superior's Comments (Enter supplemental information concerning achievement of results/performance.)		Top Superior Overall Evaluation S <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> Comments (Enter supplemental information to immediate superior's comments)		

Figure 5: Performance Evaluation Sheet

### Monthly income

Figure 6 shows the way salary is determined for the three groups of union employees.

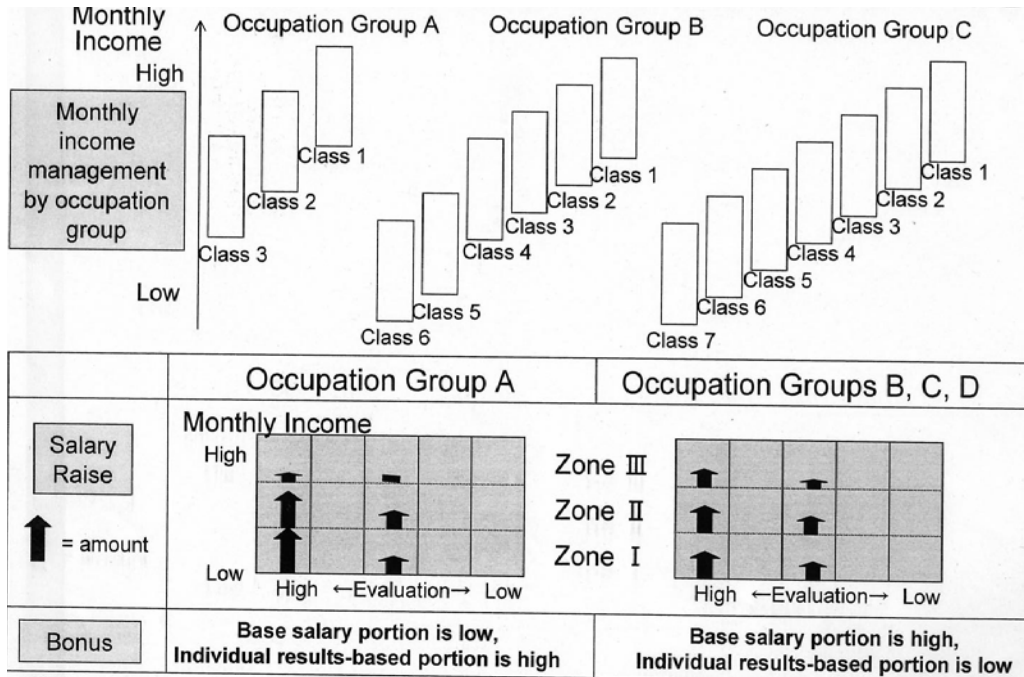
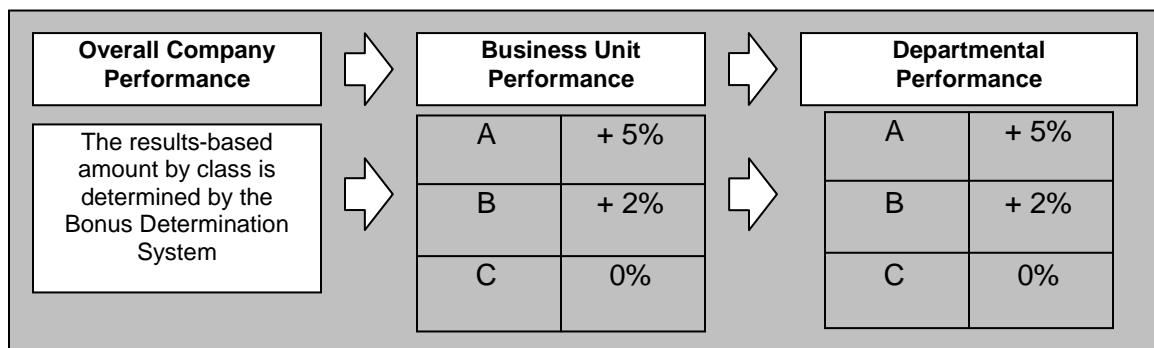


Figure 6: The monthly wage

The lower section of Figure 6 shows how the salary is raised within each job grade. As indicated in the top half of Figure 6, a monthly income band is established for each occupational group and grade. These monthly bands are then divided into zones and a raise-table is set for each zone. These tables are designated so that as the level rises, the amount of the raise becomes smaller in relation to the evaluation. In other words, a high evaluation will result in a high raise in zone I but not so in Zone III. It is important to point out that the process is automatic. In other words, a certain evaluation (e.g. S or A) directly translates into a certain salary (given the occupational group, job grade and zone).

### **Bonus**

The bonus system for union employees has a fixed and a performance-dependent element. The result-based part of the bonus is dependent on overall company performance, business unit performance and departmental (operating division) performance. The procedure is shown in Figure 7. The system was revised in 2006. Before this date, the variation among departments was larger and as the percentages add up, the difference in actual bonuses was quite substantial. However, it was felt that the employees working in a certain division cannot be made responsible for the outside factors that influence the performance of that division. Higher percentages were therefore seen as diminishing rather than strengthening motivation.



**Figure 7: Performance bonus based on company, BU and departmental performance.**

The detailed procedure for the determination of the performance-linked bonus is as follows. The total bonus is determined through the following formula.

*Union member's average monthly income x 4 + performance-based amount*

Secondly, the average performance-based amount is set as follows.

- The standard of the performance-based portion is a fixed amount ("A" Yen) per 100 million yen of consolidated operating profit of the preceding two half-year periods.
- If the final profit or loss for the preceding two half-year periods exceeds a fixed amount ("B" hundred million yen), a fixed amount per 100 million yen of final profit or loss ("C" Yen) will be added to the excess portion.

After the revision, the index is as follows:

*Consolidated operating profit during the preceding 2 half-year periods in hundred millions of Yen \* A + ((Consolidated final profit or loss during the preceding 2 half-year periods in hundred millions of Yen – B in hundred millions of Yen) \* C Yen.*

The actual allocation of the bonuses over individual members is determined by the manager. This makes for an interesting difference with the determination of monthly income. In the latter case, the process is automatic as mentioned above. However, in

the case of bonuses the supervisor has leeway to translate the individual evaluation results into a relative ranking. This is felt necessary because it is very well possible that large numbers of employees will have a similar evaluation outcome (e.g. 'S' or 'A'). The current system differs from the previous formula for setting the bonus. Until 2003, a specific multiplier to each qualification classification was added to the fixed portion. However, for the employees in occupational group 'A', this multiplier is now integrated into the result-based portion. As a consequence, the bonus has become more strongly dependent upon short-term performance differences.

#### **4.1.2 Management employees**

The personnel system for management employees is a job grade system that focuses on the size of the jobs being filled. This is quite similar to the practice system for union employees. This section will discuss the details of this job grade system by discussing the recent introduction of 'broadbanding' and the processes for evaluation and compensation.

##### ***The job grade system***

The personnel system for managers was changed in 2002 from a qualification system to the current job grade system. Jobs are now analysed in terms of their 'WHAT' and 'HOW'. The 'WHAT' refers to the responsibility for results, the 'HOW' refers to 'Practice'. At the basis of this system is the assessment of each job in terms of a job grade. Two types of factors determine this grade: (1) the required professional practice and (2) the responsibility for results. These factors are specified as follows.

1. The Professional Practice. This is determined by choosing the seven most relevant "behavioural standards" from a list of 13 including items like 'cut losses by being thorough when training', 'resolve problems through trial and error', and 'practice self control under heavy stress'. For each of these items, three levels are distinguished.
2. Responsibility for Results. This is further specified by including three factors: (a) the preparation of strategies/policies, (b) the execution of work, and (c) the maintenance of the organisation/infrastructure.

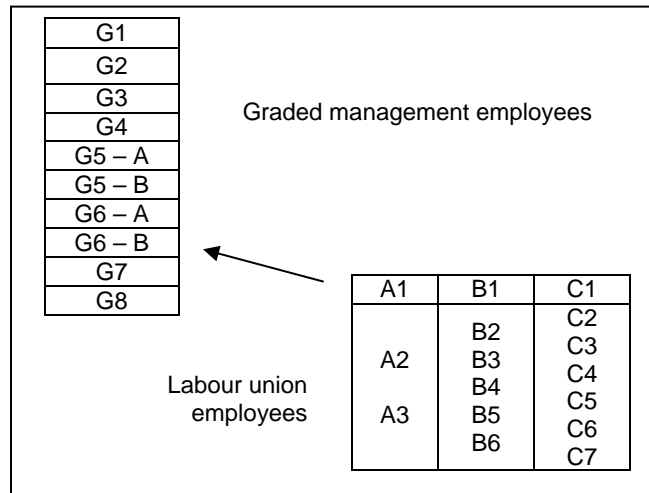
Based on these two factors, the size of the job role is determined and a job grade (from 'G1' to 'G8') is set.

