

Home-based Workers Take on More Clients: Their Characteristics as Employed Workers and as Self-employed

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Introduction

As the economy becomes more information-oriented and human resources more fluid, employment and working patterns are diversifying, with the distinctions between them becoming increasingly blurred. Reflecting on such trends, the number of home-based workers has increased from 174,000 in 1997 to 290,000 in 2002, according to the author's estimate.¹ Home-based workers are defined as those who "receive payment on a self-employed basis (contract or freelance) by providing services from home (their own home) via information communication devices."

The increase in the number of home-based workers is due to both demand and supply-side factors. One result of the prolonged recession has been the use of home-based work as a form of outsourcing to reduce labor costs. At the same time, this phenomenon is also due to the growing number of workers who choose to work at home because they believe "they can maintain control over their working style and reach a balance with their personal life."

The *JIL Research Report* introduced in this article discusses what policy measures and support mechanisms are necessary to handle this phenomenon, and whether it is possible to implement them without undermining the autonomous nature of home-based work. Closely linked with this issue is the question of how policymakers should understand and treat workers who are essentially self-employed workers but economically subordinate to those using their services, as captured in the title of the JIL research report, "Characteristics of Home-based Workers as Employed Workers and as Self-Employed."

The JIL research report consisted of a survey and analysis of home-based workers, an examination of support measures and mechanisms, and proposals for legislative initiatives on a number of issues. In this article we will provide an examination of the trend among home-based workers to expand their client-base and the resulting implications based on the survey portion of the report for which I have responsibility (Chapter 2). It will also attempt to evaluate and review the "Guidelines for Properly Conducting Home-based Work" formulated by the former Ministry of Labour, and to explore future paths.

The data in this article is from a 1997 survey conducted by the Japan Institute of Labour (hereafter referred to as the 1997 JIL Survey) and a 2002 survey on home-based workers by the Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare (hereafter referred to as the 2002 MHLW Survey). Both surveys employed the definition of home-based workers mentioned above and used similar methodology.²

¹ JIL *Research Report* No.159, "Characteristics of Home-based Workers as Employed Workers and as Self-Employed," 2003, pp 54-55.

² Both surveys targeted publishing, advertising, research and information services, a part of the specialized service industry and other service industries. The October 1997 JIL Survey contacted establishments using home-based workers (677 establishments with 216 effective responses, an effective response rate of 31.9%) and home-based workers receiving work orders from these establishments (2,278 individuals with 270 effective responses, an effective response rate of 11.9%). The 2002 MHLW Survey covered establishments using home-based workers (1,006 establishments with 472 effective responses; the effective response rate — after excluding 206 non-applicable subjects — was 59.0%) and home-based workers receiving work orders from these establishments (2,012 individuals with 375 effective responses; the effective response rate — after excluding 100 non-applicable subjects — was 11.9%).

1. Background to the Trend of Home-based Workers Acquiring More Clients

1.1 Trend toward Increasing Number of Clients

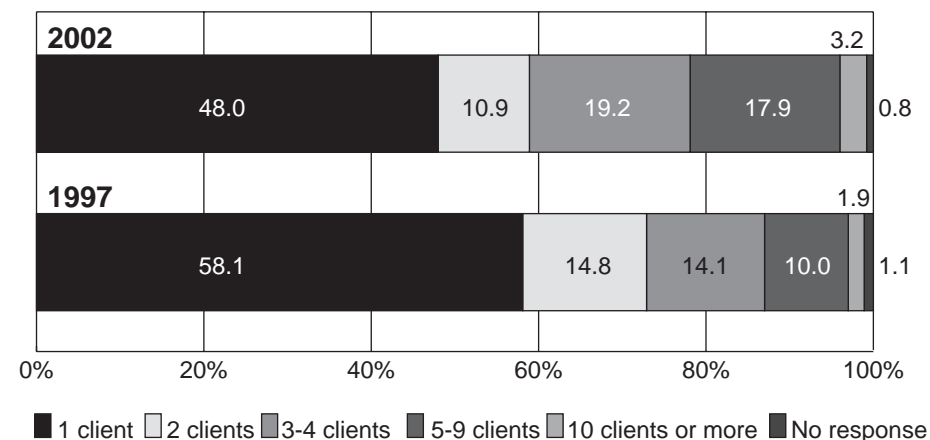
Results of the 1997 JIL Survey showed that nearly 60 percent of home-based workers had received work orders from only one client the previous year. However, by 2002, this figure had dropped to less than 50 percent. Of the more than 50 percent who received work orders from two or more clients, those who received work orders from three or more showed the most dramatic increase, from approximately 25 percent to some 40 percent in 2002 (see Figure 1).

