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# Non-Permanent Employees Who Have Become Permanent Employees: What Awaits Them after Crossing Status or Firm Borders to Become “Permanent”

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Based on a unique survey conducted amongst permanent employees with experience being employed as non-permanent employees after graduation, this paper compares transfers within companies and between companies in relation to the transition status from non-permanent to permanent employment, and analyzes the characteristics of each.

The transition from non-permanent to permanent employment within the same company, something that has not been assessed in official statistics in the past, showed a strong tendency of adherence to the same kinds of job type and workplace before and after the transition. On the other hand, in the case of inter-company transfers involving transition from non-permanent to permanent employee status, it is common to experience different job types and workplace environments before and after the transition.

In intra-company transfers, the content of the work was evaluated as the main criterion, and in the process of internalizing irregularities arising through ongoing employment, it was inferred that there was already a gradual trend towards improvements in working conditions. In contrast, in the case of inter-company transfers through changes of job, the main evaluation criterion was the worker him- or herself, and rapid improvements in working conditions were seen after the transfer, if the worker was deemed suitable to be a permanent employee.

Another new discovery was that it became clear that annual income after the transition to permanent employment did not depend on the route of transition from the non-permanent status. As a result of estimating the earned revenue function of permanent employment for a person with experience in non-permanent employment, after controlling for such factors as educational background, job type and length of service, no significant difference was seen between intra-company and inter-company transfers. In terms of the background behind income after the transition to permanent employment being independent of the route, the possibility was suggested that decision-making behavior came into play among non-permanent employees in relation to the choice of intra-company or inter-company transfers.

## **I. Introduction**

This paper analyzes the situation concerning the transition from non-permanent to permanent employment of people currently working as permanent employees who have experienced being employed as non-permanent employees after graduation. In particular, it categorizes the transition from non-permanent to permanent employment into transfers within the same company and transfers between different companies, and clarifies the characteristics of each category.

When seeking to consider the ideal situation with regard to non-permanent employment, there are potentially two approaches. One is an approach that involves keenly pointing out the serious situation in which they are being placed, and to cut into the so-called “dark” side of non-permanent employment, with the aim of achieving a breakthrough in the situation. It is this dark side, which involves such problems as temporary worker layoffs and the termination of non-permanent employment contracts, that has frequently been raised as an issue during the deep recession that began in the autumn of 2008.

In contrast to this, another approach is to pay attention to the “light” side, linking wishes to the expansion of opportunities, without overlooking areas of non-permanent employment where improvements in the situation are being seen. This paper sheds some light on the latter “light” aspects of non-permanent employment.

It is generally considered to be difficult for a person to switch from being a non-permanent to permanent employee, but is not impossible. In fact, according to the reference table carried every year in the Labour Force Survey (Detailed Tabulation), the number of those who switched from non-permanent to permanent employment climbed from an annual average of 300,000 to 400,000 during the first decade of the 21st century. Genda (2008a) used the Employment Status Survey, which ensures the largest sample size concerning job changes in Japan, to analyze the factors regulating transitions to permanent employment, through job transfers of non-permanent employees, and verified that specialist skills, such as those in the field of medicine and welfare, gave non-permanent employees an advantage in switching to being a permanent employee. An important discovery in this was that continued work experience at the same company as a non-permanent employee for around two to five years before leaving a position gave people an advantage in switching to being a permanent employee. As a background to this, the paper pointed out consistency with the signaling hypothesis, in which continued work experience in one’s previous position is an indicator of potential abilities and propensity to remain in a job.

In addition to the transition to permanent employment through job changes, Genda (2008b) indicated that internal promotions within the same company are important as a means of improving working conditions for non-permanent employees. For this paper, a unique survey was carried out of more than 3,000 non-permanent employees without spouses, and the internal labor market hypothesis concerning non-permanent labor was verified. According to the conventional dual labor market theory, non-permanent employment belongs to the external labor market, with poor work-related learning opportunities, and it has been uniformly understood that working conditions are unrelated to experience and individual abilities.

However, from positive analysis using a unique survey, proof has been obtained that even in non-permanent employment, there is a positive relationship between annual income and the number of years of continuous service, and past work experience is also assessed in some areas. These results signify the fact that seniority-based benefits, in which income is determined according to experience through in-house training, or selective benefits, where

income is determined according to individual abilities, are being implemented. This tells us that even among non-permanent employees there are people whose skills are being formed and who are receiving work benefits commensurate with the lower tier of the internal labor market.

These studies suggested that, as well as the accumulation of specialist skills, the development of a stable environment that permits a certain period of continued employment within the same company was a decisive factor in improving working conditions for those in non-permanent employment. However, on the other hand, there was still the unanswered issue of verifying one other important path towards improving working conditions for those in non-permanent employment. This was the clarification of the transition process from non-permanent to permanent employment within the same company.<sup>1</sup>

The Employment Status Survey only shows cases of transitions from non-permanent to permanent employment where the company at which the employee works has changed as a result of a job change. Trends related to people who have been promoted from non-permanent to permanent employment within the same company, without a job change, are not surveyed in conventional government statistics. Even in previous research, although there are studies that have touched upon the transition from non-permanent to permanent employment within a company, there are few relevant samples available, so the subject has not been taken up as a major research target.<sup>2</sup>

Accordingly, a new survey has been conducted of people who were working as permanent employees at the time of the survey, who had experience of employment as non-permanent employees after graduation, and this paper conducts a positive analysis of the status of transition from non-permanent to permanent employment through transfers within the same company, as well as transfers between companies as a result of job changes.

## **II. Data**

### **1. Survey Method**

In order to achieve the objectives of this paper, it is necessary to secure an adequate number of samples that can stand up to statistical validation, in relation to people who have experience working as non-permanent employees after graduating or dropping out of school, and who are currently (at the time of the survey) working as permanent employees. The option of conducting a web-based survey was selected as an effective means of doing this, with the survey being aimed at people who have already volunteered to participate in various consumer monitoring surveys, whose individual attributes have already been regis-

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<sup>1</sup> There have not been many studies of opportunities to advance from non-permanent to permanent employment within a company, but one exception to this is Sato (2004).

<sup>2</sup> For example, Nishimura (2008) stated that the Survey of Working Persons conducted by Works Institute Recruit indicates a situation in which the forms of transition to permanent employment are becoming more diverse, irrespective of academic background or gender.

tered.<sup>3</sup>

The specific procedure was as follows. Ahead of the survey, a screening survey was conducted and people from across Japan between 20 and 44 years of age who were permanent employees with experience of having worked as non-permanent employees (part-time, casual employment, temporary workers, employees on fixed-term contracts, independent contractors, etc.) in the past, since graduating (or dropping out) of school, were selected from among those who registered to be monitors.<sup>4</sup> In doing so, those in managerial or executive positions were excluded. Then, after screening them for a certain period, 4,383 of those who had registered, who met the requisite conditions, were asked to cooperate in this survey.

This survey aimed to obtain around 3,000 valid responses from those who were requested to participate. In addition, consideration was given to ensuring that it was possible to secure a minimum of around 1,000 responses as samples where the company at which the respondent had most recently worked as a non-permanent employee (excluding students) was the same as the company at which he or she was currently working as a permanent employee, with a further 1,000 as samples where the two companies were different. Incidentally, in relation to the question above, following on from the survey choice of a “different” place of employment was the note, “includes cases in which you are currently working as a permanent employee at a company where you were previously employed as a temporary worker sent from a staffing agency,” in order to draw attention to the fact that permanent employment at the place to which an employee had previously been dispatched as a temporary worker should be classed as the transition to permanent employment through transfer between companies.