##### ***Broadbanding***

The personnel system for union employees has known wage differences between employees with a similar ranking since its introduction in 2000. However, this was not the case for management employees and this caused an important problem; in particular when union employees were promoted to management. This usually involves the promotion from 'A1' to 'G6' as indicated in Figure 8. However, 'G6' might very well be the grade of the previous supervisor of that particular employee. After promotion, the two employees would therefore have exactly the same salary. This was felt to be incorrect as the greater experience of the previous supervisor should be acknowledged. Moreover, it was felt that even managers should be motivated to improve their skills and that the evaluation system should reward such skill development.

The firm therefore decided to introduce 'broadbanding' among management employees in 2006. As shown in Figure 8, the firm introduced a distinction between an 'A' and 'B' band among the most common management grades 'G5' and 'G6'. If a person is promoted from 'A1' to 'G6' (which would be the normal route), he or she is likely to be allocated to a low level of 'B'. He or she will then move up within 'G6' – and possibly to higher grades – on the basis of evaluation. The lower limit of the 'A' band constitutes a safety limit. Once you have achieved the 'A' qualification, your salary

cannot diminish beneath the lower limit of this zone. Finally, 'G7' and 'G8' are still single rate because these grades mostly function as rest grades for underperforming managers.



**Figure 8: Hierarchical positions and the promotion to management**

### ***Evaluation***

The evaluation of the employee is to a large extent determined by this character of the job grade. As mentioned before, the evaluation knows a 'HOW' and a 'WHAT' part.

1. The practice evaluation (HOW) is distinguished into an evaluation of leadership practice and professional practice. This is illustrated by Figure 9.
  - a. The evaluation of the professional practice is in relation to the seven items included in the written job description.
  - b. The leadership practice is in relation to the behaviour standards for 'Passion', expressed by the following factors: proactive-ness, achievement, customer satisfaction, speed, innovation, orchestrated individual power, and nobility
2. The performance evaluation. This is based on the 'Responsibility for results' as included in the job description. This in accordance to the aforementioned categories: (a) the preparation of strategies/policies; (b) the execution of work and (c) the maintenance of the organisation/infrastructure. This part of the evaluation is illustrated by Figure 10.

### ***Compensation***

Compensation follows directly from the description so far. The job grade determines the compensation. As mentioned, this concerns a single salary for certain job grades but since 2006 a salary band for the most prevalent management grades. The allocation to a certain grade and the position within the salary band is determined by the practice and performance evaluation. In addition there is the performance bonus. Performance objectives are set every six months in accordance with the 'Responsibility for Results'. The achievement of these objectives determines the bonus. The process is similar to that for non-management employees. The actual bonus will be determined by a combination of (1) company-wide performance, (2) business unit performance, (3) departmental (operational division) performance, and (4) individual performance. Average bonuses are distributed to the divisions and the supervisor then has to decide

how to allocate the total bonus amount over the members of the division. For example, if a division has six 'G7' people, the budget is fixed at six times the average bonus amount. It is then up to the supervisor to decide on the allocation of the bonus budget between his or her subordinates.

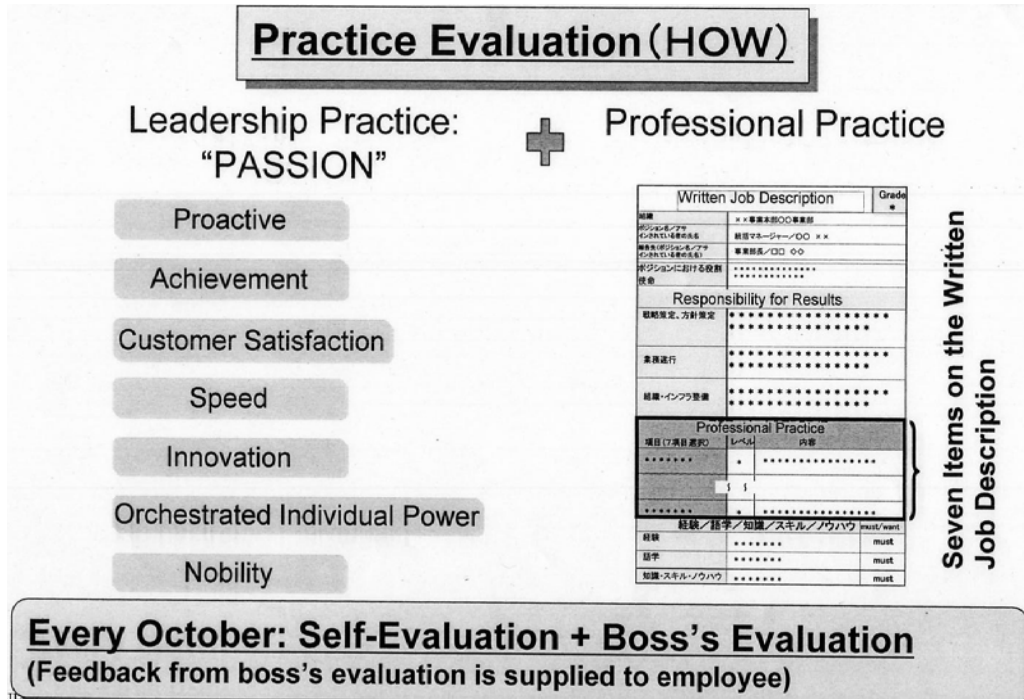


Figure 9: Practice evaluation (HOW)

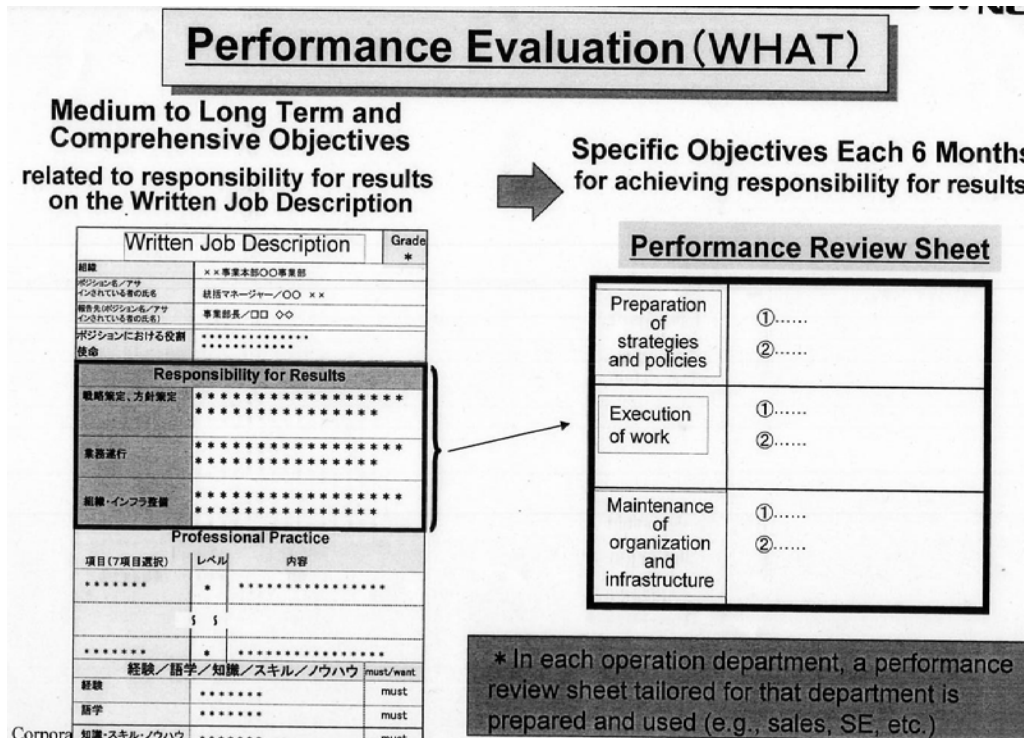


Figure 10: Performance evaluation (WHAT)

## 4.2 Implications

As mentioned in the introduction, a singly case does not allow us to draw conclusions at the national level. However, the case study does illustrate several aspects of the introduction of performance-related pay. An interesting aspect is that the firm no longer maintains a conventional ability qualification system that allocates pay on the basis of the skills that a person has acquired. Instead, skills are now mainly allocated to jobs through the job grade system and the formulation of required skills in the form of practice files. In accordance, the basis for payment has partly shifted from the individual to the job. This has indeed the effect that wages will be more closely related to actual performance. At the same time, the change appears gradual because of the position of 'practice files' between workers and jobs. In other words, the 'classification rule' has been adjusted but this has not fundamentally altered the logic of the internal labour market.

This is partly because the successful fulfilment of platform and professional practices has a rather stable character. The competency/skill review determines the grade of an employee in relation to the practices and these grades guarantee certain wages. Once achieved, these qualifications – and thus promotion itself – remain rather permanent. In addition, with required qualifications included in the professional practice, training and qualifications remain crucial for promotion. This is illustrated by the threefold role of the practice file as a provider of evaluation criteria, behavioural objectives, and career objectives. In addition, there is also the stable part in the bonus payment. The situation is similar for management employees. Here we also see rather stable job grades. Moreover, the recent introduction of broad-banding provides an increased possibility to include 'experience' as a criteria for pay. This was justified on the basis that skill development continues to be important.