The same trend can be observed when the data is viewed by gender. The percentage of males who have relied on work orders from only one client has always been small, but that figure decreased by almost 10 percent during the period between the two surveys, from 30.4 percent to 20.9 percent. While more women have tended to rely on one client, a similar drop is also evident among female home-based workers, from 69.6 percent to 59.3 percent, during the same period.

Both the 1997 JIL Survey and the 2002 MHLW Survey secured data by approaching establishments that utilized home-based workers, and then asking these establishments to introduce a select number of individuals from among their home-based workers. Therefore, it is probably fair to assume that the surveyed home-based workers tend to have strong (and good) relationships with these establishments and show a relatively high degree of dependence on a specific client for their work orders. Hence, the data is heavily skewed toward the reliance on one specific establishment.³ What is significant, however, is that even among home-based workers who have relied heavily on one client there has been a tendency in recent years to expand their client-base.

³ In a survey targeting members of a web-based forum that exchanges information among home-based workers (Home-based Working Forum [FWORK]), 32.2 percent reported that they had received work orders from only one client in the three-month period prior to the survey, indicating a low degree of reliance on a single client. This suggests, although indirectly, that the 1997 JIL Survey and 2002 MHLW Survey contain a certain bias in the data. However, it should also be noted that home-based workers who frequently use the Internet tend to, by nature, have multiple clients.

Figure 1: Change in Number of Clients Per Annum



Source: 1997 JIL Survey and 2002 MHLW Survey.

1.2 Background

The trend toward getting work orders from a multiple number of clients is attributable to structural factors such as a change in occupational composition and average career length of home-based workers.

First, when categorizing home-based workers by occupation, the number of those with data entry type jobs (such as text and data entry and tape dictation) dropped 3.3 percentage points in the five-year period between 1997 and 2002,⁴ from 39.3 percent to 36.0 percent, while the proportion of those engaged in non-data entry type jobs (all other occupations) increased. Examples include writers and translators (plus 3 percentage points), system engineers and programmers (plus 2 percentage points), and designers (plus 1.4 percentage point). This indicates an important trend in which home-based workers are moving away from data entry type jobs to non-data entry

⁴ Numerically speaking, the decrease of the percentage of data entry type jobs seems slight, but it should be noted that the 1997 JIL Survey and 2002 MHLW Survey define job types slightly differently. The proportion of those engaging in data entry type jobs in the 2002 MHLW Survey (which includes those engaging in non-data entry type as side-jobs) is relatively larger than the 1997 JIL Survey (which excluded those engaging in non-data entry type as side-jobs). Thus the real decrease of home-based workers with data entry type jobs in the past five years should exceed 3.3 percentage points.

type jobs.

However, these figures also represent the relationship between the increase in the number of home-based workers with multiple clients and the decrease in the number of home-based workers engaging in data entry type jobs. An exceptionally high proportion (approximately 70 to 80%) of those engaging in data entry type jobs rely on only one client.

It appears that the average career length of home-based workers is becoming longer. While the proportion of those who have been home-based workers for less than a year decreased by nearly one-half (from approximately 20% to 10%), the proportion of those engaged in such work for seven years or 10 years or more is approximately 33 percent and 23 percent, respectively, an increase of some five percent and 10 percent in the five year period between the two surveys.

