

Diverse Working Conditions among Non-standard Employees: JIL *Research Report* and Policy Implications

Katsuhiko Iwata

Research Director, The Japan Institute for Labour Policy and Training

Introduction

The number of atypical (non-standard) employees — such as part-time workers, dispatched workers and contract workers — has been increasing in recent years. Such diversification in employment types impacts a wide range of areas, such as how individual workers plan their lives, corporate personnel management practices, labor-management relations and the basic framework of labor policy.

In the 1994 and 1999 editions of the *General Survey on Diversified Types of Employment* published by the Ministry of Health, Labour and Welfare, 15,000 business establishments with five or more employees were selected to participate in the business establishment survey, and 30,000 individuals working for business establishments with 30 or more employees were chosen for the individual survey. (The 1994 Survey for individuals targeted 30,000 employees working for business establishments with five to 29 employees in manufacturing, wholesale, retail, service, or the restaurant and services industries). This is by far the most comprehensive and extensive survey available in this country on the working conditions for those engaged in diverse types of employment. The Japan Institute of Labour published a *Research Report* taking into account the special characteristics of the *Survey* and analyzing the micro data for both years. In this article, we will report on various aspects of the diverse employment conditions that can be found among those engaged in non-standard types of employment.¹

¹ “Diverse Working Conditions among Non-regular Employees: An Empirical Analysis Based on the *General Survey on Diversified Types of Employment et al.*” JIL *Research Report* No. 158, The Japan Institute of Labour, 2003.

The first two chapters of the *Research Report* consist of a comprehensive analysis comparing the data for the two surveys on diverse employment conditions among workers engaged in non-standard types of employment. It then analyzes such important topics as working hours, the desire to become a standard employee, differences in the wage structure and the wage gap between the sexes and among different employment types, and non-standard employees and social insurance. The *Research Report* concludes with an international comparison on the diversification of employment types. A number of policy implications can be drawn from this collection of papers.

1. Analytical Framework

According to the 1999 Survey, the proportion of so-called non-standard employees is roughly 30 percent (27.5 percent) of all employees. In particular, among female employees the percent is very high, almost reaching 50 percent (47.5 percent). In the female non-standard employee population, part-time workers are prevalent. “Short-time part-time workers” constitute 28.9 percent, and “other part-time workers” comprise 10.7 percent. The proportions of both professional contract workers and dispatched workers are not insignificant either (see Table 1).

There are some differences in terms of how workers were classified in the 1994 and 1999 Surveys (see Chart 1).

Firstly, the 1999 Survey divides part-time workers into “short-time part-time workers” and “other part-time workers.” The former is defined as “those who work fewer hours per day or fewer days per week than standard workers and have employment contracts covering more than a month or an unspecified length of time.” The latter is defined as “those whose working hours per day or working days per week is comparable with those of regular employees, have employment contracts covering more than a month or an unspecified length of time, and are referred to as a ‘part-time worker’ or in other related terms.” In the 1994 Survey, the definition of “part-time worker” was:

Table 1. Workers by Gender and Type of Employment

	Standard Employees	Non-standard Employees	Types of employment for non-standard employees (%)							
			Professional Contract Workers	Temporary Workers	Short-time Part-time Workers	Other Part-time Workers	Transferred Workers	Dispatched Workers	Others	
Total	72.5	27.5 (100)	2.3 (8.4)	1.8 (6.7)	14.5 (52.9)	5.8 (21.0)	1.3 (4.6)	1.1 (3.9)	0.7 (2.5)	
Men	85.1	14.9	2.1	1.8	2.2	2.6	1.8	0.6	0.8	
Women	53.0	47.0	2.6	2.0	28.9	10.7	0.4	1.8	0.6	

Note: Figures in brackets indicate the proportion in relation to the entire non-standard employee population.