Many of these findings can be considered representative for the introduction of *seikashugi* at other firms. As mentioned in Section 4, most firms spare junior employees and relate performance-related pay mostly to the bonus (Keizer, 2005, 2007a). Another striking aspect is the elaborate and well-documented character of the new personnel system, including the detailed rules for performance appraisal. The importance of such rules is confirmed by the unions. All union representatives interviewed during the second study stress the importance of clear and fair rules when performance-related pay is implemented. To quote a representative of an enterprise union:

*'Seikashugi depends on the company or unions. When unions have enough power to negotiate the payment system, they at that point of introduction they can get many modifications. So, if union has the power to negotiate or revise the system, I think seikashugi is not such a big problem. Because seikashugi is just a name; shokunō shikaku seido and seikashugi is just a little different... If the union acts properly we can improve that system, we can revise that system. In each year we have a wage negotiation in spring so at that time we can negotiate how to increase the wages even in a seikashugi system'...If the system has a rule, we can negotiate on the basis of that rule or we can revise that rule'.*

JTUC-Rengo, the Japanese Trade Union Confederation, also stresses the importance of transparency, fairness and agreement. In the case of clear and fair rules, *seikashugi* is not necessarily perceived as a negative development by the unions. As a matter of fact, one representative acknowledged that many workers, especially young workers, appreciate some kind of *seikashugi*.

However, the representatives also states that without fair and transparent rules the consequences of performance-related pay can be very negative; for instance in terms of atmosphere or teamwork. Moreover, the unions pointed out another important



problem: the unwillingness of many firms to increase wages in the case of good results. Instead, they prefer to provide extra pay through bonuses. This is likely to reduce the long-term contribution towards higher pay. Another problem is that firms, especially foreign firms, sometimes suggest that wages are perfectly determined by results and that negotiations are therefore not necessary. Finally, the firms' preference for bonuses has a negative impact on the national wage negotiations through *Shuntō* as it diminishes the national rippling effects when firms follow the increases in pay at reference firms.

The findings thus suggest that the impact of *seikashugi* has been relatively modest for many individuals. We could conclude that the introduction of performance-related pay has added an extra factor to the personnel system but has not fundamentally altered the internal labour market. At the same time, it is clear that the revision of the wage system does offer the possibility to lower wages as the basis of payment has been adjusted. Moreover, the changes appear to have negatively affected the process of *Shuntō*.

### 5. The rise in non-regular employment

A second development that stands out, possibly even more so than the introduction of performance-related pay, is the rise in non-regular employment. This rise has been a long-term trend that originates from the 1970s (Gordon, 1985). However, as illustrated by Table 3, the rise has accelerated since the 1990s. The development is particularly striking as the continued support for lifetime employment makes the replacement of regular employees a mostly generational project (Imai, 2003).

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Regular	79.2	79.7	79.1	78.5	76.8	76.4	75.1	74.0	72.8	70.6	69.6	68.6	67.4
Part-timers <sup>1</sup>	11.9	11.7	11.8	12.3	12.9	13.2	14.0	14.7	15.4	14.5	15.1	15.3	15.6
<i>Arubaito</i> <sup>2</sup>	5.0	5.0	5.5	5.7	6.2	6.6	6.9	7.3	7.6	6.8	6.9	6.7	6.8
Other	3.9	3.6	3.7	3.6	4.2	3.8	4.1	4.0	4.2	8.1	8.4	9.4	10.3

**Table 3: Percentages of employees by type of employment**

Source: JILPT (2002, 2004b, 2006)

<sup>1</sup> Workers whose scheduled working hours are less than those of regular employees in the same workplace. Usually 35 hours a week is taken as the dividing line in this respect (Araki, 2002). However, many part-timers (so-called 'pseudo-part-timers') work about the same number of hours as full-time employees, usually defined as those working more than 35 hours.

<sup>2</sup> A job taken by someone still in school or with other reasons to work a small number of hours.

Table 3 also introduces two main types of non-regular employment: part-time employment and *arubaito*. The difference between these groups of employees is not always clear. As pointed out by Rebick (2005), definitions tend to be confusing as they mix objective differences in work arrangements with attributes of workers (age, gender, education, marital status). In the case of part-time and *arubaito* contracts, the main difference concerns the out-of-work position of the employees. The representative *arubaito* would be a high-school or university student, the representative part-timer would be a working housewife. However, as pointed out by the unions, it is no longer the case that all part-timers are working housewives. In addition, the category of part-time workers hides an important distinction. Legendary is the group of so-called 'pseudo-part-timers', employees who have a part-time status but work about the same number of hours as full-time employees. Finally, as illustrated by the 'other' category, non-regular employment is not limited to part-time and *arubaito* employees. For example, most firms will nowadays use agency (*haken*) workers for clerical or (basic) engineering activities. However, the quantitative importance of these alternative types such as *haken* is modest compared to the importance of part-time and *arubaito* employees and this section

therefore focuses on these two categories.

As mentioned in Section 3, past analyses have usually related non-regular employment to regular employment and in particular to the core practice of lifetime employment. Non-regular employees were seen as an employment buffer that enabled firms to reduce labour input while upholding lifetime employment for regular employees (e.g. Chalmers, 1990; Odagiri, 1994; Rohlen, 1979; Usui and Colignon, 1996). This interpretation receives theoretical support from theories of labour market dualism (e.g. Berger and Piore, 1980; Doeringer and Piore, 1971) and the model of the flexible firm (Atkinson, 1987). As a matter of fact the latter model appears to have inspired the development of a 'multi-track personnel system' by the employers' association Nikkeiren (Nikkeiren, 1995, 1996). It has received major press and continued support by Nippon Keidanren, the Japanese Business Federation, and proposes a reorganisation of the corporate 'employment portfolio' into three groups of employees: (1) a core or 'elite' group of long-term employees, (2) a group of specialists for dealing with specific problems, and (3) a peripheral group for simple routine tasks. The third group, described as a flexible workforce, appears to correspond to the rise in non-regular employment.

However, we can question to what extent the rise in non-regular employment can be ascribed to the need for flexibility. In particular the employment of part-time employees can be considered rather stable because of repeated contract extensions. This has important consequences because Japanese case law interprets repeated extension of contracts, or even a reasonable expectation of continued employment, as sufficient to treat refusal of renewal as dismissal and thus amenable to case law concerning proper dismissal. Passet (2003) therefore refers to part-time workers as 'quasi-regular employees'. Rather than flexibility cost considerations appear dominant. Research shows the 'need to control labour costs' as the overriding reason for hiring part-time and *arubaito* employees (JILPT, 2004a, 2007). The importance of costs is underlined by the widened differences in pay between regular and part-time employees since the 1990s. The hourly payment for part-time workers compared to that of regular workers diminished from 70.9 to 65.7 per cent for women and from 55.4 to 49.9 per cent for men between 1989 and 2003 (JILPT, 2005a). In accordance, the use of part-time employees has changed from pro- to counter-cyclical in recent years (Passet, 2003). Instead of using non-regular employment as a buffer, firms have increased non-regular employment to reduce labour costs. The issue of flexibility (e.g. the need for 'additional personnel on a daily or weekly basis') remains important but this importance is of secondary order (JILPT, 2007).

The cost advantages offered by non-regular employees suggest an important duality. It appears that the specific regulations and practices within the Japanese labour market constrain the opportunities of many (young and female) employees and thus contribute to the supply and the costs advantages of non-regular employment. Factors that can be said to contribute to the duality include the potential demands to regular employees such as heavy workloads and long hours of overtime, the tax and social insurance systems that promote part-time employment among married women, and limited mid-career hiring (e.g. Keizer, 2007b, 2008).

At the same time, there are indications of change. First, the fairness of the industrial system in the face of extended working hours and increased responsibilities for non-regular employees has been debated increasingly (e.g. Broadbent, 2003; Kezuka, 2001). Moreover, firms in several industries have developed initiatives that can be said to blur the distinction between regular and non-regular employment. This holds particularly for industries that are heavily dependent upon non-regular employment like retailing, services and distribution. Moreover, the unions, until recently solely focussed on the representation of regular employees, have responded as well. The next case-

study provides an example of such initiatives. It describes the introduction of a new personnel system for part-time employees by a major supermarket chain in close cooperation with its enterprise union. The case study is based on interviews with a personnel manager at the firm and with representatives of JTUC-Rengo, *UI Zensen* and the firm's enterprise union.