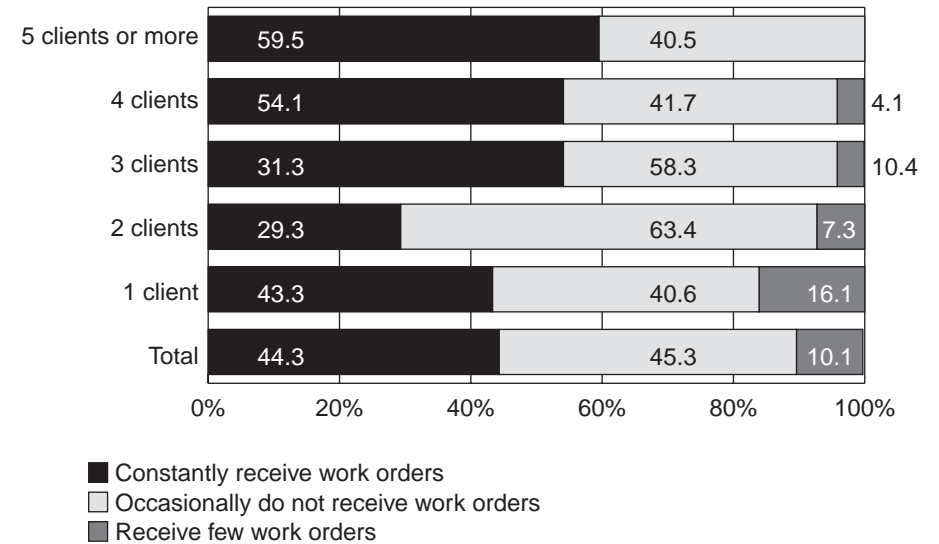
The proportion of home-based workers relying on one client shows a slightly downward trend regardless of career length from 1997 to 2002. But what has not changed is the basic pattern in which the number of home-based workers who rely on one client become dramatically less for seven years or more. Therefore, the decrease in the proportion of home-based workers relying on one client is also related to the increase in the number of those who have been working at home for seven or 10 years or more.

2. Relationship between Client Diversification and Securing Work Orders

As discussed above, there are structural factors behind the trend to diversify clients, such as a change in the occupational composition of home-based workers and the prevalence of home-based workers with longer careers. Now I would like to examine the process in which the behavior of home-based workers is accelerating this trend.

The main problem home-based workers face is the need to secure sufficient work orders (multiple responses were possible). In 1997, 40 percent of the home-based workers surveyed listed this as one of their concerns; by 2002 this figure had jumped to 53.3 percent. From these figures we can hypothesize that home-based workers are expanding their client-base in order to secure more work orders and increase their working hours and

Figure 2: Frequency of Work Orders in Relation to Number of Clients (2002)



Source: Special analysis of the 2002 MHLW Survey.

income.

Reviewing data on the amount of work home-based workers are receiving from their clients, we find that the proportion of those who “constantly receive work orders” is 45 percent among those relying on only one client, and the figure drops to around 30 percent for those receiving work orders from two or three clients. However, among those with four clients the percentage increases to around 55 percent and increases again, to approximately 60 percent, for those with five clients or more (see Figure 2).

According to the 2002 MHLW Survey, home-based workers with two clients work an average of 86.7 hours per month compared to those with one client, who work 76.5 hours per month. But the increase becomes significant for those with three clients (124.5 hours) and four clients (155.2 hours), indicating that those with four clients are working twice as long as those with one client. However, the average number of hours home-based workers with five clients or more worked is not qualitatively more than those with four clients (164.2 hours vs. 155.2 hours). The same pattern basically applies to their average monthly income as well.

It is necessary to investigate the desired number of working hours as well as the actual number of hours worked to understand the trend from the labor supply side and analyze the patterns in which home-based workers secure work orders.

Generally speaking, when home-based workers with only one client join the category of those with two clients because they want more work orders, the percentage of those who constantly receive work orders actually decreases compared to those relying on one client because they can expect only a slight increase in their workload (hours worked).

Those who have increased the number of clients to three can expect a substantial increase in workload, but again, the proportion of those who constantly receive work orders will be small since their desired working hours have increased even more. It is only when they increased their number of clients to four that the actual number of hours they worked began to match their desired number of working hours. (However, some may discover that by taking on this number of clients they have become “too busy.”)

