

## **Diversification of Working Styles and Safety Nets: Focusing on Capability Development and Work-Life Balance**

### **Summary**

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#### **Research Period**

Fiscal year 2005 to 2006

#### **Objective of Research**

In recent years, diversification of the types and patterns of employment has been progressing in Japan. Behind that, there are not only changes in workers' orientation toward employment and lifestyle but also changes in the use of human resources by companies and the structure of the labor market. In response to such changes in the labor market, it has become an urgent task to restructure social infrastructures that support workers' stable vocational life and career development, or safety nets, from those premised on regular employees' working styles to those that can correspond to diversification of the types and patterns of employment.

However, the relationships between the diversification of the types and patterns of

employment and three types of safety nets prepared and provided by (1) companies, (2) individuals and family members and (3) the government have not been sufficiently clarified. Are workers able to secure by themselves safety nets that are necessary to realize an affluent working life, which not only provides opportunities to gain income but also enables career development and maintenance of a balance between work and other activities? Or, are they able to sufficiently utilize such safety nets provided by companies or society? There are safety nets that workers can prepare by themselves, those provided by companies where they work, and those provided socially. However, does each of these safety nets correspond to changes in employment and work styles?

The objective of this research is to gain a correct understanding of the present situation of safety nets for workers and to provide materials that will contribute to the planning of future employment policy.

#### **[Outline of the Entire Research Activities and Composition of This Report]**

In fiscal year 2005, which was the first year of this research, we conducted analysis on whether or not each of the three types of safety nets prepared and provided by (1) companies, (2) individuals and family members and (3) the government is working properly, with a focus on understanding of the actual conditions. For the results of this analysis, the Japan Institute for Labour Policy and Training published “Research on Japanese People’s Working Styles and Safety Nets: Preliminary Analysis” (Material Series No. 14) in May 2006 as an interim report. (written in Japanese only)

In this fiscal year, we conducted analysis on the points that were not sufficiently analyzed or were not directly taken up in the analysis in the first fiscal year. In this report, we summarized our entire two-year research activities on the basis of the research results obtained in the first and second fiscal year. The composition of the full text of the report is as follows. Part I organizes policy issues concerning workers’ lives and employment as well as desirable safety nets for the stabilization of career development on the basis of the results of the two-year research. Part II makes a report of the results of analysis using “Survey on Japanese People’s Working Styles.” This survey is a survey that the Japan Institute for Labour Policy and Training will continue to conduct in the future. Therefore, Part III organizes the experience of the survey of this time and makes proposals to improve the next and subsequent surveys. Part IV provides the outline of the survey as a reference.

#### **[Summary of the Report]**

##### **1. Research Problems**

Daily human life is reproduced through everyday activities. The structure of daily human life changes due to intrinsic or extrinsic factors in this process of reproduction, and the integral of such reproduction and changes constitutes the lifetime of humans. At the same time, reproduction of daily human life can be sometimes threatened. Factors that threaten the reproduction of daily life are called risks here.

Anyone can get sick. In addition, anyone can encounter an accident or disaster and can be bereaved of a person who has provided mental and economic support for life. Other than these, a working style, called “employment,” has emerged along with the emergence of industrial society, and the risk of unemployment emerged therewith. Moreover, in the case of working as an employee, the length of working hours and workload are regulated by others, or companies, and workers cannot control them by themselves in many cases. Therefore, there have arisen the risks of impairing mental or physical health due to factors attributable to heteronymous working style and of not being able to live a life commensurate with their own life stage in which work and other activities are harmonized with each other. In particular, behind this is an increase in the number of workers who emphasize their lives outside work due to changes in their orientation toward employment and life styles. In addition, increase in the average life expectancy raised the possibility of encountering risks, such as losing opportunities to secure income due to a discrepancy between the average life expectancy and the length of vocational life and becoming in need of nursing care. In order to cope with such diversified risks, not only individuals but also their family members and employing companies as well as the government have made various efforts. Those efforts are called safety nets here.<sup>1</sup>

Safety nets can be divided into the following three types depending on the entity that provides or secures them: safety nets provided by (1) companies, (2) individuals and family members, and (3) the government.

Safety nets provided by companies include not only direct ones, such as cash benefits, including retirement allowance, corporate pension and fringe benefit, and benefits in kind, but also indirect ones, such as provision of capability development opportunities and ensuring of stability of employment opportunity.