### **5.1 Case-study: Personnel system for part-timers at a major retailing firm**

This case describes the new system for part-time employees as introduced by a major supermarket chain in 2006. In recent years this company has changed its percentage of part-time and *arubaito* employees from 60% in 2002 till about 80%. The current (February 2007) breakdown of its employees is roughly as follows: 20% regular employees, 60% part-timers, and 20% *arubaito*. The difference between part-timers and *arubaito* is the times at which they tend to work. Part-timers, who are mostly housewives, tend to work from 10 am to 5 or 6 pm while *arubaito*, as students, tend to work during the evening till closing time. The main argument to increase the percentage of both part-time and *arubaito* employees is their lower costs, albeit that part-timers are also cherished for their local knowledge as they often live close to the store. It is felt that the contribution of regular employees in sales jobs is simply too low in comparison to their wages. Given the impossibility to lower the salaries of regular employees, the increase in non-regular employees is the logical ('peaceful') solution. However, the firm acknowledges the challenge to maintain the company culture, the technical expertise and service levels in the face of these changes as the loyalty of part-time and *arubaito* employees, for obvious reasons, tends to be lower. It is for this reason that the firm has decided to introduce the new system for part-time employees. The next section describes this system and the role that the union has played in its development.

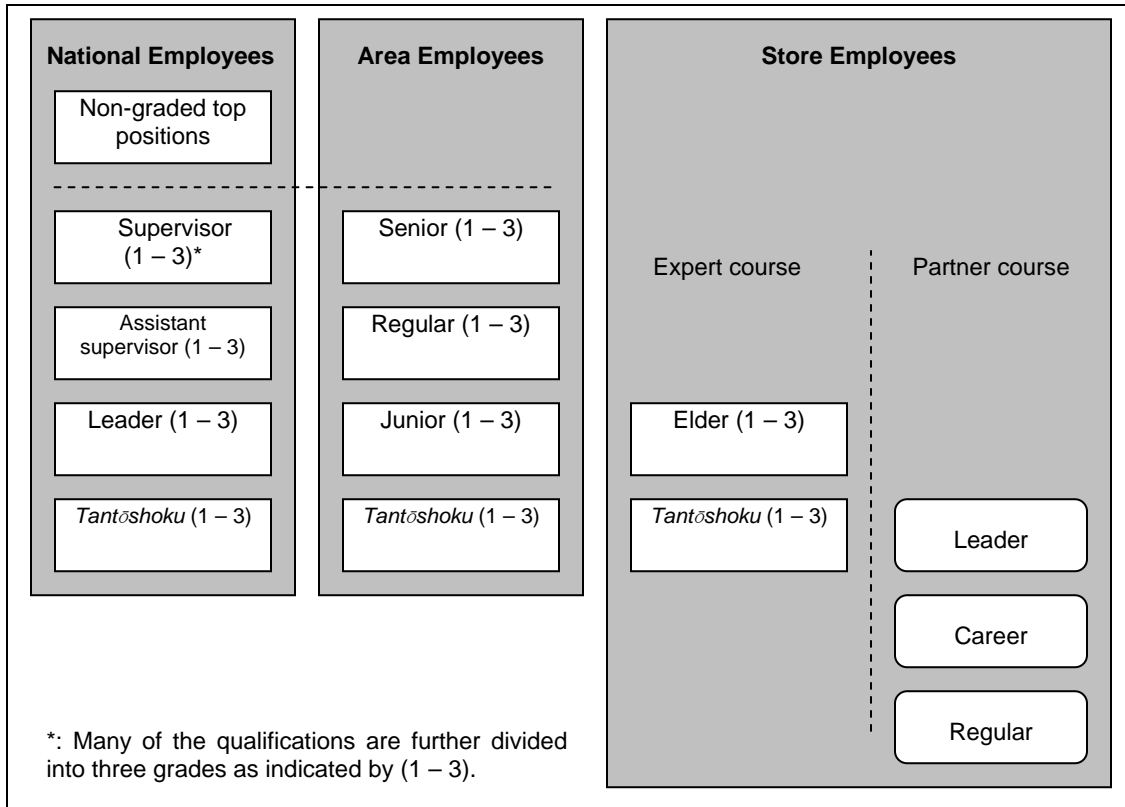
#### **5.1.1 The new personnel system for part-time and *arubaito* employees**

The current personnel system distinguishes three groups of employees:

1. National employees: employees able to work all over the country or internationally.
2. Area employees: employees able to work in a specified area. These areas are rather substantial (e.g. Kanto area, Kansai area) and it is therefore possible that employees have to relocate in case of job transfers.
3. Store employees: employees that work in a specific store.

The allocation into these three groups is a personal choice of the employee, albeit that the criteria for a job as national employee will be stricter than those for the other jobs. Part-time and *arubaito* employees are included in the third group.

Until recently, all part-time and *arubaito* employees were treated as a single group. However, three different courses are now available: an 'Expert' course, a 'Partner' course, and a 'Helper' course. The first two courses include various job grades. These are included in Figure 11 together with the job grades for regular employees. The 'Helper' course is for *arubaito* employees and is not specified further. The 'Partner' course is for part-time employees and knows three job-grades: (1) 'Regular', (2) 'Career' and (3) 'Leader'. Most part-timers are in the 'Regular' grade with only about 8% and 3% classified as 'Career' and 'Leader'. The 'Expert' course offers workers a one-year contract and knows two job-grades: (1) '*Tantōshoku*' and (2) 'Elder'. Currently, their number is limited to less than a quarter of the employees in the 'Partner' and 'Leader' grades combined. Together these courses and job grades offer new opportunities to differentiate between non-regular employees and thus offer new career opportunities. As yet, the job grades are not qualifications as they are not defined very specifically but the system does largely function like an ability qualification system.



**Figure 11: Job grades and career steps for the various groups of employees**

As in an ability qualification system, the job grades are not directly related to hierarchical positions (with the exception of the ‘Leader’ position). As all non-regular employees are tied to a specific store, their career opportunities are limited to that store but there is an established career route from the ‘Partner’ to ‘Expert’ course, from part-timer to contract employee. Within the store, the combined ‘non-regular’ employment tracks can lead all the way to the top. However, as the supermarkets in this chain tend to be very large, department manager is probably the highest possibility for, by that time, expert employees. The basic idea is that by giving non-regular employees these career paths, they will become more committed to the job because their salary and career chances improve when they serve ‘longer and better’.

A crucial element of the new personnel system is the provision of training opportunities. Figure 12 provides an overview. Crucial to the training of specific skills are licenses as part of an in-house licensing system. These licenses were introduced more than 10 years ago in the food section but the system was only extended to all sections in 2007. All employees need to pass an examination to achieve a license. The licenses are an important basis for defining a person’s ability and thus function as qualifications. In the near future, the firm hopes to link this licensing system explicitly to the new career paths and grades for non-regular employees.

The new career opportunities for non-regular employees have not fundamentally changed the cost advantages that these employees offer. The personnel manager mentioned how this illustrates the wage gap between regular and non-regular employees. The salary differences between the three job grades in the ‘Partner’ course (‘Regular’, ‘Career’, and ‘Leader’) were estimated to be about 50 yen/hour. However, these differences tend to increase as pay rises with time and the tenure-wage curve of

the higher grades is steeper. The basis for wage increases will be related to the performance on the job and the increase of skills through the acquisition of licenses. In addition, the employees in the 'Partner' course get a bonus equivalent to one month of salary. The 'Expert' employees, on the other hand, receive a monthly rather than an hourly wage and their bonus equals two months of salary. Overall, it was estimated that their annual pay would be 25 to 30% higher than that of part-timers in the 'Regular' grade. However, accepting a position as 'Expert' has a major consequence in terms of working hours as part-timers can influence their working hours while 'Expert' employees are required to work full-time hours.