Chart 1. Classification of Workers in the *General Survey on Diversified Types of Employment*

- **The 1999 Survey**
 Perspective 1. Employment Arrangement
 Perspective 2. Contract Terms
 Perspective 3. Scheduled Working Hours

Perspective 1	Perspective 2		Open-ended Contract	Fixed-term Contract		
	Perspective 3					
Ongoing Employment Arrangement	Those whose work hours are almost equal to standard workers		Standard workers	Temporary workers (Those on a less than one-month contract)	Professional contract employees	Etc.
			Other part-time workers*			
	Those who work fewer hours than standard workers	(Employment transfer)	Part-time workers			
Other Employees	Almost equal	Shorter hours	Dispatched workers, transferred workers (on loan)			

* Workers who are treated as “part-time workers” despite the fact that they are almost de facto full-time employees.

- **The 1994 Survey**
 Perspective 1. Employment Arrangement
 Perspective 2. Contract Terms
 Perspective 3. Scheduled Working Hours

Perspective 1	Perspective 2		Open-ended Contract	Fixed-term Contract		
	Perspective 3					
Ongoing Employment Arrangement	Those whose work hours are almost equal to standard workers		Standard workers	Temporary workers, day laborers	Professional contract/Registered employees	Etc.
			(Employment transfer)			
	Those who work fewer hours than standard workers	Part-time workers				
Other Employees	Almost equal	Shorter hours	Dispatched workers, transferred workers (on loan)			

Source: Ministry of Health, Labour and Welfare.

“Those who work fewer hours per day or fewer days per week than standard workers with or without specifications on the length of their contract,” very similar to the definition of “short-time part-time workers” used in the 1999 Survey. Therefore the *Research Report* uses the term “short-time part-time workers” for the 1999 Survey as well as the 1994 Survey.

Secondly, in the 1999 Survey the term temporary workers is limited to those on a less than one-month contract. Therefore, it is not useful to directly compare temporary workers and professional contract employees used in both Surveys.

2. Diverse Working Conditions

Katsuhiko Iwata and Takashi Fujimoto (Assistant Fellow, The Japan Institute for Labour Policy and Training) compared the 1994 and 1999 Survey data by gender, age group, and type of employment and analyzed the working conditions of those engaged in non-standard types of employment. They divided part-time workers into three groups: married women (aged 25 to 60), young people (single and younger than 24), and seniors (61 year old and older). (In the 1999 Survey, the total of the three groups constituted 76.3 percent of the entire part-time working population.) They also divided dispatched workers into “permanent-employment type” and “registration type” workers. Furthermore, they have compared highly specialized workers of different employment types.² The results of their analysis follows.

- (1) In the 1999 data, standard employees, “permanent based” dispatched workers, and older part-time workers attached greater importance to their working life while “register based” dispatched workers and young part-time workers, in particular men, attached greater importance to their private life (see Table 2).

² The agency has highly specialized workers register in advance and only concludes an employment contract with them when they are dispatched to a client company.

- (2) The number of those who have chosen their current type of employment due to negative factors is small among short-time part-time workers but relatively large among dispatched and contract workers.
- (3) There has been an increase in the number of dispatched workers with strong professional aspirations. They tend to seek positions in which they “can utilize their specialized skills and qualifications” and have high expectations regarding their workplaces.
- (4) We need to address a host of issues such as those concerning the application of employee benefits and welfare and a response to the strong demand for skill development training among workers.
- (5) In terms of how satisfied specialized workers are with their work (those who are engaged in highly specialized and technical fields), part-timer workers had a higher degree of satisfaction with their working life than standard workers, with female standard specialized workers demonstrating a particularly high degree of satisfaction.

By incorporating findings from other related surveys, such as the 2001 *Comprehensive Survey on the Situation regarding Part-time Workers* and the 2002 *Employment Status Survey*, into our analysis, we should be able to devise a report that can lead to concrete proposals vis-à-vis actual labor policy.

3. The Use of Non-standard Employees and Related Phenomena

Makiko Nishikawa (Assistant Professor, Hosei University) has analyzed the non-standard employee phenomenon from both the demand and supply side. On the demand side, a great number of business establishments have stopped hiring large numbers of standard employees in recent years, and the ones that are increasing the proportion of non-standard employees tend to be doing so primarily to cut personnel costs. Business establishments utilize different types of non-standard employees according to their various needs. Short-time part-time workers are used when companies seek to reduce per-

sonnel costs or to maintain a flexible workforce. Contract workers, *shukko* workers (workers on loan or those who transferred between affiliated firms) and dispatched workers are employed when businesses need workers with specialized skills and knowledge or when they need someone to begin work immediately.