## 2. Analysis Targets

Among the permanent employees with experience of working as non-permanent employees are those who made a direct transition from their most recent non-permanent employment to their current permanent employment, as well as those who ended up in their current permanent position after having experienced non-permanent employment in the past, followed by multiple experiences of permanent employment.

The main focus of this paper is a comparison of the characteristics of the process of transition from non-permanent to permanent employment in the case of transition within the

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<sup>3</sup> In research using web-based consumer monitoring surveys, there are often concerns about the credibility of the content of responses, as well as bias in the attributes of the respondents. In fact, in order to obtain reliable responses with a high level of objectivity, it is necessary to eliminate those who make poor monitors, such as those who are “masquerading,” those who have multiple registrations and those who provide multiple responses, and to reduce respondent bias to the greatest degree possible. Accordingly, the actual implementation of the survey was entrusted to a survey company that has the country’s largest number of monitors whose identity has been confirmed (around 700,000), by means of checks with financial institutions.

<sup>4</sup> The analysis target range was set at between 20 and 44 years of age because it was thought that the survey would mainly target people who had begun working during the recession after the collapse of the bubble economy.

same company and also in the case of transition through job changes between different companies. When comparing the employment situation in the most recent episode of non-permanent employment and in the current permanent employment, if cases where respondents have experienced employment as permanent employees at other workplaces are included, the impact of the learning effect resulting from their having built up experience as permanent employees will end up being included in the comparison.

Consequently, in order to ascertain the transition from non-permanent to permanent employment as accurately as possible, it is preferable to limit the survey to samples where respondents were working as non-permanent employees immediately before commencing work in their current positions as permanent employees.

In cases where respondents replied that the companies where they are currently working as permanent employees are “the same” as the companies where they were employed most recently as non-permanent employees, the respondents were then asked about their circumstances immediately before they began working at their current workplaces. In the analysis below, of those who experienced internal transfers, the sample that responded that “I was working as a non-permanent employee at my current workplace” or “I was working as a non-permanent employee at a different workplace in my current company” is called the “intra-company transfer” group in the transition from non-permanent to permanent employment.<sup>5</sup> Of the valid responses, the sample that corresponded to intra-company transfers numbered 1,117.

On the other hand, in the event that the response was that the company where the respondent is currently working as a permanent employee is “different” from the company where he/she was working most recently as a non-permanent employee, the respondent was also asked what he/she was doing immediately before becoming employed as a permanent employee at the current company. By looking at the responses, we can see that, of the 1,950 cases where the respondent had become a permanent employee through a change of job, there are many who had accumulated multiple experiences as permanent employees, with the number of those responding that “I was working as a permanent employee at a different company” climbing the scale to 622.<sup>6</sup> Accordingly, among those who had undergone a change of job, the “inter-company transfer” group only refers to those who were employed

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<sup>5</sup> With regard to “workplace,” one of the following options was selected: “Administrative division of the company (headquarters/head office),” “Administrative division of the company (branch office/branch store/affiliate),” “Research and development division of the company (research institute, etc.),” “Factory/construction site/work site,” “Sales office/service center/call center,” “Distribution/wholesale/delivery center,” “Retail store/catering establishment (supermarket, convenience store, restaurant, Japanese-style pub, etc.),” “Other premises (hotel, internet café, karaoke parlor, entertainment-related business, etc.),” “Individual office,” “Civil service,” “Working from home,” “No set workplace,” “Other.”

<sup>6</sup> In addition, those who responded “I was not doing anything” (126) or “I was doing something I was interested in other than work, such as hobbies or study” (117) were defined as the midstream job change path.

and working as non-permanent employees at different companies immediately before becoming permanent employees at their current companies, and only these were included as the targets of the analysis. The inter-company transfer group numbered 915.

### 3. Base Attributes of the Intra-Company Transfer Group and the Inter-Company Transfer Group

Table 1 presents a number of the basic attributes of the intra-company transfer group and the inter-company transfer group. By gender, the proportion of men was higher than the proportion of women in both groups. By age structure, those in their 30s were more numerous than those in their 20s or their early 40s. By the educational establishment attended most recently, in the intra-company transfer group, the proportion of those who had attended a technical college, junior college or vocational college was slightly higher than those who had ended their education after high school, whereas in the inter-company transfer group, both categories were more or less equal.<sup>7</sup> However, what both groups have in common is the fact that the proportion of those who had attended universities or graduate schools was the highest of all categories.

Even when a chi-square test was conducted to compare these attributes, no statistically significant differences were seen in the composition of the two groups. In general, in the intra-company transfer and inter-company transfer groups, no clear differences can be seen in such individual attributes as gender, age and academic background.

The area where a pronounced disparity can be seen between intra-company transfers and inter-company transfers is in the form of employment during the most recent period of non-permanent employment. In the inter-company transfer group, where the respondents became permanent employees through changes of job, the most common form of employment immediately before the change of job was casual work. For students such as university and high school students, casual work carries strong connotations of being a temporary form of employment in order to earn the income that they require for living expenses or leisure. However, casual employment after graduation might perhaps be perceived by workers or companies as interim employment at the stage before beginning full-time employment as permanent employees.

In the inter-company transfer group, the next highest proportion after casual work was accounted for by job changes from registered temporary worker to permanent employee. This category could well include at least some cases where a worker is employed as a permanent employee at a company to which he or she has been dispatched as a “temporary-to-permanent” employee, at the end of the planned period of employment as a temporary worker sent by a staffing agency. In response to the impact of the global recession that began in the autumn of 2008, many difficulties related to the employment of temporary

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<sup>7</sup> The educational establishment attended most recently that is indicated in the table includes school, college or university where the respondent dropped out part of the way through that educational stage.

Table 1. Individual Attributes as Seen in the Cases of Intra-Company Transfers and Inter-Company Transfers

Permanent employees who were non-permanent employees immediately before taking up their current positions	(Component ratio in each category, %)	
	Intra-company transfers (n=1,117)	Inter-company transfers (n=915)
(A) Gender		
Male	52.6	55.3
Female	47.4	44.7
(B) Age		
20-24 years	2.3	2.7
25-29 years	19.3	18.9
30-34 years	30.8	33.2
35-39 years	30.2	28.4
40-44 years	17.5	16.7
(C) Educational establishment attended most recently		
Junior high school	1.4	1.2
High school	26.9	29.7
Technical college, junior college, vocational college	29.5	29.3
University, graduate school	42.2	39.8
(D) Form of non-permanent employment (most recent)		
Part-time work (limited days and limited hours)	10.4	10.5
Casual work	23.6	41.0
Temporary work	3.1	3.2
Part-time work (limited days)	1.9	1.8
Day labor	0.8	2.5
Temporary (sent from a staffing agency: registered)	26.5	19.0
Temporary (sent from a staffing agency: standard)	7.7	5.8
Temporary (sent from a staffing agency: other)	1.0	0.2
Independent contractor	1.9	3.3
Fixed-term contract	20.1	10.7
Fixed-term contract (annual)	2.6	1.3
Other (other than permanent)	0.4	0.8

Note: Web-based survey entitled *Questionnaire on Ways of Working*, implemented for the specially promoted research project entitled Economic Analysis of Inter-Generational Issues. The same applies for all other tables.

workers were pointed out, such as the breaking of contracts and dismissal, and there were those who raised doubts about the temporary employment system itself. However, the results here suggest that registered temporary employment is the next most important form of employment after casual work as a route to becoming a permanent employee through a change of job.