Private safety nets that are voluntarily prepared by individuals and family members include those that are informally formed through human networks of family members, relatives, friends and acquaintances besides those that are formed through the market,

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<sup>1</sup> Using as a reference the introductory chapter and chapter 1 in Shogo Takegawa and Hiroki Sato, ed., *Kigyōhoshō to shakaihoshō* (Enterprise security and social security), written in Japanese (University of Tokyo Press, 2000).

such as bank deposits and postal savings, life insurance and private pension. Although companies' support for self-development is included in safety nets provided by companies, individuals' efforts for self-development are included in private safety nets by individuals.

Public safety nets include social security, such as public pension, health insurance and employment insurance, and provision of public vocational training opportunities and job placement services, as well as development of legal systems, such as the minimum wage system and the right of organization.<sup>2</sup>

Put it all together, in a narrow sense, safety nets that enable workers to establish a stable vocational life and career development consist mainly of those provided up to the government, such as public capability development opportunities, income indemnity in the case of unemployment, job placement system, the minimum wage system and the right of organization. However, in a broad sense, such safety nets include those that workers can develop by themselves, such as capability development through investment in themselves, establishment of human networks, acquisition of legal knowledge and personal insurance, and those that employing companies can prepare, such as provision of benefits not stipulated in laws, opportunities for education and training and working styles that enable keeping balance between work and other activities.

Diversification of the types and patterns of employment can be cited as one of the recent significant changes in the use of human resources by Japanese companies and the structure of the labor market. However, as mentioned before, the relationships between the diversification of the types and patterns of employment and the above-mentioned safety nets have not been sufficiently clarified. Are workers able to secure by themselves safety nets that are necessary to realize an affluent working life, which not only provides opportunities to gain income but also enables career development and ensuring of a work-life balance? Or, are they able to sufficiently utilize such safety nets provided by companies or society? To look for clues leading to an answer to this question, in other words, to gain a correct understanding of the present situation of safety nets and organize policy issues, is the objective of this research.

## **2. Outline of This Report**

This report analyzes changes in working styles not only from the perspective of safety nets, including capability development opportunities and legal knowledge, but also from the perspectives of work-life balance and the autonomy of working style.

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<sup>2</sup> It is difficult to entrust all risk hedges to any one of safety nets (1) to (3). These three types of safety nets are considered to be in a mutually complementary relationship.

It will be controversial to discuss the autonomy of work and work-life balance in association with safety nets. However, as mentioned in 1, a working style, called “employment,” has emerged along with the emergence of industrial society, and workers have come to be left in the situation where working hours and workload are regulated by others, or companies, and cannot be freely controlled by themselves. As a result of this, there have arisen new risks in working life, such as impossibility of securing work-life balance and impairment of mental or physical health. At the same time, consideration of measures to avoid these new risks has become an important issue in modern society.

Here is an introduction of the contents of each chapter in Part II in this report.<sup>3</sup> Chapter 1 analyzes the relationships between the risk of unemployment and the status of efforts for capability development. Not every worker is guaranteed stable employment, and some of them engage in their work with the risk of unemployment. Particularly, for those who have a high risk of unemployment, proactive capability development is expected to play an important role as a safety net that protects their work and lives. The quantitative analysis of the relationships between the level of the risk of unemployment and capability development confirmed that there was no difference in the implementation of capability development between those who have a high risk of unemployment and those who have a low risk of unemployment. In other words, this means that those who have a higher risk of unemployment have obstacles that prevent capability development if it is true that they are in need of capability development more than others. Specific examples of such obstacles are “no opportunity to come into contact with new work,” “no person who teaches,” “no money to receive training,” and “no idea about what to do.”

Amid the declining unionization rate of labor unions, which are designed to protect workers, the necessity for individual workers to understand the right to work is considered to be increasing. Therefore, based on the recognition that legal knowledge relating to labor as one of the safety nets that protect workers’ work and lives, Chapter 2 analyzes what sort of persons are those who have legal knowledge and whether or not it can be said that legal knowledge is available where it is required.

The result of the analysis revealed that the level of private employees’ legal knowledge relating to labor was lower than that of the entire Japanese people. Consequently, it can be said from the viewpoint of the necessity of legal knowledge that it is required to raise the level of private employees’ legal knowledge relating to labor.

Moreover, investigation of factors that affect the level of legal knowledge relating to

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<sup>3</sup> Regarding Part III and Part IV, see the full text of the report, written in Japanese.

labor through regression analysis targeting private employees and unorganized private employees revealed that those who are more likely to work under unfavorable working conditions, such as workers at small and medium sized companies and those who do not have much schooling, had a lower level of legal knowledge. Consequently, the possibility of a mismatch between the necessity of legal knowledge and the location where legal knowledge is available was indicated.