On the supply side, based on an analysis of “attitudinal” aspects (reasons for working and satisfaction with work), Nishikawa suggests that in general short-time part-time workers — prevalent among married women — chose their jobs for positive reasons. Compared to other types of non-standard employees, they tend to attach importance to balancing working life and private life rather than the content of work, and they value short working hours and commuting time. In contrast, male workers tend to maintain a stable working life once they become standard employees.

To implement changes to the division of labor between the sexes within the family, it is necessary to create a working environment in which workers can balance their working life and family life.

4. Characteristics that Can Be Observed from Working Patterns of Part-time Workers

According to Hiroki Sato (Senior Research Fellow, The Japan Institute for Labour Policy and Training, and Professor, Institute of Social Science, University of Tokyo), part-time workers can be divided into two categories: one with fewer working days per week and another with short working hours per day. In reality, the majority of part-time workers fall into the latter category. For certain job types such as security-related, managerial, or specialized and technical ones, however, there is a possibility that the former category might increase. Concerning their degree of satisfaction with working hours and employment conditions, those who attach more importance to private life tend to prefer working fewer hours per day, while those who attach more importance to working life tend to prefer working fewer days per week but with long working hours on the days they work. From this observation, Sato stresses that we need to establish

Table 2. Preference for Private Life

	1999	(1994)		
Standard employees	4.9	(13.7)		
Men	1.8	(7.4)		
Women	12.4	(30.0)		
Permanent-employment type dispatched workers	14.2	(47.4)		
Men	-1.6	(15.2)		
Women	31.1	(72.2)		
Registration-type dispatched workers	68.1	(59.8)	Youth and other part-time workers	34.0
Men	38.6	(23.5)	Men	22.5
Women	73.1	(68.1)	Women	44.9
Youth and short-time part-time workers	80.0	(57.4)	Married women and other part-time workers	50.0
Men	93.7	(56.5)	Older and other part-time workers	15.0
Women	59.6	(57.9)	Men	-3.1
Married women and short-time part-time workers	88.7	(84.1)	Women	50.8
Elderly short-time part-time workers	26.3	(55.9)	Contract workers	12.0
Men	18.4	(57.5)	Men	-0.2
Women	39.1	(53.5)	Women	27.6

Note: The indices were calculated according to the formula given below, and based on answers to the question, “Do you attach more importance to private or working life?”. The larger index indicates a stronger preference for private life in each employment group. Index = “Attach importance to private life” (%) x 2 + “If anything, attach importance to private life” (%) x 1 + “cannot tell” (%) x 0 + “If anything, attach importance to working life” (%) x (-1) + “Attach importance to working life” (%) x (-2).

measures to accommodate the preference for fewer scheduled working days in order to promote the participation of those who attach importance to work in the part-time labor market.

Work-sharing is attracting attention in Japan at a time when the employment situation is severe. Work-sharing is a policy to create more employment opportunities by shortening the working hours of each worker. This can be an effective policy not only for creating employment in individual firms, but also for creating a society that is much easier to live and work in. The author believes we should actively promote this policy from a long-term perspective. Using Holland as an example, the introduction of a system with fewer working days, which Sato proposes, has facilitated work-sharing, and we should also consider this pattern for Japan.

5. Desire to Work as a Standard Worker

Akira Wakisaka (Professor, Gakushuin University) discusses the characteristics of part-time workers who are hoping to become standard employees. His analysis has produced the following interesting results:

- (1) More men than women indicated a desire to work as standard employees, 13.2 percent of males working as short-time part-time workers (6.5 percent for women) and 21.1 percent of male fulltime non-standard workers (17.5 percent for females) hope to become standard employees.
- (2) Among men, high-school graduates tend to have more of a desire to work as standard employees than university graduates, and this desire tends to diminish with age.
- (3) Women show similar tendencies, but compared to men, educational background is more of a significant factor in determining their desire to work as a regular employee.
- (4) The majority of part-time workers do not desire to work as standard employees. Only some 20 percent of fulltime non-standard employees, who constitute about 30 percent of the total, want to become standard employees.