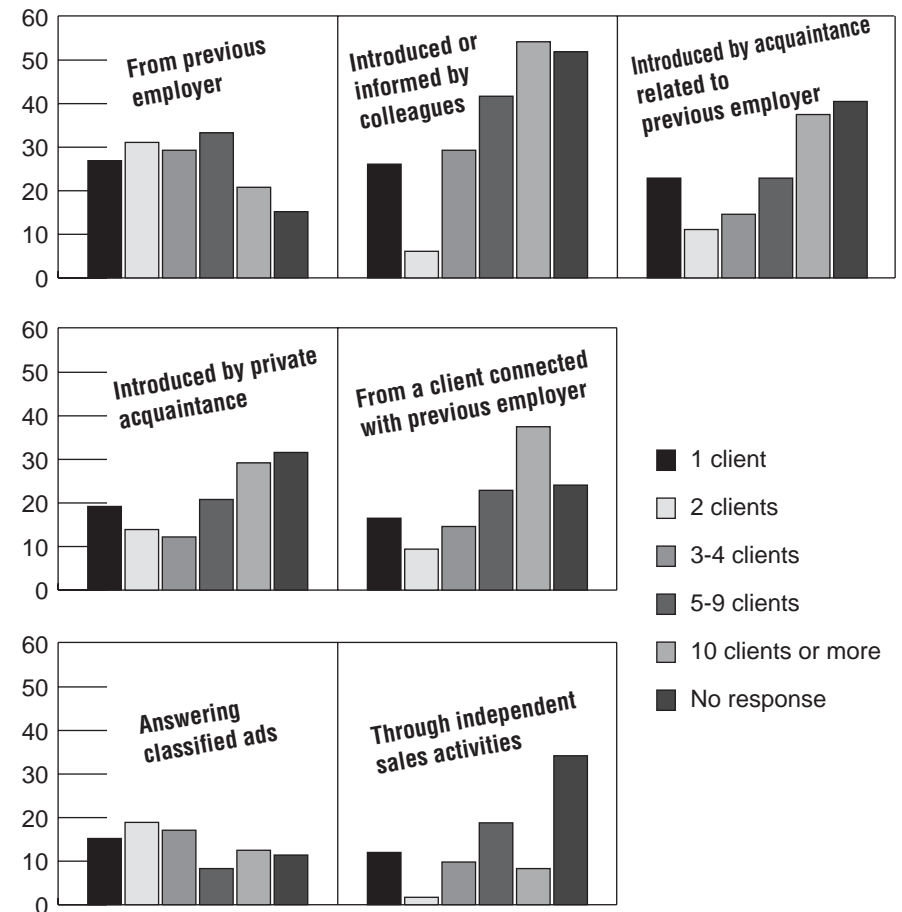
The desired working hours for home-based workers seems to vary according to family circumstance and target income levels. For example, one important factor for women is whether they have a child or how old their youngest child is. Home-based workers increase the number of their clients primarily to secure additional work orders, and they can certainly expect to increase their workload (hours worked) by doing so. However, this does not necessarily lead to always having work orders on a constant basis because the number of hours they want to work may have also changed.

3. Relationship between the Trend and Channels for Client-base Expansion

Turning our attention to the channels which home-based workers use to expand their client-base, I will focus on explaining why home-based workers cannot expect a substantial increase in their workload until they increase the number of their clients to three.

Among those with only one client, the most common method of secur-

Figure 3: Channels for Securing Clients, by Number of Clients (2002, multiple were responses possible, only the most frequent responses shown)



Source: Special analysis of the 2002 MHLW Survey.

ing work orders is to receive work orders from their previous employer. This is followed by answering classified ads. (See Figure 3, multiple responses possible.) Therefore, they tend to receive orders from their previous employer or try to secure work orders through public job listings. In addition to these channels, receiving introductions or information from colleagues increased among home-based workers with two clients, but work

orders secured through these avenues tended to be temporary or short-term.

Among those with three or more clients, however, introductions by acquaintances related to one's previous employer, introductions by private acquaintances, and receiving work orders from clients connected with their previous employer increased in addition to receiving introductions or information from colleagues, while receiving work orders from one's previous employer and answering classified ads no longer showed a significant increase.

This seems to indicate the importance of developing a horizontal personal network around the person who is in charge of outsourcing in one's previous employer or colleagues while operating as an independent (freelance) worker to securing a sufficient amount of work orders. In addition, the proportion of those who secure work orders through independent sales activities increases among those with more than five clients.

4. Implications and Policy Agendas

The final portion of this article examines the implications of the trend among home-based workers to seek more clients and explores a direction for policy response. It will conclude by evaluating the present guidelines for home-based work and addressing the need for these guidelines to be revised.

4.1 Home-based Workers and Their Diverse Characteristics

Figure 1 confirms the basic trend in which an increasing number of home-based workers are maintaining multiple clients even though close to half still rely on one client and thus maintain a "one-on-one relationship." In addition, those receiving work orders from between two to four clients, especially three to four, tend to develop a "horizontal" personal network linked with those who are in charge of outsourcing and colleagues (a home-based worker can help and hence receive work orders from another home-based worker). Moreover, home-based workers with five or more clients take on the characteristics of independent self-employed workers who secure work orders through their own sales activities.