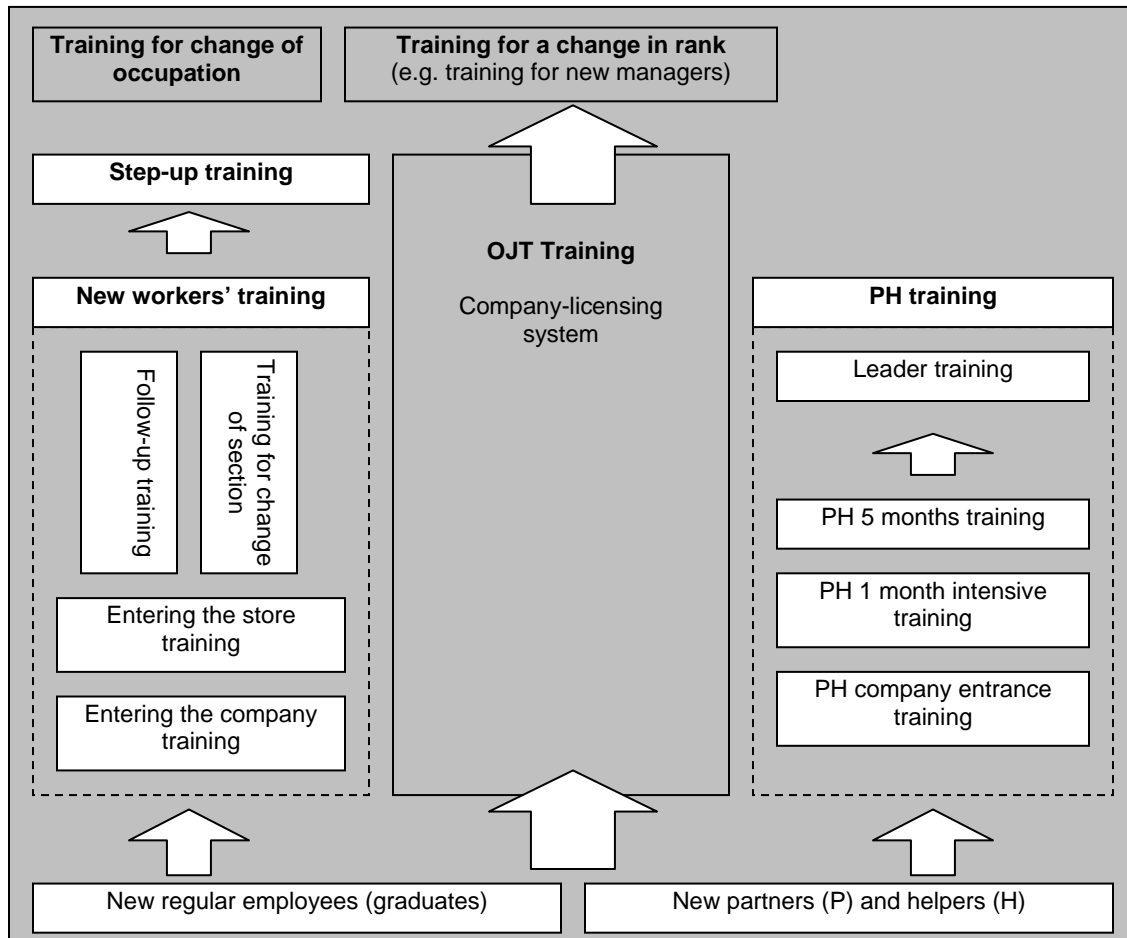


Figure 12: Training system

### 5.1.2 Union support to part-time employees and the new personnel system

The need to deal with non-regular employment has not only affected the firms in industries like retailing, services and distribution. The unions in these industries are also in need of formulating a response to the increasing numbers of non-regular employees. After initial resistance against during the 1980s and 1990s, most unions no longer fight the rise in non-regular employment. Instead, enterprise unions, especially those of the big supermarkets, have started to organise part-time workers. As a matter of fact, they do not have much choice. Japanese labour law requires a union to represent the majority of employees in order to acquire certain representative rights (e.g. the

requirement that firms need a deal with the union for overtime work) and unions in industries like retail are therefore forced to include part-time workers.

This also holds for the enterprise union at our case-study firm. Since 2006, it organises part-timers who work more than 30 hours a week, the so-called 'long-hour part-timers'. These employees represent almost 50 per cent of all non-regular (both part-time and *arubaito*) employees. Their recruitment as union members has been very successful as 98 per cent of long-hour part-timers joined the union after extensive promotion activities. The recruitment activities took place in each shop with cooperation of the regular employees and were sometimes very intensive. One union representative mentioned how he visited a specific shop six times to convince a certain individual. Besides these activities, several other factors have contributed to the successful recruitment. One of the union representatives provided the following explanation.

*'Some of them really did not understand what the unions was, honestly speaking. A growing number of part-time workers have anxiety about their working conditions and thought that the union would be a place where they can file a complaint. Their expectations for wages are high as well. The union people explain the part-time workers that the union would make efforts to establish a suitable working framework for the part-time workers because some part-time workers are now...the breadwinner for the family and they like to earn more. The union explained that they understand the variety of the background of the part-time workers.'*

In addition, there are the extra benefits for union members like free tickets or a discount on tickets to an amusement park or hot-spring (*onsen*). Finally, there was strong support from the firm's management. The union representatives acknowledged that the 98 per cent would not have been achieved without this support. Together with the membership by regular employees, the union now has about 55 per cent of all employees as members.

One of the major activities of the enterprise union concerning non-regular employment has been its involvement in the development of the new personnel system. As expressed by a union representative: *'we held a lot of meetings, both at the company and at the union office; sometimes we even stayed over night. This is not the system just provided by the company, the union side also made suggestions, proposals'*. This was later confirmed by the personnel manager. This strategy is supported by the industry union, *UI Zensen*, as an important means for improving the working conditions of part-time employees. To quote the representative of *UI Zensen*: *'If companies make such systems, it is easier to improve working conditions. If part-time workers get promoted and they perform an important job, they can get higher wages. So, we try to make those kinds of systems'*. In order for this to succeed, it is important that the provision of training is related to such personnel systems as this will enable the part-timers who have such ambition to improve their qualifications and take advantage of the new career opportunities. The complementary importance of training and clearly established qualifications explains why the enterprise union of our case study describes the current situation as a transition period.

*'Right now the wage can automatically go up each year by 10 or 20 yen per hour. But after the transition period the union would like to make sure that raises would also be related to specific performance or skills...Before they introduced this new system, there was a complaint among very skilful part-time workers who had only worked at the firm for a few years. Their wages would be lower than those who worked for the company for a very long time even though their performance may be better. These young employees complained about this'*.

In spite of the successful cooperation between management and the enterprise union in our case study, there was one interesting difference between the two parties. It was

striking how the union representatives (also at the industry level) used a terminology not accepted by the firm's personnel manager. The union representatives spoke about the difference between 'breadwinner' part-timers and 'traditional' part-timers. Such a distinction by the union can be understood from their interest in employees receiving the necessary income to support their life. However, the personnel manager explicitly distanced himself from this terminology as the firm's basic principle is to eliminate personal attributes like breadwinner status or the number of children from the personnel system. He argued as follows.

*'We have tried to eliminate the aspects which are attributed to each individual because if we include the breadwinner aspect, that usually is the man in Japan; so if we keep this, we would aggravate the issue of inequality between the genders. So we have decided rather than looking at the personal or individual aspects, we look at what type of job they are doing, what kind of performance they produce'.*

## 5.2 Implications

As mentioned, a single case-study does not enable conclusions at the national level but it can illustrate some important aspects. First of all, it is interesting to see that the firm has introduced a rather 'traditional' ability qualification system, including the stable (not directly performance-related) bonuses. Another interesting aspect is the strong agreement between management and the union about the need for a new personnel system. Management considers it a necessity to guarantee a qualified and motivated workforce in the face of rising numbers of non-regular employees. The unions, on the other hand, consider it a necessary condition for the recognition of the skills and contribution of part-time employees.<sup>3</sup> The following statement by a representative of the firm's enterprise union illustrates the shared interest:

*'The personnel system for part-time workers had been very vague and complicated. The union therefore wanted a very clear system that each worker can understand easily. The union also wanted the employees to be motivated by the new system... Both union and company wanted that part-time workers could be consolidated in this system because the labour force is decreasing and they like to keep them at all time. To this end, the new system contains the regular wage hike. That was the proposal of the union as well as the company'.*

This raises the question to what extent the new developments can be said to affect the duality that characterises the relation between regular and non-regular employment. Here we can make various comments, both from the perspective of the firm and the union. First of all, as pointed out by the firm's personnel manager, the new career opportunities have not yet fundamentally altered the cost advantages that non-regular employees offer. The wage gap between regular and non-regular employees remains large in spite of the new career positions for contract and part-time employees. Another aspect is the possibility to move from non-regular to regular employment. As mentioned before, the allocation over the three groups of national, area and store employees is the personal choice of the employee. However, the opportunities to change groups are limited as the firm only hires (new graduates) for the national and area track once a year. Moreover, as the firm's strategy has been to reduce the number of regular employees, it

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<sup>3</sup> The representative of *UI Zensen* acknowledged that well-developed personnel systems have so far been mostly limited to large companies. If small- and medium-sized companies have some kind of personnel system for part-time employees it tends to be very rough; for instance being limited to just two grades. In these cases, the evaluation of part-timers is mostly based on seniority (*nenkō*). After each year, they get a small increase in hourly wages; possibly with a small and informal performance factor (e.g. good part-timers get 20 yen increase and bad part-timers about 5 yen). However, it is not based on qualifications but could be described as an old-fashioned system.

does not promote movement from non-regular into regular employment. This might change in the future, when a new 'equilibrium' between regular and non-regular employment is achieved, but this is not yet the case.

This leads to several other aspects that hamper further equality between regular and non-regular employment. First of all, the percentage of 'Expert' and 'Leader' employees is rather low with less than 3 per cent of part-time employees in a 'Leader' position and an even smaller group of 'Expert' employees. This might change in the future, especially if the firm is serious about maintaining the company culture and improving expertise and service levels. However, as expressed by the representatives of the enterprise and industry union, companies currently have many restrictions between the levels; for example, concerning working hours. *'The majority of part-timers therefore stay at the low levels of pay. That is a very big problem. That is very difficult to improve'*. A major constraint in this respect is the strict distinction between the different tracks and the potential demands on the national and area employees. This not only involves potential relocation but also the possibility of extremely long working hours. An important issue in the case-study supermarket chain – acknowledged by union and management – are the long working days (up to 13 hours) for certain regular employees. Many potential employees will obviously not be able to work under such conditions. Finally, the duality translates to the development of new career opportunities, particularly in relation to the 'Expert' course. The demands to this course in terms of working hours are substantial in the sense that its employees lose their ability to select working times. At the same time, these employees still earn substantially less than regular workers and, in spite of the better opportunities, the new system still illustrates the underlying duality in the labour market.