- (5) At business establishments in which standard employees work more than 60 hours per week, many of the part-time employees have indicated that they do not wish to work as standard employees.

Wakisaka speculates that the reason why such a small proportion of part-time workers look forward to becoming standard employees might be attributed to the long working hours. He proposes reducing the hours standard employees work and introducing a “short-time standard employee” scheme that would allow workers to work fewer hours but still be entitled to essentially the same treatment as standard employees.

The author believes that the establishment of the “short-time standard employee” system, along with a revision of the current social insurance system in which huge gaps exist, in terms of protection level, among the different employment types, is the key to correcting the gap in the treatment between fulltime and part-time workers.

6. Estimating the Differences in Wage Structure and the Wage Gap between the Sexes and Among Employment Types

In her analysis of the wage structure of each type of employment, Nobuko Nagase (Assistant Professor, Ochanomizu University) estimates the wage functions for both men and women as well as different types of employment. Her analysis produced the following results:

- (1) Only 30 percent of the wage gap can be explained by such variables as seniority, educational background, age, rank, company size and family variables (marital status and number of children). The figure is 40 percent when employment type is included as a variable.
- (2) The most significant reason behind wage gaps is the difference in how the age factor applies to men and women. Whether standard employee or not, more importance is attached to seniority for male workers than for female workers. It has been pointed out

that in the West the wage gap grows between those with familial responsibility and those without, rather than simply between the sexes. But the wage gap between men and women is still prevalent in Japan.

- (3) Adjustment factors related to income tax and social insurance premiums have been cited as a factor for the low wages of part-time workers. Nagase observes that there is a tendency for the earnings of short-time part-timers to be twisted at the level of around ¥1 million, and adjustment factors are most notable among married women.

It is certainly difficult to provide rational explanations for many individual cases concerning the difference in treatment between standard employees and workers of other employment types. It is hoped that the government, labor and management will work steadily and purposefully toward realizing a system of “fair treatment based on merit” as outlined by the Equal Employment Sub-group report of March 2003, by the Labour Policy Council, the Ministry of Health, Labour and Welfare in which treatment will be determined by factors such as job content, motivation, ability, experience and results.

7. Non-standard Employment and Social Insurance

In the Japanese medical insurance and public pension systems, one has to work more than about three-quarters of the specified working hours per day (or per week) or working days per month of a standard worker to become eligible to be insured under the employee insurance plan. If working less than three-quarters and earning more than ¥1.3 million annually, the worker can be covered by the national pension plan. If working less than three-quarters and earning less than ¥1.3 million annually, the worker can be covered as a “dependent” under the employee’s insurance plan. In addition, the minimum income level for tax deduction eligibility is specified by the tax system.

Nagase analyzes the relationship between the social insurance system and work adjustment factors. There have been few studies cover-

ing non-standard employee participation in social insurance plans, but the 1999 Survey provides such data, and it is possible to group and analyze the data by gender, age, marital status and working hours. As a result, it has been found that the proportion of non-standard workers with social insurance coverage is very small, although there are slight variations among employee insurance, pension and medical insurance plans. Only some 40 to 60 percent of non-standard employees in their 20s are covered by a social insurance plan, and the coverage rate among single female non-standard employees is 50 to 60 percent, also very low. Nagase notes that:

- (1) the current social insurance system is premised on the collection of premiums from workers who receive monthly salaries. This system works against non-standard workers whose working hours fluctuate greatly and makes participation in social insurance plans disadvantageous.
- (2) Judging from the situation for social insurance participation among married female part-time workers, who have the right to a basic pension without paying premiums, and senior male part-time workers 60 year old and older, it appears that the way the social insurance system works does influence how an individual views work.

Nagase suggests that it is necessary to make changes to the system in order to promote participation by non-standard employees in social insurance plans: How much one has paid in premiums and for how long should be reflected in the benefits one receives. At the same time, changes should be made to protect low income groups.