In contrast, in relation to intra-company transfers, caution is required in the interpretation of the most recent form of non-permanent employment. Looking at Table 1, we can see that registered temporary employment is the form of non-permanent employment that accounts for the highest proportion among the intra-company transfer group. If we interpret these results literally, it means that registered temporary workers not only have the potential to become permanent employees at the “temporary place of employment” where they are actually working, but also that there are many cases in which they are employed as permanent employees at the “dispatching company” with which they concluded an employment contract. It suggests that there are few cases among non-permanent registered employees who change their form of employment at the “dispatching company” as a standard permanent employee.

In this survey, in relation to the transition from the most recent non-permanent employment to the current permanent employment, in cases where the respondents are currently working as permanent employees at places where they previously worked as temporary employees, they were prompted to select an option indicating the change of job (inter-company transfer). However, there may be some who were employed as permanent employees at the temporary place of employment and who responded that they were transferred within the same company, considering their actual places of employment as their workplace, irrespective of their employment contracts.

If we exclude registered temporary employment, the most common form of non-permanent employment prior to experiencing an intra-company transfer was casual work, as was the case with inter-company transfers. In fact, what is worthy of note in the intra-company transfer category is the large number of those making the transition from employees on fixed-term contracts. The results in the table suggest that some people are aware that being a contract employee is a trial form of employment, with a view to the possibility of making the transition to becoming a permanent employee at the company in the future.

### III. Changes in Job Type and Workplace

#### 1. Changes in Job Type

Table 2 presents a matrix representing the situation concerning changes between the job type at the time of most recent employment as a non-permanent employee before the transition and the job type when employed as a permanent employee after the transition, showing the situation for both intra-company and inter-company transfers.<sup>8</sup> The matrix values refer to the component ratio (percentage) of the permanent job type after the transition as seen by job type while in non-permanent employment; the upper row shows the

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<sup>8</sup> In this survey, the number of non-permanent employees selecting the “managerial position” option was very low, at just 19, so this option has been excluded from the table.



Table 2. Changes in Job Type Resulting from the Transition from Non-Permanent to Permanent Employment

Upper row (intra-company transfers) Lower row (inter-company transfers)	Permanent employment job type after the transition								Total (%)	(I) Job type composition at the time of non-permanent employment
	Professional/ technical position	Clerical position	Sales/ marketing position	Service position	Production process/ manual labor position	Transport/ security position	Other			
Non-permanent employment job type immediately before the transition	Professional/ technical position	7.1	2.5	0.8	0.0	0.0	0.0	0.0	100.0	21.5
		14.3	4.8	2.7	4.1	0.7	0.0	0.0	100.0	16.2
	Clerical position	94.2	1.5	0.2	0.2	0.0	0.0	1.0	100.0	36.9
		80.3	4.0	2.2	0.9	1.4	0.0	0.5	100.0	24.5
	Sales/marketing position	7.1	6.0	78.6	3.6	2.4	2.4	0.0	100.0	7.5
		4.4	42.0	39.1	4.4	1.5	5.8	2.9	100.0	7.6
	Service position	12.5	12.5	7.5	60.0	2.5	0.8	4.2	100.0	10.8
		23.7	33.6	11.2	16.6	10.0	4.6	0.4	100.0	26.5
	Production process/manual labor position	4.6	11.2	3.3	0.7	78.3	1.3	0.7	100.0	13.6
		18.1	18.8	6.9	9.7	31.9	11.8	2.8	100.0	15.8
Transport/security position		1.3	11.3	0.0	2.5	75.0	0.0	0.0	100.0	7.2
		13.0	18.8	11.6	10.1	14.5	29.0	2.9	100.0	7.6
	Other	11.1	18.5	3.7	0.0	0.0	0.0	66.7	100.0	2.4
	6.3	50.0	18.8	6.3	6.3	0.0	12.5	100.0	1.8	
(II) Job type composition after entering permanent employment		23.3	40.8	9.2	7.1	11.4	5.8	2.5	100.0	
		25.1	39.4	10.0	8.1	9.9	6.2	1.3	100.0	

Note: Of the non-permanent employment types, managerial positions (pre-transition) have been omitted. Apart from the column at the far right (I) and the row at the bottom (II), the figures represent shares of non-permanent employment job types immediately before the transition. (I) shows the share of total non-permanent employment before the transition, while (II) shows the share of total permanent employment after the transition.

values for intra-company transfers, while the lower row shows the values for inter-company transfers.

As well as the job type change matrix, the table also presents the pre-transition job type component ratio for non-permanent employment as a whole in the column at the far right (I), while the bottommost row (II) shows the post-transition job type component ratio for permanent employment as a whole. The values in (I) and (II) promote an understanding of the main discoveries related to the changes that are demonstrated in the matrix.

From (I), we can see that most transitions from non-permanent employment as a result of intra-company transfers arise from clerical positions, professional positions and technical positions. More specifically, the proportion of those who were in clerical positions before their transition to permanent employment was 36.9%, while the proportion of those in professional and technical positions was 21.5%, so together they account for over half of the total. Thus, the majority of intra-company transfers arise from white-collar job types, while those from blue-collar job types such as production process jobs and manual labor did not exceed 13.6% of the total.

Furthermore, from the inter-company transfers section of (I), it is evident that there are points in common with intra-company transfers, as well as areas of difference. With regard to the points in common, transitions from clerical positions are high in inter-company transfers as well, at 24.5%. Moreover, transfers from non-permanent employment in production process jobs and manual labor were also limited in the category of inter-company transfers, at 15.8%. Irrespective of whether it resulted from an intra-company or an inter-company transfer, the transition from non-permanent to permanent employment occurs most easily in clerical positions.

However, there are also differences from intra-company transfers in the category of inter-company transfers. In the case of inter-company transfers, along with clerical positions, there was a high incidence of transition from non-permanent employment in the case of service positions. Inter-company transfers from professional and technical positions were about as low as those from production process jobs and manual labor, at 16.2%.

At the same time, another important fact is revealed by the job type composition after the transition to permanent employee status in (II); with regard to the job type composition at the time of hiring as a permanent employee, there was hardly any difference between intra-company and inter-company transfers. Irrespective of the transition process, what was common to both intra-company and inter-company transfers was that the proportion of those taking up permanent employment in clerical positions after the transition was the highest, at around 40%. Moreover, permanent employees in service positions after the transition accounted for only a small proportion of the total in the case of intra-company transfers, at 7.1%, and the level was similarly low in the case of inter-company transfers, at 8.1%. On the other hand, in the case of professional and technical positions, where the occurrence of inter-company transfers is not very common, whereas the proportion after the transition in the case of intra-company transfers is 23.3%, in the case of inter-company transfers it was

a comparable level, if slightly higher, at 25.1%. The job type composition after the transition to permanent employee status is surprisingly similar between intra-company and inter-company transfers.