Chapter 3 analyzes the influence of difference in the type of employment (specifically, being regular employee or non-regular worker) on capability development opportunities, willingness to improve capability and the status of fulfillment of the conditions for the progress of capability development, focusing on young employees aged up to 34 who work at private companies.

The analysis gave the following results. (1) It cannot be said that the level of work that full-time non-regular workers take charge of is lower than the work that regular employees take charge of if they are under the same conditions, including the length of service as well as the kind of occupation, the size of the company, the existence of a labor union, academic record, gender/connubiality and age. In addition, under the same conditions, (2) it cannot be said that the capability development of full-time non-regular workers is behind that of regular employees. Moreover, (3) regarding part-time non-regular workers, if, in addition to the above-mentioned conditions, the level of work that they take charge of is the same as regular employees, it cannot be said that their capability development is behind that of regular employees. In short, it cannot necessarily be said that being a regular employee or non-regular worker has a decisive influence on the formation of the skills of workers.

In recent years, “autonomous working style” has become one of the keywords of the use of human resources by companies. Chapter 4 creates two indices, “autonomy of the method of work” and “autonomy of time for starting or finishing work,” based on the survey data, and analyzes whether or not the autonomy of working style affects the lives and mind of regular employees.

As a result of the analysis, it was revealed that both the autonomy of the method of work and that of time for starting or finishing work have almost no significant effect on desire for the length of working hours and work hours, ways of feeling risks arising from work, such as fatigue and stress, and satisfaction with work. The influence of autonomy on workers’ lives and mind may change depending on other factors such as the actions of managers at work.

Chapter 5 reveals the present situation of working hours and problems from the viewpoint of work-life balance. Specifically, it analyzes the influence of the following

three factors on occupational risks, such as physical fatigue and risk of impairing health due to stress or other reasons, activities other than work, such as participation in regional activities, and satisfaction with work and life: (1) length of actual working hours, (2) feeling of excess or deficiency of working hours and (3) flexibility of management of working hours. The result of the analysis indicated the possibility that long working hours and the feeling of excess of working hours (desire for shorter working hours) will be work-life conflicts.

Then, the result indicated that those whose working hours are actually longer are more likely to feel that their working hours are excessive, irrespective of the employment pattern. In addition, the feeling of excess of working hours tends to be weakened when management of working hours is flexibly conducted. However, such tendency is not statistically significant. That is, it is considered to be necessary to first make efforts to shorten working hours in advance of efforts for realizing flexible management of working hours.

Moreover, those who work as regular employees are more likely to feel that working hours are excessive even where working hours are controlled. This indicates the necessity of reviewing the current working style of regular employees.

### **3. Political Implication**

Based on the above-mentioned research results, political issues are organized below with respect to workers' lives and employment as well as safety nets in a broad sense, which are required for the stabilization of career development.<sup>4</sup>

- 1) Analyzing the present situation of private safety nets that individuals can prepare (bank deposits and postal savings, purchase of private insurance, networks of family members and relatives, networks of friends and acquaintances, and knowledge about the social security system) by the degree of stability of employment, those whose employment seems to be unstable lack these safety nets in comparison to those whose employment seems to be stable. Moreover, those who seem to have a high risk of unemployment who are considered to require capability development are weak in proactive efforts for capability development. Behind this are disincentives, such as “no opportunity to come into contact with new work,” “no person who teaches,” “no money to receive training,” and “no idea about what to do.” Consequently, as support for capability development for those who seem to have a high risk of unemployment, the following measures are important: (i) enriching

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<sup>4</sup> Regarding research results for fiscal 2005, see Japan Institute for Labour Policy and Training, written in Japanese (2006).

- vocational training outside companies, (ii) strengthening financial support for capability development and (iii) providing career counseling that enables workers to clarify skills that are useful for reemployment as well as removing excessive anxiety.
- 2) It has become increasingly necessary for workers to accurately understand rights relating to working in order to protect their own rights. However, according to the result of the analysis, the level of private employees' legal knowledge relating to labor remains lower than that of the entire Japanese people. In particular, the level is lower for those who are more likely to work under working conditions, such as those who do not have much schooling and workers at small and medium sized companies. To improve this situation, in addition to enrichment of education on legal knowledge relating to labor in school education before gaining employment, efforts by the labor administration to eliminate the gap in the level of legal knowledge after graduation are required. Although the conventional labor administration has adopted settlement of labor legislation through companies as an administrative means, stronger educational activities targeting individual workers are required.
  - 3) Although most employees feel the need for the social security system, they do not have a sufficient understanding of the system. Since institutional changes, such as the reform of the social security system, require wide public understanding as a prerequisite, it is required to strengthen publicity for relevant systems. For example, regarding those who work as part-time workers, not just the rate of those who have employment insurance is low, but also quite a lot of them do not wish to have employment insurance. Behind this is probably poor understanding of the employment insurance system.
  - 4) Although the majority of non-regular workers employed by companies are employed under a fixed-term employment contract, most of them are not assumed to be used for a short period of time. Looking at the distribution of length of service, not a few non-regular workers are employed for fixed term work for the same company for a considerably long period of time as a result of repeated renewal of fixed-term employment contracts. Fixed-term employment is not only subsequently renewed but also is often expected to be renewed. This can be confirmed by the fact that many non-regular workers under a fixed-term contract pointed out the possibility of renewal of the contract.