We are facing the advent of an aging society with fewer children and the author agrees that we should change the tax and social security systems to enhance the motivation to work. In addition to expanding social insurance coverage among part-time workers, we should review the system of spousal exemption that encourages the adjustment of working hours among married female part-time workers. We should also change the public pension system in such a way that more advantages are given to those who have worked longer. Of course, it is important to develop support systems for those with work-inhibi-

tive factors (a child or dependent in need of care) and safety nets for those who cannot work (here, it will be important to make an appropriate response to different patterns, such as joblessness, sickness, aging and handicaps).

8. International Comparison in Diversification of Employment Type

Manabu Watanabe (Assistant to Division Manger, Insurance Business Division, Financial Services Agency) has compared the diversification of employment types in eight countries: Japan, the United States, Britain, Germany, France, Holland, Sweden, and Denmark. His findings show that employment protection regulations are weak in the United States and Britain, and few distinctions are made between regular employment and temporary employment (dispatched employment and fixed-term employment, etc.). In these countries, there is also a significant wage gap between part-time workers and fulltime workers. In continental Europe, employment protection regulations for fulltime workers remain rigid, but there have been moves toward deregulation in regards to temporary employment, and the percentage of workers with temporary employment is increasing. The wage gap between part-time workers and full-time workers is small due to such measures as the EU directive banning discrimination regarding wages and working conditions. In Japan, since the late 1990s there has been a dramatic increase in the number of part-time workers and the wage gap between them and standard employees has been widening.

Compared to other countries, Japan does not appear to possess a clear strategy for mapping out its future employment policy. By carefully analyzing the pros and cons of the Anglo-American and European models and engaging in active debate, it is hoped that we can construct a new Japanese model. Analytical comparisons of employment patterns and policies in Japan and other countries will become more and more important. (Cf. Osawa and Houseman, 2003)

Conclusion

An analysis of the conditions of non-standard workers shows that in the majority of cases employment type was based on the individual's needs, and only a small number of workers selected their current type of employment reluctantly, due to a lack of choice. This reflects "a view that private life is more important than working," but we also recognized that several problems exist, such as employment stability, development of career skills and social insurance coverage. The fact that fewer people want to become standard full-time employees can be attributed to the long hours that standard full-time employees work.

These problems arise due to the employment needs of the employers. Employers use different types of non-standard employees for different positions, depending on what their needs are. Those who actively use non-standard employees have cited the need to reduce personnel costs and adjustment of employment volume as the main reasons for this practice. Temporary employment of non-standard workers is increasing while a reduced number of standard employees must work longer hours. The widening gap in employment terms between non-standard employees and standard full-time employees is something that can not be overlooked.

While making sufficient reference to trends in other countries, we hope to see a diversity in employment types develop to meet the needs of workers in Japan and the current corporate environment. We hope this diversity promotes flexible working styles that offer a balance between career and family or individual life away from work.

References

- Higuchi, Yoshio, Hiroshi Uno and Katsuhiko Iwata. "Rodo, Shakaihosho Seisaku no Sogoteki Tenbou wo Mezashite: Jiyu, Anshin, Katsuryoku aru Asu no Tame ni (Towards Comprehensive Labor and Social Security Policies in Japan)." *Nenkin to Koyo (Aging and Work)* Sept. 1998: 33-72.
- Iwata, Katsuhiko. "Hitenkeigata Rodosha no Zoka to Seisaku Taiou (The Increase in Atypical Employees and Policies to Tackle the Problems)." *Business Labor Trend* Dec. 2003: 4-7.
- . "Koyo Seisaku to Zei, Shakaihosho (Employment Policy, Tax and Social Security)." *Rodo Jiho* Nov. 2002: 25-28.
- Osawa, Machiko and Susan Houseman, eds. *Nonstandard Work in Developed Economies: Causes and Consequences*. Kalamazoo, MI: Upjohn Institute for Employment Research, 2003.
- Sato, Hiroki, et al. *Hitenkeigata Koyo Rodosha no Tayo na Shugyo Jittai: Shugyo Keitai no Tayoka ni Kansuyuu Sogo Jittai Chosa tou ni yoru Jissho Bunseki (Diverse Working Conditions among Non-standard Employees: An Empirical Analysis Based on the "General Survey on Diversified Types of Employment")*. *Chosa Kenkyu Hokokusho (Research Report)* 158. Tokyo: The Japan Institute of Labour, 2003.