Behind the changes in the job type composition between the pre- and post-transition situation are marked differences in the situation with regard to the changes in job type detailed in the matrix in the table.

Looking at the diagonal matrix, we can see that the share of those remaining in the same job type is markedly higher in the case of intra-company transfers than in the case of inter-company transfers. In cases where non-permanent employees in clerical positions transfer to positions within the same company, almost all (94.2%) become permanent employees in clerical positions. In the case of non-permanent employees in professional or technical positions, 89.6% of those experiencing intra-company transfers moved to permanent professional or technical positions. In the case of other positions, although the share of those remaining in the same job type was comparatively low, compared with the case of inter-company transfers, the disparity is large. The share of those in non-permanent employment in production process jobs and manual labor who remained in the same job type after the transition to permanent employment is 78.3% in the case of intra-company transfers, whereas in the case of inter-company transfers it was less than half, at 31.9%.

This fact means that, in the case of inter-company transfers, changes of job type occur frequently as a result of the transition. In the case of intra-company transfers, 60% of those in non-permanent employment in service positions transitioned to permanent employment in service positions. However, in the case of inter-company transfers, the percentage of those switching to permanent service positions after the transition from non-permanent service positions, which were the most common, was low at 16.6%. Rather, non-permanent employees in service positions mostly moved to being employed as permanent employees in clerical positions or professional/technical positions at other companies through job transfers.

In inter-company transfers, there were many cases of non-permanent employees in sales/marketing positions transferring to permanent clerical positions, rather than positions in the same job type. In the case of production process jobs and manual labor, although the share accounted for by those working in the same job types after changing jobs was the highest, the share of those changing jobs to take up professional, technical or clerical positions as permanent employees was also not that low, at 18-19%.

Changes of job type where there are frequent transitions from non-permanent employment arising from inter-company transfers give rise to results in which the job type composition after the transition to permanent employee status does not differ greatly between intra-company and inter-company transfers.

Overall, we can see from Table 2 that job type is the main criterion in intra-company transfers as the prerequisite that brings about the transition from non-permanent to permanent employment, and this continues even after the transition, while there appears to be only

a weak tendency to adhere to a particular job type in the case of inter-company transfers. In fact, a different criterion from job type while in non-permanent employment lies behind inter-company transfers.

## 2. Changes in Workplace

Table 3 presents a matrix of changes in the workplaces where the respondents worked as non-permanent employees immediately before their transitions and where they worked as permanent employees after their transitions. In addition, with regard to workplaces, in the case of temporary workers and independent contractors, rather than asking about the dispatching company or the company issuing the contract, the survey sought answers about the places to which the respondents were dispatched or contracted.<sup>9</sup> In the same way as Table 2, the column on the far right indicates the workplace composition at the time of non-permanent employment, while the bottom row shows the workplace composition at the time of permanent employment.

If one looks at the table, naturally, the proportion of those working in the same kind of workplace after the transition is high in the case of intra-company transfers. Of the non-permanent employees who had been working in the “administrative division of the company (headquarters/head office),” the proportion of those who became permanent employees working in the “administrative division of the company (headquarters/head office)” in the same way after the transition is 93.6%. In the case of intra-company transfers, excluding the “sales office/service center/call center” and “other premises (hotel, internet café, karaoke parlor, entertainment-related business, etc.)” options, in all of the other workplaces, at least 75% of respondents are working as permanent employees in the same kind of workplace.<sup>10</sup>

However, even in the case of transfers within the same company, a number of cases are evident in which the workplace changed as a result of the transition from non-permanent to permanent employee status.<sup>11</sup> For example, of the non-permanent employees working in

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<sup>9</sup> In the event that there were multiple workplaces, the respondents were asked to answer about the workplace where they spent the greatest number of years working.

<sup>10</sup> Apart from transfers of workplace, the transfer situation related to the scale of employees (number of permanent employees) overall in the company where respondents are employed was also surveyed. According to this, naturally, in the case of intra-company transfers, the proportion of respondents working in a workplace with the same scale of employees before and after the transfer is high. On the other hand, there were also cases in which the current scale of employees, since the respondent became a permanent employee, has increased compared with the stage at which the respondent was a non-permanent employee. This result tells us that the transition from non-permanent to permanent employment has occurred as a consequence of an expansion in employment by the company, even if only indirectly.

<sup>11</sup> These are cases in which the company where the respondent was working most recently as a non-permanent employee and the company where he/she is currently working as a permanent employee are the same, and correspondents to the option “I was working as a non-permanent employee at a different workplace in my current company.”

the “administrative division of the company (branch office/branch store/affiliate),” the proportion who transitioned to the headquarters or head office of the same company as a permanent employee was 16.4%.

More than this, though, the change in the type of workplace in the case of inter-company transfers was significant. Looking at the column on the far right (I), we can see that the workplaces of non-permanent employees where the greatest number of inter-company transfers takes place are in the “retail store/catering establishment (supermarket, convenience store, restaurant, Japanese-style pub, etc.)” category (20.8%). However, looking at the subsequent changes based on the matrix, we can see that the proportion of those working in retail stores or catering establishments after the transition was around one person in ten. The majority became permanent employees working at a “factory/construction site/work site” or in the administrative division of a company.

In the case of inter-company transfers, the highest proportion of transitions involving the same kind of workplace before and after the transition is accounted for by the “administrative division of the company (headquarters/head office)” category, with a share just shy of 70%, at 69.4%. Conversely, in the case of non-permanent employment in a different kind of workplace, the proportion accounted for by permanent employment at the company headquarters or head office is high. Of the people working as non-permanent employees at a branch office, branch store or affiliate, the proportion who became permanent employees working at the head office as a result of a change of job is around 40%.

As a result, in this area as well, the workplace composition immediately after becoming a permanent employee, as shown in the bottom row of Table 3 (II) is similar in the case of both intra-company and inter-company transfers. From (I), one can see that in the case of intra-company transfers, the proportion of non-permanent employees in the “administrative division of the company (headquarters/head office)” changing workplace was higher than in the case of inter-company transfers. However, looking at (II), we can see that the proportion accounted for by the “administrative division of the company (headquarters/head office)” is about the same in the case of intra-company and inter-company transfers, at around 36%, due to the diversity of workplace transfers arising from inter-company transfers. Moreover, as a result of the fact that most non-permanent employees who had been working at a “retail store/catering establishment” departed that category for other workplaces, the proportion of those working as permanent employees at retail stores or similar establishments after the transition was low, as in the case of intra-company transfers.

From the above, we can conclude that the transition from non-permanent to permanent employment by means of intra-company transfers often involves a move to the same kind of workplace, primarily the administrative division of a company, whereas most transitions from non-permanent to permanent employment involving a change of company are characterized by the fact that they result in a move to a different kind of workplace.