This raises the question how the unions perceive the situation. A first answer comes from their support to the development of personnel systems for non-regular employees. It is felt that only the explicit recognition of the skills and contribution of part-time employees can lead to a fair treatment: *'If we make those systems, it is easier to say when equality is there'*. This stress on the importance of 'rules' is very similar to their position on *seikashugi* and given the current situation, it appears the best if not only strategy. In this context, the unions stress the fact that more and more part-timers are nowadays breadwinners that require substantial wages and criticise the small number of workers that are offered increased career opportunities. However, union representatives also agreed that there is a more fundamental opposition between the interests of regular and non-regular employees.<sup>4</sup> This is confirmed by the representatives of the case-study's enterprise union. They acknowledged the complications in balancing the interests of regular and part-time employees as illustrated by the following quote. However, the end illustrates that much trust is placed on the new system as the way towards improvement.

*'Yes they feel the difficulty in that balance. Especially right after we made the decision that part-time employees can be union member, the expectation of part-timers was very high in 2006. However, the wage hike for the regular employee is for the monthly salary (e.g. 5,000 yen) while that for part-time employee concerns the hourly wage. So, it is probably 36 yen/hour hike and this sounds very small. A 10 or 20 yen hike can be a big amount on a monthly basis but it sounds very small. Moreover, as you said, the budget of the company needs to be allocated and how to do that is very difficult. However, the new personnel system is already in the negotiation process and that is very attractive for the part-timers'*.

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<sup>4</sup> This situation is further complicated because unions now tend to organise part-time workers but firms also have other non-regular workers.



The representative of JTUC-Rengo provided a further example of this need to balance the interests of regular and non-regular employees by referring to its labour union for banks. The example illustrates how the unions themselves are likely to become an important stage for debates on the fairness of the wage differences. During the last two years, this particular union felt that the disparity in wages between regular and non-regular wages was too big and it therefore decided to allocate the full amount for wage increases to non-regular employees. However, the continuation of this strategy is not self-evident.

*'Still there is the disparity between regular and non-regular workers and that union is now in heated discussion what to do during the next Shuntō. Some regular workers are very unsatisfied with the levelling of the wages for the last 2 years while the non-regular workers still claim that the disparity is too big. How do they solve this problem? They have to talk, they have to negotiate. No third member can say anything about that.'*

## **6. The Institutional character of change**

The introduction discussed the impact of labour market institutionalisation on the relation between national and firm-specific employment practices and between regular and non-regular employment. This raises the question how this institutionalisation has affected the developments in the Japanese labour market during recent years.

It will be clear that different factors contribute to the character of recent developments. As mentioned in the introduction, various aspects and actors such as legislation, unions, firms, governments, culture, and social norms all contribute to the specificity of employment practices. However, one factor stands out as the major determinant of the developments during recent years: the continued support for the practice of lifetime employment. In spite of earlier expectations to the contrary, all the parties concerned – employers, employees, government and the judiciary – have shown a continued support for lifetime employment in recent years (Keizer, 2005). Recent confirmation comes from various studies by the JILPT. A study in 2005 found that nearly 90 per cent of companies indicated that they will maintain lifetime employment policies in their current or partially adjusted form (Abe, 2007). Moreover, lifetime employment is 'favoured' by 33.7 per cent and 'somewhat favoured' by 44.3 per cent of employees (JILPT, 2007).

Both the developments discussed, *seikashugi* and the rise in non-regular employment, can be related to this continued support for lifetime employment as it has both constrained and enabled developments. The constraint will be immediately evident: continued support means that the firms have not been able to introduce drastic organisations through lay offs. Instead they have been forced to use 'traditional' strategies like natural attrition, employment restraint and early retirements (JILPT 2003, 2007). In addition, they have reduced labour costs through the strengthening of performance-related pay and the rise in non-regular employment.

However, the same support has also made it possible to introduce the developments that did take place. We can, for instance, argue that the continued support to lifetime employment has created the necessary goodwill for the introduction of performance-related pay (Vogel, 2006). As during earlier crises, unions have accepted a change in working conditions in return for the continued stability of employment (Fujimura, 2003; Morishima, 2002). Even more fundamental, the continued support for lifetime employment means that firms continue to hire mostly recent graduates. As such, it has also contributed to the advantages offered by non-regular employment. Because the possibilities for regular employment are so limited, most employees are forced to accept – whether they prefer to do so or not – non-regular employment. Moreover, once

one leaves regular employment, it may be very difficult to get back in. Together with other factors like the tax and social security system, lifetime employment therefore plays a crucial role in the rise of non-regular employment.

This illustrates both aspects of institutionalisation discussed before. It shows both the relation between regular and non-regular employment and the way in which existing practices enable and constrain change. With the specific solutions this provides come specific problems. These, for instance, include the potential heavy demands on regular employees and the limited possibilities in terms of career development and pay for non-regular employees. These implications will become particularly clear if we compare the recent developments in Japan to ongoing developments in the Netherlands. Here we also find a mutual relationship between regular and non-regular employment. However, with a very different dynamic as the initiative does not lie with the rules of the internal labour market but with part-time employment. This can provide inspiration for a discussion of future developments in Japan.

## 7. Another example of institutionalisation: the Netherlands

The Netherlands have also seen a strong rise in non-regular employment. As in Japan, this mostly concerns part-time employment and the Netherlands have been described as the first and only 'part-time economy in the world' (Freeman, 1998; Visser, 2002). As shown in Table 4, over 46 per cent of all jobs in 2005 were part-time. In accordance, part-time work in the Netherlands can no longer be considered 'non-regular' or 'atypical' (Plantenga, 2002; Visser, 2002). Moreover, the process of 'regularisation' has been extended to the character of part-time employment, resulting in an important equality with full-time employment in terms of wages, employment stability, social security, etc. Most part-time employment thus differs fundamentally from more contingent types of employment (e.g. agency work, on-call work, contracts of limited duration).<sup>5</sup> As in the discussion on Japan, the description of the Netherlands will therefore focus on part-time employment.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	37.4	38.0	37.9	38.9	39.7	41.5	42.2	43.9	45.0	45.5	46.1	46.2
Men	16.7	16.9	17.2	18.1	18.0	19.3	20.0	21.2	22.0	22.3	22.6	23.0
Women	67.4	68.1	67.3	67.6	68.9	71.0	71.3	73.1	74.1	74.7	75.1	74.7

**Table 4: Part-time employment as percentage of total employment**

Source: Eurostat

### 7.1 The early rise of non-regular employment

To understand the character of part-time employment in the Netherlands, we need to discuss its original rise in the 1970s. This concerned a rather spontaneous process caused by the increased labour force participation of married women. In the early 1970s the Netherlands had a labour force participation rate of women below 30 per cent, the lowest rate among OECD countries (Visser, 2002; Visser and Hemerijck, 1997). Employment for married women was rare. A law against the dismissal of women in case of marriage or pregnancy was only introduced in 1973 and contracts in the public sector were terminated at the day of marriage. Moreover, tax disincentives were substantial as the earnings of a married woman were added to those of her husband (Visser and

<sup>5</sup> Table 4 only separates full-time and part-time jobs and does not differentiate between fixed and flexible (contingent) contracts. These flexible contracts are thus included and it is important to point out that the discussion on part-time employment is not going to be representative for all the jobs included in this Table. Since 2000, the percentage of employees on flexible contracts has been relatively stable between 11.6 per cent (2003) and 13.1 per cent (2000). Most of these contracts are likely to be part-time (CBS, Arbeidsrekeningen).

Hemerijck, 1997). However, the situation started to change in the 1970s. Visser (2002) lists three important developments that supported the initial rise in participation: fewer women withdrew from the labour market after marriage, diminished labour market participation among older employees (this changed the balance towards higher participation by younger cohorts in which women are better presented), and increased participation because of higher educational levels. Underlying factors included declining fertility rates and the process of emancipation (Visser and Hemerijck, 1997).<sup>6</sup>

The process was strengthened by the tight labour market of the 1970s which inspired employers, mostly in services, to tap into the cheap and educated labour force that was provided by married women. In particular highly educated women became less likely to leave the labour market as withdrawal became more costly in terms of missed income and uncertainty prevailed about the labour market opportunities in the case of re-entering (Ibid.). Several early regulatory changes, like the 1973 tax reforms that diminished the extent to which the 'extra' income of the wife was taxed away and social security reforms, strengthened these developments as they reduced the disincentives against labour market participation by married women (Visser, 2002). Part-time employment became the dominant form of this rise in participation in the face of a lack of childcare facilities and a related and well-established cultural principle of 'home care' for children (Pfau-Effinger, 1998). Processes of modernisation, secularisation and feminism changed the norms concerning work, motherhood, and childrearing but Dutch women still tend to switch from full-time to part-time employment after childbirth. This is confirmed by Table 4 which shows that the percentage of women in part-time jobs has actually increased in recent years. Moreover, the demand for part-time employment was strengthened by developments in industrial relations during the 1980s and 1990s. The next section discusses these developments in greater detail.