Then, why do companies conclude fixed-term contracts with non-regular workers despite their assumption of not short-term but medium-term use of human resources? Regarding the use of non-regular workers employed for a fixed term,



tasks and business establishments in which such workers are used are limited in most cases. That is, companies are considered to be highly likely to determine that it is difficult to conclude an open-ended employment contract despite assumption of medium-term use.

Behind this is probably companies' determination that if they conclude an open-ended employment contract with a person, they will come to bear, as the responsibility for employment security, the responsibility for continuously employing the person in other tasks or establishment even after the task or establishment in which the person has been intended to be used has gone. It is a future task to develop an employment contract legislation that can diversify the responsibility for employment security that companies are required to bear depending on the actual condition of employment so that companies can not only conclude fixed-term employment contracts but also establish open-ended employment relationships even in the case of using non-regular workers for limited tasks or at limited business establishments.

- 5) Comparing capability development opportunities provided by companies to regular employees and non-regular workers by average, it is found that there is a gap between them and that capability development opportunities provided to non-regular workers are fewer than those provided to regular employees. As far as the average goes, it is required to enrich capability development opportunities for non-regular workers.<sup>5</sup>

On the other hand, attention has to be paid to the point that not every non-regular worker lacks capability development opportunities compared to regular employees. In other words, there are regular workers who are less blessed with capability development opportunities than non-regular workers. Non-regular workers tend to be at the same level as regular employees in terms of the need for capability development and willingness to make efforts as well as the actual conditions of efforts for capability development in the case where the work in which they are engaged requires a high level of skills. If the use of non-regular workers by companies makes progress toward the direction of using them as core labor force, capability development opportunities provided to non-regular workers will be enriched to the same level as those for regular employees.

Like this, there is also a high possibility of an overlap between regular employees

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<sup>5</sup> The strength of willingness to develop capability will attribute to individuals, regardless of whether a person is a regular employee or a non-regular worker. Therefore, discussion here is based on the perspective of assistance for non-regular workers who wish to develop their capability.

and non-regular workers in terms of the skill level and efforts for capability development. Therefore, it is desired that, at the time of mid-career recruiting, companies do not emphasize whether or not a job applicant has a career as a regular employee but evaluate the job applicant's experience in specific work and acquired skills even if the applicant has worked only as a non-regular worker.

- 6) In order to improve capability development opportunities for non-regular workers, it is important not only to facilitate transition to the opportunity for employment as a regular employee but also to provide companies with information that is necessary to use non-regular workers as core labor force. In particular, the fullness of capability development opportunities is an important factor that has greater influence on workers' satisfaction with their work and prospect for future career than a difference in the type of employment, that is, the difference between being a regular employee or a non-regular worker. Therefore, relevant efforts are required.
- 7) There are various work-life conflicts among those who recognize their own working hours as excessive. Irrespective of the employment pattern, those whose working hours are longer are more likely to feel that their working hours are excessive. In addition, the feeling of excess of working hours tends to be weakened when the management of working hours is flexibly conducted. However, such tendency is not statistically significant. That is, it is considered to be necessary to first make efforts to shorten working hours in advance of efforts for realizing flexible management of working hours. Moreover, regular employees are more likely to feel that working hours are excessive even at workplaces where working hours are controlled. Elements other than the length of working hours per week and fixed time for starting or finishing work are highly likely to cause the feeling of excess of working hours inherent in regular employees. Examples of such elements such as the actual conditions of working hours, include difficulty in taking paid holidays, difficulty in taking childcare leave or family care leave, difficulty in taking holidays even in the case where it becomes suddenly necessary to take holidays due to family circumstances and the situation where it is not necessarily possible to secure two holidays per week due to work on the weekend. Consequently, it is considered necessary to review not only the actual conditions of daily working hours but also the actual conditions of working hours incidental to working style as a regular employee.