Table 3. Changes in Workplace Type Resulting from the Transition from Non-Permanent to Permanent Employment

Upper row (intra-company transfers) Lower row (inter-company transfers)	Permanent employment workplace after the transition										(I) Workplace composition at the time of non-permanent employment
	Administrative division of the company (headquarters/ head office)	Administrative division of the company (branch office/ branch store/ affiliate)	Research and development division of the company	Factory/ construction site/ work site	Sales office/ service center/call center	Distribution/ wholesale/ delivery center	Retail store/ catering establishment	Other premises	Other	Total (%)	
Administrative division of the company (headquarters/head office)	93.6	2.0	1.1	0.6	1.4	0.3	0.0	0.3	0.8	100.0	32.1
Administrative division of the company (branch office/branch store/affiliate)	69.4	15.3	2.1	2.1	4.2	0.7	0.7	0.7	4.9	100.0	15.7
Research and development division of the company	16.4	77.4	1.1	2.8	1.1	0.0	0.6	0.0	0.6	100.0	15.9
Factory/construction site/ shop floor	41.8	38.8	1.9	1.9	4.9	1.0	1.0	1.9	6.8	100.0	11.3
Sales office/service center/ call center	1.9	1.9	84.9	3.8	1.9	0.0	1.9	0.0	3.8	100.0	4.7
Distribution/wholesale/ delivery center	12.1	9.1	48.5	18.2	0.0	3.0	0.0	3.0	6.1	100.0	3.6
Retail store/ catering establishment	5.8	3.7	1.6	85.8	2.1	0.0	0.0	0.0	1.1	100.0	17.0
Other premises	22.2	7.4	3.1	43.8	6.2	6.8	3.1	2.5	4.9	100.0	17.7
Other	10.1	11.2	2.3	1.1	71.9	0.0	0.0	0.0	3.4	100.0	8.0
Workplace composition after entering permanent	38.8	14.9	1.5	6.0	23.9	0.0	1.5	1.5	11.9	100.0	7.3
	8.9	8.9	0.0	2.2	0.0	77.8	2.2	0.0	0.0	100.0	4.0
	23.5	9.8	0.0	13.7	11.8	27.5	7.8	0.0	5.9	100.0	5.6
	9.9	2.2	1.1	3.3	4.4	0.0	76.9	2.2	0.0	100.0	8.2
	28.4	9.5	3.2	17.4	13.2	5.3	11.1	3.2	9.0	100.0	20.8
	17.5	2.5	2.5	0.0	7.5	0.0	5.0	65.0	0.0	100.0	3.6
	30.4	18.8	4.4	11.6	10.1	0.0	5.8	7.3	11.6	100.0	7.5
	2.7	6.8	2.7	0.0	6.8	2.7	2.7	0.0	75.7	100.0	6.6
	30.2	16.7	5.2	5.2	10.4	4.2	3.1	1.0	24.0	100.0	10.5
(II) Workplace composition after entering permanent	36.4	15.6	5.4	15.9	7.9	3.4	6.9	2.6	6.0	100.0	
	35.5	15.2	4.5	15.2	9.3	4.6	4.4	2.3	9.1	100.0	

Note: Apart from the column at the far right (I) and the row at the bottom (II), the figures in the table represent shares of non-permanent employment workplace types immediately before the transition. (I) shows the share of total non-permanent employment before the transition, while (II) shows the share of total permanent employment after the transition. "Retail store/catering establishment" refers to supermarkets, convenience stores, restaurants, etc., while "Other premises" refers to hotels, internet cafés, karaoke parlors, etc.

#### **IV. Careers at the Non-Permanent Employee Stage**

##### **1. Continued Service and Experience Changing Jobs**

In the previous section, it was confirmed that, in the transition from non-permanent to permanent employment, employees were more likely to stick to the same job type and workplace in the case of intra-company transfers than in the case of inter-company transfers.

In the web-based survey conducted for this paper, those currently working as permanent employees were asked about their employment circumstances when they were previously working as non-permanent employees. One of the specific questions asked was about the length of continued service at the workplace where they were most recently employed as non-permanent employees.

Genda (2008a) discovered that, compared with a continuous length of service in one's previous non-permanent employment of less than a year, the probability of finding employment as a permanent employee after leaving non-permanent employment increases significantly as the length of continued service in one's previous job increases to between two and five years. As a background to this, it was suggested that if the company considering employing a person only has incomplete information about that worker's abilities and propensity to remain in a job, his or her length of continued service in a previous job could possibly function as a signal.

The results of this demonstration were obtained as a result of analysis of the individual responses to the Employment Status Survey, but this survey did not investigate the transition from non-permanent to permanent employment within the same company. Consequently, the significance of the length of continued service during non-permanent employment in the case of intra-company transfers remained unclear, compared to the case of inter-company transfers. Accordingly, the survey conducted for this paper asked how long the respondents had worked as non-permanent employees in the workplaces where they had been employed most recently as non-permanent employees.<sup>12</sup> Table 4 shows component ratios of the length of continued service during the most recent period of non-permanent employment, separated into the categories of intra-company transfer and inter-company transfer.

The highest component ratio with regard to length of continuous service as a non-permanent employee was between one and three years in the case of both intra-company and inter-company transfers. However, comparing both transfer routes, the weighting of long-term continuous service was higher overall in the case of intra-company transfers compared with inter-company transfers. The component ratio of between three and

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<sup>12</sup> Here as well, rather than asking about the dispatching company or the company issuing the contract, the survey sought answers about the place to which the respondent was dispatched or contracted, and in the case where there were multiple workplaces, the respondents were asked about the workplaces where they had spent the longest continuous amount of time.

Table 4. Employment Conditions When Still a Non-Permanent Employee and Self-Assessment Thereof

	(Component ratio in each category, %)	
	Intra-company transfers	Inter-company transfers
(A) Period of continued employment at the workplace where respondent was working as a non-permanent employee most recently		
Less than 6 months	17.8	20.6
More than 6 months but less than a year	22.5	29.5
More than a year but less than 3 years	36.9	34.9
More than 3 years but less than 5 years	16.0	9.7
More than 5 years	6.8	5.4
(B) Number of companies where respondent has worked as a non-permanent employee in the past		
1 company	49.2	41.2
2 companies	25.0	28.2
3 companies	12.4	14.4
4 companies	3.7	4.3
5 companies or more	9.7	11.9
(C) Is the respondent's experience gained as a non-permanent employee in the past being used in the current job (as a permanent employee)?		
Utilized	90.2	66.6
Not utilized	9.9	33.4
(D) Did the respondent feel a sense of personal growth in his or her work during the most recent period of non-permanent employment		
Yes	78.7	70.0
No	21.3	30.1

*Note:* With regard to (A) and (B), in the case of temporary workers and independent contractors, rather than asking about the dispatching company or the company issuing the contract, respondents were asked about the place to which they were dispatched or contracted (where there are multiple workplaces, respondents were asked to answer about the workplace where they had worked for the longest amount of time). Moreover, in all cases from (A) to (D), the component ratio is statistically significant at the level of 1%, as a result of the chi-square test.



five years applied in 9.7% of cases in inter-company transfers, while in the case of intra-company transfers it was more than six percentage points higher, at 16.0%.

From these results, it is evident that in job changes from non-permanent employment, experience of past continued employment as a non-permanent employee is emphasized in the case of intra-company transfers. However, the implication of this might perhaps differ from the interpretation of a “signaling” effect through job changes. In signaling, the asymmetric nature of information available to those changing jobs and those recruiting new employees at companies, in relation to the abilities of the potential hire and his or her propensity to remain in a job, was the basic premise. On the other hand, within companies, even if they are not perfect, opportunities for learning do arise through the close observation of a non-permanent employee’s abilities and attitude towards the job, and managers and executives can gradually recognize these more accurately (Harris and Holmstrom (1982), etc.). Thus, as a result of the “learning effect” through continued employment for a particular period of time, companies become able to discern in a more “noiseless” fashion which non-permanent employees have the qualities and drive required to be permanent employees.