## **7.2 Support for part-time employment by unions and state**

The initial rise was eventually, hesitantly at first, complemented and accelerated by labour market policies, union support and new legislation (Visser et al., 2004). The Dutch trade unions originally shared the scepticism of many of their counterparts that a rise in part-time employment would result in a secondary (non-unionised) labour market. Visser and Hemerijck (1997: 103) describe the situation as follows:

*'In 1981, the FNV [Confederation of Dutch Trade Unions] had published a position paper in which the inferiority of employment rights, wages, fringe benefits, and career prospects in part-time jobs and the lack of union membership among part-timers were highlighted. The federation did not want to help create a secondary job market and demanded first an improvement in statutory protection for part-time workers'.*

However, the subsequent years would nevertheless see an important rise in part-time employment and this development can be partly ascribed to a series of major agreements between unions and employers' representatives. A crucial role in this process was performed by the Foundation of Labour (STAR, *Stichting van de Arbeid*). The Foundation of Labour is the national consultative body of the three peak trade union federations and three peak employers' associations.<sup>7</sup> It provides a forum to discuss

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<sup>6</sup> Ever since, the participation rate for women has continued its rise to 66.4 per cent in 2005, one of the highest rates in Europe (European Commission, 2006).

<sup>7</sup> The three union federations are the Confederation of Dutch Trade Unions (FNV), the Christian-National Union Confederation (CNV) and the Union of White Collar and Senior Staff Associations (VHP). The three employers' associations are the Confederation of Netherlands Industry and Employers (VNO-NCW), the Employers' Association for Small and Medium-Sized Enterprises (MKB-Nederland), and the Employers' Association for Agricultural Businesses (LTO Nederland). Both the unions and the employers' associations

issues in the field of labour and industrial relations. Some of these discussions result in memorandums, statements or other documents in which the Foundation recommends courses of action for the employers and trade unions that negotiate collective bargaining agreements at the industry level or within individual companies. Several of the agreements reached during the 1980s and 1990s have proven crucial to the developments in Dutch industrial relations and contributed to the rising popularity of part-time employment. The most important are discussed in the remainder of this section.

### **7.2.1 'The Wassenaar Agreement' [Akkoord van Wassenaar] (1982)**

This agreement between the leaders of the main union and employers' association was originally known as 'Central Recommendations Regarding Aspects of Employment Policy' but became known as the 'Wassenaar Agreement' after the city where it was reached. It can be considered a watershed in Dutch industrial relations and has subsequently been referred to as the 'mother of all accords' (Visser and Hemerijck, 1997). Confronted with rising unemployment, the agreement exchanged wage moderation for collective working time reduction (work-sharing). Major objectives were the recovery of profitability of business and reduction of youth unemployment. Part-time employment was listed as one of the ways to redistribute the existing employment. The response to the agreement was fast and two thirds of all collective labour agreements were renewed (Visser and Hemerijck, 1997). The agreement had some major consequences. First, it meant a return to wage moderation as the dominant strategy for economic growth and job creation. Secondly, it meant a first step towards the decentralisation of collective bargaining as the agreement only provided recommendations, a major change from the previous ambition to reach binding agreements at the national level.

The actual results in terms of collective working time reduction proved disappointing. As expressed by Visser and Hemerijck (1997: 102), *'employers dropped their veto, but not their objections against the reduction of the forty hours working week'*. The unions did achieve a working week reduction from 40 to 38 hours in the 1983-84 bargaining round but this was their only success and the movement towards shorter working hours stalled from the mid-1980s and was dead by 1987 (Visser and Hemerijck, 1997). Moreover, the reduction in working time mainly contributed to the maintenance of existing jobs rather than the creation of extra employment as there was no replacement in over 75 per cent of enterprises (Ibid.). Instead, part-time employment became an important 'winner' as most job redistribution took the form of part-time employment (Visser, 2002). Employers saw part-time employment as an alternative for collective working time reduction for various reasons. *'[I]t is an individual choice and allows differentiation across groups of workers, disconnects operating hours from working hours, brings actual and contractual working hours nearer as part-time workers tend to be sick in their own time, and is reversible'* (Visser and Hemerijck, 1997: 34-5).

Unions slowly picked up on the importance of part-time employment and the 1980s can be considered a period when the unions tried to come to grips with part-time employment. Until 1982 they showed little interest and most collective labour agreements would favour full-time workers. Unions continued to press the case for genuine collective working time reduction but slowly changed their position when the increased size of the part-time labour force provided this group with more clout. With the rise in part-time employment male breadwinners lost their dominant position as the only reference group for the unions (Visser, 2002). Visser and Hemerijck (1997: 87) describe

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have 10 seats on the governing board of the STAR and the chair rotates between the FNV and the VNO-NCW.

the process as follows:

*Typically, Dutch unions have gone through the learning curve of, first, trying to deny, then, to prohibit flexibility (Douma, 1997). When that did not work, they demanded qualitative restrictions. Still later, they have come around and adopted a policy of negotiated flexibility, in which they try to regulate with bonafide employers a phenomenon the rise of which they cannot stop'.*

### **7.2.2 'A New Course' Agreement [Een Nieuwe Koers] (1993)**

In the early 1990s the economy once again entered heavy weather and there was a renewed pressure for wage moderation to quell rising unemployment. This resulted in another agreement by the Foundation of Labour in December 1993, entitled 'A New Course: Agenda for collective bargaining in 1994'. This agreement resulted in a further decentralisation of industrial relations.

*'Employers get further decentralisation and flexibility, the unions a promise that the central employers organizations will give up their blanket resistance against working hours reductions and that local union representatives or work councils will be involved in negotiations over local solutions' (Visser and Hemerijck, 1997: 107-8).*

Wage moderation was agreed in return for the possibility to negotiate measures fitted to the specificities of economic sectors as it was felt that representatives of both employers and employees needed more freedom to deal with the specific demands of different sectors. The 'New Course' meant that at the central level only global agreements would be made. The specifics of these agreements would then be determined at the level of industry sectors. The agreement had various important outcomes. First, it did result in further decentralisation of the negotiations between industrial partners. It also contributed to wage moderation. However, concerning working-time reduction the results were mixed. Central employers did relinquish attempts for central coordination on this issue but this did not always result in agreements at industry or sector level. There has been a further decrease to 36 hours a week among large groups of employees but this reduction has been far from universal.

### **7.2.3 'The Flexibility and Security Act' [Wet Flexibiliteit en Zekerheid] (1999)**

As indicated by its name, the *Flexibility and Security Act* concerns a law rather than an agreement. However, another agreement between employers and unions formed its core. In 1995, the Minister of Social Affairs and Employment, Ad Melkert, attempted to strike a balance between the issues of flexibility and social security in a memorandum called 'Flexibility and Security'. This in a response to the rise in flexible employment which offered less social security (e.g. concerning probation period, employment security/protection, social benefits) than regular employment. However, no agreement could be reached in the government and it was decided to ask advice from the Foundation of Labour. This resulted in a detailed and elaborate memorandum in 1996.

In the agreement, the social partners agreed an exchange between regular and flexible personnel in terms of security and flexibility. It meant that regular employees would be confronted with more flexibility and less security while more contingent employment types would become less flexible and provide more security. The agreement related this to a context in which employees have developed a new attitude to work (preference for part-time, dual income families) and firms strive for a more flexible organisation. The agreement formulates the following challenge.

*'The current challenge is not to lapse into a system of 'hire-and-fire' but nevertheless to offer space for a modernisation of the labour relations that does justice to the aforementioned developments' (translation from Nota Flexibiliteit en Zekerheid', 1996: 2).*

The agreement states that flexibilisation can be considered a positive development if implemented under the right conditions; in other words, if the flexibility not only serves the employers but also enables workers to find a better balance with their private circumstances. This asks for *'working patterns that differ from the usual full-time employment pattern but nevertheless offer a reasonable level of stability, predictability and regularity so that employees are able to organise their private around their working life (Ibid.)*.

The agreement proved to be the basis for the Flexibility and Security Act as almost all recommendations were taken up (Wilthagen, 1998). Most of the elements of this act concern temporary employment. The law allows for shorter dismissal procedures and extended use of limited contracts but also defines the contract between the agency worker and the employment agency as an employment contract and sets specific conditions for contract renewal, in particular against repeated renewals for more than three years in total (e.g. Pot et al., 2001). However, the implications of the law are not limited to contingent employment. A major aspect is the relaxation of the statutory dismissal protection for regular employment contracts, thus adjusting the balance between regular and contingent employment. These changes concern the period of notification after dismissal has been approved, a shortening of the formal dismissal procedure, and the possibility to continue the procedure if the employee becomes sick after the dismissal process has been started (Ibid.).