Although this issue cannot be discussed in detail here due to space limitations, various forms of home-based work, along with different types of home-based worker-client relationships, are emerging. In addition to home-based workers who receive work orders through home-based work agencies,⁵ there are those who secure work orders through "group working" in which a group of home-based workers share work orders (prevalent among those engaged in data entry type jobs) or "collaboration" in which home-based workers with different occupational skills work together as a team (prevalent among non-data entry type jobs).⁶

As discussed, more and more home-based workers are maintaining a multiple number of clients. Quite naturally, an increasing proportion of home-based workers are maintaining relationships with multiple clients as opposed to a single client, and their client-base now includes both individual as well as corporate clients.

Hence, it is becoming increasingly difficult to base our understanding of the relationship between home-based workers and their clients on the assumption that they receive work orders from only one client, and it is becoming necessary to realize that there are different types of home-based workers with different characteristics.

4.2 Future Policy Measures

The increasingly diverse characteristics of home-based workers means it is necessary to conceive of new ways to view this question, and revise existing policies. This includes the assumption that all home-based workers have a "one-on-one relationship" with a single client and the heavy focus on regulating clients that use home-based workers. (The policy on industrial homework seems to be premised on, although not too explicitly, the assumption that a home-based worker receives orders from one client.)

To implement this change, it is necessary first to tackle the problem of home-based worker-client relations as those of individual contracts because it is difficult to deal with these relationships in a unitary fashion. Second, it is essential to promote and support a culture of self-support and self-man-

⁵ See JIL Databank, SOHO Home-based Work 2000, 2000, pp.95-128.

⁶ Regarding "group working" and "collaboration," the author has been conducting interviews for a JILPT project since 2003.

agement among home-based workers in addition to regulating those using their services to ensure fair working conditions and opportunities for home-based workers to improve their skills.

4.3 Evaluation of Guidelines and Need for Revision

To prevent disputes, in 2000, the former Ministry of Labour drafted and promoted “Guidelines for Properly Conducting Home-based Work.” According to the guidelines, those using home-based workers must clearly document the terms of the contract and ensure that conditions for the home-based workers are fair.

Existing somewhere between regular employees and the self-employed, home-based workers possess characteristics of both employed workers and independent self-employed workers. In Japan, protective measures for home workers engaged in manufacturing jobs have been implemented in accordance with the Industrial Homework Law, but home-based workers engaging in information services were placed outside the legal framework established by this regulation.⁷

The recent guidelines have played a very significant role by initiating policy response to this new working style, which previously had been something of a blind spot in labor policy, and help set parameters for dealing with the distinction between being employed and self-employed, a distinction which has been blurred with the advance of information technology. The guidelines, which include a model contract, should also be credited for establishing the primacy of contracts and for introducing the idea of approaching relations between home-based workers and clients on a contract-basis.⁸

Some examples of the detailed rules set by the guidelines include advising those who establish contracts with home-based workers to consider “the daily working hours of an average worker (eight hours)” as a standard

when determining delivery deadlines, and there is a clause stipulating that “those using home-based workers ... are expected to provide opportunities for skill development.” It is clear that the guidelines are mainly concerned with regulations and measures vis-à-vis those who employ home-based workers.

Considering that an increasing number of home-based workers are dealing with multiple clients, it may not be adequate to only address the responsibilities of those who enter into contracts with home-based workers. It is also necessary to clarify in the guidelines that home-based workers must rely on their own effort and self-management in areas such as working hours, health, and skill development first and then devise a policy framework through which the government and clients can support their efforts.

In tandem with the shift in the basic policy framework, it also becomes necessary to expand application of the guidelines to all home-based workers engaging in information services in accordance with advancement in the information technology industry. Presently, the guidelines are mainly restricted to occupations that “can be filled by anyone,” and hence applied mostly to data entry type jobs.⁹

⁷ Under the current system, when data are entered into and delivered through data saving devices such as floppy disks provided by a client, it is considered “homework in manufacturing jobs” as defined by the Industrial Homework Law.

⁸ The model contract contains clauses regarding cases in which completed work is unsatisfactory and the delivery is delayed. However, there may also be a need to insert a clause regarding cases in which a client decides to modify the specifications.

⁹ For some reason, creating homepages is included.