Furthermore, in addition to the learning effect, one can anticipate a “training effect” from continued employment at the same company for a particular period of time, whereby an employee gains the specific skills required for that company through on-the-job training. Against the background of these learning and training effects, it is likely that a longer period of continued service is required in order to make the transition from non-permanent to permanent employee status through an intra-company transfer. At the same time, these effects are consistent with the fact that some employees in non-permanent employment are coming to form the lower tier of the internal labor market, as pointed out by Genda (2008b). A certain level of continued employment promotes the internalization of non-permanent employment, not only leading to an increase in income, but also bringing about the creation of more permanent employees, with a view to their transition to the middle and upper tiers of the internal labor market.

The importance of continuous employment in intra-company transfers can also be confirmed through another question. In this survey, respondents were asked about how many companies they had previously worked at as non-permanent employees (however, casual work while still in school was excluded). The component ratios for this are also shown in Table 4.

According to this table, of the people who had achieved a transition to permanent employee status through an intra-company transfer, the percentage of those who had only experienced working at one company as a non-permanent employee – in other words, those who had only worked at the companies where they were currently working as permanent employees – is 49.2%, or about half of the respondents experiencing intra-company transfers. The proportion of those who had worked as non-permanent employees at only one other company than their current company is 25.0%, so these two possibilities together account for three-quarters of the total. In comparison, in the case of inter-company transfers,

the proportion of those who had only experienced non-permanent employment at one company was lower than in the case of intra-company transfers.<sup>13</sup> The trend towards continued employment at a specific company is stronger in the case of intra-company transfers than in the case of inter-company transfers.

## 2. Self-Assessment of Non-Permanent Employment Experience

Furthermore, this survey asked respondents to carry out a self-assessment of the careers they were pursuing during their period of non-permanent employment. More specifically, they were firstly asked “Are the experiences that you gained through your previous non-permanent employment being utilized in your current job?” It goes without saying that their current jobs are the jobs in which they work as permanent employees. The results of this assessment are shown in Table 4, categorized by intra-company and inter-company transfers.

Looking at the table, we can see that, of those people who became permanent employees through an inter-company transfer, two-thirds (66.6%) responded that the work experience that they had gained in the past as non-permanent employees was being utilized at present. In contrast, in the case of intra-company transfers, 90.2% gave a positive evaluation, stating that their past experience as non-permanent employees was being utilized at present.

Strictly speaking, what the intra-company transfer group was assessing was not necessarily their work as non-permanent employees at the same companies immediately before becoming permanent employees. However, as seen earlier, around half of the intra-company transfer group had only had experience working as non-permanent employees at their current companies, and the length of continued service was long. Consequently, one can infer that it was precisely the fact that they had useful experiences during their period of non-permanent employment at their current companies that led to their period of continuous employment as non-permanent employees. As a result, it can be said that the fact that the specific job types that they had experienced as non-permanent employees and the abilities that they had built up in the workplace were recognized by the companies led to their employment as permanent employees.

There was also a question that showed that growth opportunities as a non-permanent employee are abundant in the case of intra-company transfers. The survey asked, “When you were working as a non-permanent employee most recently, did you feel that you experienced personal growth in regard to your work?” What the survey was asking for here was the respondents’ self-assessments concerning their non-permanent employment when they were working at different companies immediately before becoming permanent employees, in the case of inter-company transfers, and concerning their employment as non-permanent

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<sup>13</sup> With regard to the component ratios for length of continuous service and number of companies where respondents had worked as non-permanent employees, the differences between intra-company and inter-company transfers were statistically significant at the 1% level.

employees at their current companies, in the case of intra-company transfers.

The results of this are shown in Table 4 as well. In the case of inter-company transfers, 70.0% stated that they had experienced a sense of growth in their most recent work as non-permanent employees, whereas in the case of intra-company transfers, the level was even higher, at 78.7%, a statistically significant difference.

Compared with inter-company transfers, work experience cultivated as a non-permanent employee is more likely to have a beneficial effect on subsequent employment in the case of the creation of permanent employees through intra-company transfers, where employees have a strong tendency to have been working in a single place of employment continuously, and is more likely to lead to a sense of growth for the individual concerned.<sup>14</sup>

### 3. Reason for Becoming a Permanent Employee

The reasons for having switched from being a non-permanent to a permanent employee have been summarized in Table 5, based on the results indicating the workers' own awareness. The table provides different options for intra-company and inter-company transfers. Both are the results of having asked respondents to provide multiple answers regarding what they feel was recognized when they were hired as permanent employees.

With regard to the reasons for changing from being a non-permanent to a permanent employee within the same company, the foremost reason was that the respondent had been highly evaluated or recommended by an executive, manager or other permanent employee, at 58.2%. The next most common reasons were that permanent employment was the result of the respondent's own efforts to become a permanent employee and the existence of a permanent employee recruitment system, but compared with recognition from the company, the levels were less than half of the overall responses.<sup>15</sup> There were few cases of non-permanent employees who were hired from the outset with the plan for them to become permanent employees, at 14.9%.

From these data, we can surmise that companies screen their non-permanent employees after a certain period of time, with those non-permanent employees who were rated highly in this process achieving permanent employee status as a result of having their skills improved by undergoing training.

What are the reasons for the transition through inter-company transfers? If we look at the lower table in Table 5, the overwhelming majority responded that their own characters

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<sup>14</sup> The essential issue in bringing about an improvement in non-permanent employment is the construction of a new system for developing skills. This is a "collaborative skills development system," which is neither a system in which the individual takes responsibility him- or herself, nor a system in which someone else takes responsibility for everything, but rather a system in which the worker him- or herself, the company and the government each fulfil their responsibilities. For further discussion regarding this point, please refer to Genda (2009).

<sup>15</sup> For a brief summary of the current status of permanent employee recruitment systems and related issues, please refer to Takeishi (2008), etc.

Table 5. Reasons for Having Switched from Being a Non-Permanent to a Permanent Employee (by transfer type, multiple responses possible, %)

<b>I. Reason for Having Transferred within the Same Company</b>	(%)
• Because of being highly evaluated or recommended by an executive, manager or other permanent employee	58.2
• Because of having had a strong desire and made a major effort to become a permanent employee	27.0
• Because the company had a permanent employee recruitment system	22.7
• Because the need to consider such circumstances as childbirth or caring for elderly family members had disappeared	1.5
• Because a situation emerged in which it became an absolute necessity to work as a permanent employee	5.6
• Because the decision to employ me as a permanent employee was taken when I was employed as a non-permanent employee	14.9
• Because a job for a permanent employee just happened to come up in my workplace	5.5
• Other	5.6
<b>II. Reason for Having Transferred between Companies (Points Thought to Have Been Recognized in Recruitment)</b>	
• My own character and attributes (diligence, honesty, tenacity, etc.)	56.9
• The content of my job or performance and experience when working as a permanent employee in the past	25.4
• The content of my job or work experience gained when working in a position other than a permanent employee in the past, as a part-timer or a temporary employee, or on a fixed-term contract, etc.	22.7
• My qualifications and skills	34.6
• The reputation of the companies where I have worked in the past	7.7
• My academic background or circumstances during my student years (academic performance or club activities, etc.)	9.8
• My health, strength, etc.	15.1
• My network of contacts, such as family, friends and acquaintances	11.2
• Other	2.8

and qualities (diligence, honesty, tenacity, etc.) were recognized, accounting for 56.9% of the multiple responses. The next most common response was that their qualifications and skills had been recognized, at 34.6%. Genda (2008a) as well found that qualifications in fields such as social services and medical care, along with the number of years of continued service in the past, influenced the transition of the employment status of non-permanent displaced workers, and these results are consistent with those findings.