#### **7.2.4 Additional developments**

Developments have not remained limited to these agreements and legislation. Several reforms in social security and the tax system strengthened the position of part-time employees. In current Dutch law, the *pro-rata temporis* principle is strictly applied to part-timers: part-time workers pay *pro-rata* social insurance contributions in exchange to *pro-rata* entitlements. The Equal Treatment Act [Wet verbod op Onderscheid naar Arbeidsduur, WOA] from 1996 'prohibits making any distinction between employees in the terms under which an employment contract is entered into, extended or terminated, based on working hours' (MuConsult, 2003: 1). This awards part-time workers an explicit right to equal treatment on wages, overtime payments, bonuses and training. Most part-time employees are also covered by collective agreements and have contracts of indeterminate length that are subject to full dismissal protection. Moreover, tax reforms have further reduced the disincentive for married women to work. Since 2000, the Adjustment of Working Hours Act [Wet Aanpassing Arbeidsduur, WAA] also gives employees the right – under certain conditions – to alter (reduce and extend) their number of working hours.<sup>8</sup> Finally, it is important to refer to legislation that has removed various constraints on shop opening hours, temporary job agencies, working time, etc. This has all contributed to the flexibilisation of the economy and thus the need for 'non-regular' employment types.

#### **7.3 The implications for non-regular and regular employment**

The previous section has discussed how the developments in recent decades have contributed to the rise in part-time and other forms of non-regular employment. Concerning this process, we can point out at least two important aspects. First, we see a normalisation of part-time employment as *'[p]art-time jobs are neither atypical nor*

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<sup>8</sup> Every employee who has worked for an organisation for at least one year has the right to work for more or fewer hours in the same position. The procedure for requests and the firm's response is laid down in the legislation. The act provides for two exceptions: small businesses (less than 10 employees) are exempted from the WAA but are required to make their own arrangements and a deviation of the rule might be included in a collective labour agreement (CAO).

*flexible*' (Visser, 2002: 33). Part-time employment has been 'normalised' or 'regularised'. This 'regularisation' can be said to have a twofold meaning, referring to both the quantitative rise in part-time employment and the introduction of new legislation that has placed part-time and full-time employment on equal footing. Secondly, we have seen that regular employment has not remained unaffected by the developments in recent years. In this respect, the *Flexibility and Security Act* can be considered the crown on the developments. However, this development has been initiated earlier through the processes of decentralisation and 'negotiated flexibility' in which the work conditions of regular employees have become subject to more differentiation between workers and firms. It has resulted in various forms of increased flexibility such as alternative working times and an annualisation of working hours.<sup>9</sup>

We can therefore conclude that the Dutch labour market shows similar dependencies between regular and non-regular employment as discussed for Japan. However, the character differs substantially as *'the dynamics of transitions in the Dutch labour market largely revolves around part-time work'* (Visser et al., 2004: 192). The momentum in the Netherlands clearly lies with part-time and other non-regular types of employment. This provides a fundamental difference to Japan where the dominant force continues to be the internal labour market for regular employees. Another major aspect of the institutionalisation in the Netherlands is the fact that collective bargaining is heavily influenced by a high level of organisation among both employees and employers and national consultation through such bodies as the Foundation of Labour and the Social-Economic Council.<sup>10</sup> The next section will discuss how these factors have led to different outcomes than in Japan and whether the Dutch experiences might provide inspiration for future Japanese developments.

## **8. Comparison of labour market outcomes between Japan and the Netherlands**

A comparison of the recent developments in Japan to the earlier and ongoing developments in the Netherlands shows several similarities. First, part-time employment is not primarily appreciated for the flexibility it provides. As mentioned in the discussion on Japan, non-regular (including part-time) employment has traditionally been seen as a source of flexibility. Both theories of labour market dualism (e.g. Doeringer and Piore, 1971; Berger and Piore, 1980) and the model of the flexible firm (Atkinson, 1987) stress how non-regular employment provides the numerical flexibility to handle the flux and uncertainty that characterises any economic system. However, the previous sections

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<sup>9</sup> In this respect we should probably refer to the concept of flexicurity that has come to dominate the labour policy agenda of the European Union during recent years (Auer, 2007; Bredgaard and Larsen, 2006). This concept was first coined in relation to the Flexibility and Security memorandum in the autumn of 1995 to describe the shift from 'security within a job' towards 'security of a job' (Wilthagen, 1998). As a matter of fact, the Flexibilisation and Security Act contains many of the ideas and arguments that are currently core to the flexicurity debate. An important aspect of the Act is, for instance, the distinction between various forms of flexibilisation: internal through regular employees, the use of intermediaries like dispatched employment, and the use of temporary employment contracts and flexible employment relations. Another aspect is the importance of education and training. In this discussion, the Agreement subscribes to the relation between flexibility and security as it has become a core characteristic of the 'Flexicurity' concept. *'Finding a new equilibrium presupposes an approach in which "flexibility" and "security" are not considered each other's anti-poles but related. Flexibilisation creates the need for security, albeit that such security cannot always be provided in "traditional" forms but more and more has to be found in new and alternative forms'* (translation from *Nota Flexibiliteit en Zekerheid*, 1996: 4).

<sup>10</sup> In addition to the STAR there is also the Social-Economic Council (SER, Sociaal-Economische Raad). This is a tripartite organisation, established in 1950, that forms the main advisory body to the Dutch government and the parliament on national and international social and economic policy. Members consist of three groups, each with 11 members: (1) members representing employers, (2) members representing unions (3) independent or 'Crown' members appointed by the Government.

have illustrated that such flexibility is only of secondary importance for part-time employment in Japan and the Netherlands. A second similarity is the development of 'negotiated flexibility' for regular employees in the Netherlands. This has led to a flexibilisation of working conditions, a flexibility for which the Japanese internal labour market has been particularly well known. In accordance, both countries have also stressed, at various moments during the recent decades, the importance of employment over income. In Japan this holds in particular for the union's bargaining agenda in the early and difficult years of this century. In the Netherlands, it has shown in repeated attempts to exchange wage moderation against working time reduction.

In addition, both countries show the dynamic relationship that exists between regular and non-regular employment. However, this relationship is framed by specific labour market institutions, customs and practices and the outcomes are very different. In Japan duality characterises the relationship between regular and non-regular employment. This duality remains very strong and is possibly even strengthened by attempts to reduce the percentage of regular employees. As a consequence, extended working hours and responsibilities for part-timers have not been reflected in better pay. In the Netherlands, on the other hand, equality characterises the relationship between full-time and part-time employment. The working conditions of part-time employees are similar to those of full-time employees and both can be considered 'regular'. We could therefore conclude that part-time employment in the Netherlands has jumped categories from 'non-regular' to 'regular' employment. These differences between the countries are likely to have important implications in terms of career opportunities, investments in training, and the persistence of gender differences.

An obvious question is what lessons we can draw from the comparison. In the current timeframe, these lessons are likely to flow from the Netherlands to Japan. However, any lesson must be drawn in the contexts of the 'institutionalisation' mentioned before and we will have to take the specific character of the institutional framework into account. In other words, the Netherlands might provide inspiration – especially as it seems ahead in the development of a regulatory framework for non-regular employment – but the actual developments will be determined by the constraining and enabling influence of the existing institutions and practices.

An obvious conclusion, in accordance with thinking on *flexicurity*, is that the conditions of regular employment in Japan need to be adjusted to make room for a fairer treatment of non-regular employment. This would require the internal labour market characterised by strong employment security and limited access to become more open to outsiders. However, this probably remains unlikely in the near future as it appears contradictory to the momentum of recent changes. There are nevertheless some ongoing developments that could be indicative of future change. A first is the introduction of performance-related pay. Although this predominantly has been an attempt to reduce labour costs, it could be a beginning of greater equality between the employment types. Secondly, there is the introduction of career tracks for part-time employees as illustrated by the case study of the supermarket chain. Again, this does not yet suggest a fundamental change as it can be said to be based on rather than to address the existing duality in the labour market. However, it could contribute to greater equality in future years. A third development is the inclusion of part-time workers as union members. This is possible the most striking development as its ambition to represent both groups forces the union to address the balance between regular and non-regular employment.

## **9. Limitations and suggestions for future research**

This paper has a number of limitations. As mentioned in the section on study design, it presents and interprets some early findings from a study between September and



December 2007. As a consequence, there has not been enough time to process all the findings from the study and the discussion on Japan refers to just two cases. Future discussions have to include the additional cases and draw a more explicit comparison between the recent findings and the results of the study in 2002/2003. Another limitation is that the current discussion has focused on part-time employment as the most dominant form of 'non-regular' employment in both Japan and the Netherlands. It therefore does not address the full diversity in non-regular employment types, a problem that might be particularly relevant in the discussion of the Dutch situation because of the 'regularisation' of part-time employment. Future discussion will have to include more references to contingent employment forms. Finally, the discussion has hardly focused on the different outcomes between Japan and Netherlands in terms of factors like efficiency, costs and flexibility. Instead the decision was taken to focus on the relationship between regular and non-regular employment itself as a major underlying factor that determines such outcomes. This provides an important motivation for more detailed future research on how this relationship affects labour market outcomes.

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