On the other hand, those responding that the content of their work and their experiences when working other than as permanent employees were recognized accounted for just 22.7%. Those listing the content of their work and past performance and experiences when working as permanent employees before their most recent period of non-permanent employment accounted for 25.4%. However, in every case, rather than the content of past “jobs,” the main focus of recognition in inter-company transfers was the attributes of the “individual concerned,” that is to say, the worker him- or herself, as represented by their characters and qualities.

Thus, the direct reasons for the respondents having achieved permanent employee status also imply the fact that the main factors bringing about the transition differ between intra-company and inter-company transfers.

## **V. Employment Conditions Brought about by the Transition**

### **1. Changes in Employment Conditions**

Finally, let us look at what kind of changes in employment conditions result from the transition from non-permanent to permanent employment, according to whether it is an intra-company or inter-company transition.

With regard to changes in employment conditions, the first thing that will be noticed is probably the change in wage earnings. Of the two types of transition, those who had undergone an intra-company transfer were asked whether or not their monthly pay (take-home) had increased since becoming permanent employees, compared to when they were working as non-permanent employees in their current companies. At the same time, those who had undergone inter-company transfers were asked whether their monthly pay had increased by their becoming permanent employees, compared to when they were last working as non-permanent employees.

The results of this are shown in the upper table of Table 6. Whereas monthly pay increased in 61.8% of cases of intra-company transfers, the figure was higher in the case of inter-company transfers, at 66.2%. In both situations, there were examples of pay decreasing, in 21-22% of cases, but overall, pay increased more often as a result of an inter-company transfer than of an intra-company transfer, and this difference is statistically significant.

With regard to the background to the increase in wage earnings, Table 6 also shows that it was more common for changes in responsibility in the respondent’s normal work to have increased in the case of inter-company than intra-company transfers. The same table shows that feelings of job satisfaction resulting from having become a permanent employee increased to a greater extent in the case of inter-company transfers than in the case of intra-company transfers.

Overall, these results tell us that inter-company transfers due to a change of job give rise to greater changes in employment conditions being experienced by the worker in

Table 6. Changes in Employment Conditions Arising from the Transition from Non-Permanent to Permanent Employment

	(Component ratio in each category, %)	
	Intra-company transfers	Inter-company transfers
(A) Changes in monthly pay (take-home)		
Increased	61.8	66.2
Did not change	16.4	11.2
Decreased	21.8	22.6
(B) Changes in responsibility in normal work		
Increased	68.8	70.6
Did not change	30.9	26.0
Decreased	0.4	3.4
(C) Changes in job satisfaction		
Increased	48.4	57.9
Did not change	43.1	32.5
Decreased	8.5	9.6

*Note:* With regard to (A) from (C), the focus of the comparison with current permanent employees was the time when they were previously working as non-permanent employees at their current companies, in the case of intra-company transfers, while in the case of inter-company transfers, it was the time when they were working most recently as non-permanent employees. In addition, the component ratio in all items from (A) to (C) is significant at the 1% level through the chi-square test.

question than do intra-company transfers. In the transition from non-permanent to permanent employment, most inter-company transfers arising from a change of job result in an increase in income, as well as a rise in work-related responsibilities and job satisfaction. Compared with this, changes in employment conditions in the case of intra-company transfers are smaller. This suggests that during ongoing employment at a single company, employees had already been experiencing gradual changes in the content of their work and their pay even before normalization.

## 2. Annual Income and Working Hours after the Transition

So, as a result of a change of job bringing about major changes in working conditions, in the transition from non-permanent to permanent employee status, is it the case that inter-company transfers result in a higher income after becoming a permanent employee than

do intra-company transfers? Do inter-company transfers have the effect of giving rise to a bigger increase in the salary of permanent employees?

In order to clarify these points, let us estimate the earnings function of people who have experienced employment as non-permanent employees, and who are currently working as permanent employees at private sector companies. The dependent variable is the annual income (the amount before deductions, such as taxes and social insurance premiums) from a person's current job over the past year.<sup>16</sup>

In this survey, in order to avoid a situation in which people declined to respond, to the greatest degree possible, rather than asking them about the absolute level of their annual incomes, a method was adopted whereby they selected one option from a value range related to annual income.<sup>17</sup> Then, after turning the upper and lower limits of each category into a natural logarithm, interval regression was carried out.

In the explanatory variables, in the same way as the estimate of the ordinary earnings function, dummy variables were used, in relation to gender, age, academic background, job type, number of years of continued employment in the current workplace (length of service) and number of employees. In doing so, as the transition process from non-permanent to permanent employment, with intra-company transfers as the reference group, the dummy variables for inter-company transfers were added to the explanatory variables.

Furthermore, in order to research the impact of inter-company transfers on the content of work as a permanent employee from a different perspective, interval regression was carried out in relation to working hours (natural logarithm values) during a normal week, using the same explanatory variables as in the estimate of earnings function.<sup>18</sup> Table 7 shows the results of the interval regression in relation to the earnings function and weekly working hours.

Looking at the earnings function, we can firstly see similar results to the normal estimate. As well as the annual income of women being significantly lower than that of men, the annual income level was higher if an individual had a higher level of education, a longer

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<sup>16</sup> However, if a year had not yet passed, respondents were asked about the amount that they anticipated receiving.

<sup>17</sup> More specifically, respondents were asked to select one option from among the following: "None," "Less than ¥250,000," "Around ¥500,000 (¥250,000–less than ¥750,000)," "Around ¥1 million (¥750,000–less than ¥1.5 million)," "Around ¥2 million (¥1.5 million–less than ¥2.5 million)," "Around ¥3 million (¥2.5 million–less than ¥3.5 million)," "Around ¥4 million (¥3.5 million–less than ¥4.5 million)," "Around ¥5 million (¥4.5 million–less than ¥6 million)," "Around ¥8 million (¥6 million–less than ¥10 million)," "¥10 million or more," "Don't know/don't wish to answer." Samples where the respondent had selected "Don't know/don't wish to answer" were excluded from the estimate of earnings function.

<sup>18</sup> Respondents were asked to select one option from among the following concerning their working hours during a normal week: "Less than 20 hours," "20 hours–less than 30 hours," "30 hours–less than 40 hours," "40 hours," "More than 40 hours–less than 50 hours," "50 hours–less than 60 hours," "60 hours or more." The estimate was conducted after formulating a natural logarithm from the upper and lower limits of each category.

Table 7. Specific Factors in Annual Income and Weekly Hours Worked (Interval Regression Analysis)

	Annual Income (Past Year)		Weekly Hours Worked	
	Coefficient	Asymptotic t-value	Coefficient	Asymptotic t-value
<b>Gender</b>				
Female	-0.2034	-5.14 ***	-0.0832	-4.51 ***
<b>Age Range</b>				
25-29 years	0.1665	1.54	0.0832	1.91 *
30-34 years	0.1966	1.84 *	0.0873	2.03 **
35-39 years	0.3279	3.06 ***	0.1054	2.41 **
40-44 years	0.4048	3.67 ***	0.1511	3.31 ***
<b>Academic Background</b>				
Junior high school	0.0878	0.60	-0.0212	-0.31
Technical college, junior college, vocational college	-0.0068	-0.16	0.0037	0.19
University or graduate school	0.1369	3.38 ***	0.0568	2.99 ***
<b>Job Type</b>				
Professional or technical position	0.1832	3.10 ***	0.0234	0.81
Clerical position	0.1079	1.77 *	-0.0019	-0.07
Sales or marketing position	0.1174	1.68 *	0.0017	0.05
Service position	-0.0063	-0.09	-0.0389	-1.15
Transport or security position	0.1154	1.44	0.0342	0.86
Other	0.1286	1.05	0.0301	0.53
<b>Continuous Employment Period</b>				
1 year - less than 3 years	0.0789	1.14	0.0325	1.09
3 years - less than 5 years	0.2018	2.90 ***	0.0910	2.99 ***
5 years - less than 10 years	0.2590	3.77 ***	0.0974	3.20 ***
10 years - less than 15 years	0.2649	3.39 ***	0.0884	2.44 **
15 years - less than 20 years	0.3611	3.48 ***	0.1094	1.81 *
At least 20 years	0.3804	2.41 **	0.2376	2.59 ***
<b>Number of Employees</b>				
5 - 9 people	0.0913	1.03	0.0207	0.55
10 - 99 people	0.1048	1.45	0.0574	1.85 *
100 - 299 people	0.2549	3.31 ***	0.1008	2.99 ***
300 - 999 people	0.3293	4.16 ***	0.1355	3.77 ***
At least 1,000 people	0.4028	5.34 ***	0.1453	4.28 ***
<b>Inter-Company Transfers (from Non-Permanent to Permanent)</b>				
Constant Term	4.9348	34.16 ***	3.7616	61.31 ***
Sample Size	1,901		1,486	
Log Likelihood	-3,997.95		-2,144.79	

*Note:* The reference group is female (gender), 20–24 years (age category), high-school (educational establishment attended most recently), less than a year (continued employment period), production process/manual labor position (job type), fewer than five employees (organizational scale). A natural logarithm was developed from annual income and working hours. In addition, annual income is the amount before deductions such as taxes and social insurance premiums, while weekly working hours are the hours worked during a normal week, including overtime and attendance at work on days off. The number of employees is the number of permanent employees including all those at the company's head office, branch offices and factories. \*\*\*, \*\*, \* indicate the significance at the 1, 5 and 10% levels. The targets in all cases are permanent employees at private sector companies.



period of continued service, and worked at a larger company. In terms of job type, compared with production process jobs and manual labor, professional and technical positions had higher annual incomes, a difference that was significant at the 1% level, while in the case of clerical positions and sales and marketing positions, annual income is higher, albeit at the 10% level.

Looking at the inter-company transfer dummy coefficient, the absolute value of the coefficient is small and it is insignificant in statistical terms as well. In other words, compared with intra-company transfers, there is no visible effect of annual income being pushed up after transitioning to permanent employee status in the case of inter-company transfers. Furthermore, from the results of the estimate of the working hours function, we can see that the inter-company transfer dummy coefficient was insignificant, and in the same way as the earnings function, no characteristic trend was observed.

As seen in Table 6, there is a high frequency of wage increases in the case of inter-company transfers. Nevertheless, the fact that there is no visible difference in the annual income levels demonstrates that the wages of those who were in non-permanent employment and have changed jobs and moved between companies were lower when they were in non-permanent employment than in the case of those who experienced an intra-company transfer. To put it another way, whereas those experiencing intra-company transfers received gradual increases in pay as they became internalized when they were in non-permanent employment, for those experiencing inter-company transfers, from the point at which their employment as permanent employees was determined as a result of a change of job, their pay increased dramatically.

One important discovery from this is that in the case of permanent employees with identical attributes, irrespective of their transition routes from non-permanent employment, it is anticipated that there will be a tendency for their annual income to converge at a certain level. The details of their transition from non-permanent employment do not have an impact on their wage levels after the transition, so wages after becoming a permanent employee are independent of the transition route from non-permanent employment.

As a background to this, there is perhaps a type of arbitrage between non-permanent employees becoming permanent employees. Non-permanent employees with the potential to become permanent employees face a choice between staying at the same company and building up a record of achievement in their jobs, or promoting their own high ability levels through a change of job. If the expected utility of the transition through an intra-company transfer is greater than that through an inter-company transfer, the tendency of more non-permanent employees to remain settled in a company is likely to strengthen. In that event, there might be an excess supply of non-permanent employees with high potential ability within a company, and this might reduce the expected utility of intra-company transfers.

Conversely, if the expected utility of inter-company transfers through a change of job is high, there will be a lack of high-ability non-permanent employees within a company,

which is likely to have the function of increasing the effect of intra-company transfers. From this process, in equilibrium, as a result of the expected utility of intra-company and inter-company transfers becoming equal among non-permanent employees with identical potential abilities, it is conceivable that pay after becoming a permanent employee will cease to depend on the transition route. The fact that no dependency on the path from non-permanent employment can be seen in the pay of permanent employees is a new discovery from this study.<sup>19</sup>

## VI. Conclusion

The main body of this paper compared transfers between companies as a result of changes of job with the status of transitions from non-permanent to permanent employment within a single company, with regard to which the store of positive research was hitherto inadequate. From this unique survey aimed at people currently in permanent employment who have experienced non-permanent employment since their graduation from school, it has become clear that there are major differences in the transition process from non-permanent to permanent employment in the cases of intra-company and inter-company transfers. Based on the results of this paper, the respective transitions can be summarized as follows.

Firstly, with regard to the transition from non-permanent to permanent employment through intra-company transfers, the main evaluation criterion when selecting an employee for permanent employee status is the jobs in which they were working as non-permanent employees. In the case of intra-company transfers, there is a strong tendency for workers to stick to the same kind of job type and workplace before and after their transition from non-permanent to permanent employment, while the content of their work during their period of non-permanent employment determines their jobs after the transition.

In contrast to this, in the process of the transition from non-permanent employment through inter-company transfers, after the transition, it is usual to experience a different job type and workplace from those experienced during one's period of non-permanent employment. In the case of inter-company transfers, as symbolized by the fact that character and qualities are valued as reasons for employment, the attributes of the individual are the main evaluation criterion, rather than the content of the work that they have experienced until that time.

Thus, in addition to work being the main evaluation criterion in intra-company transfers, and the individual being the main criterion in inter-company transfers, differences between the two types of transfer are also visible with regard to the degree of improvement in the employment situation arising from the transition of employee status.

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<sup>19</sup> Papers that have used economic theory to model pay decisions based on the premise of the incompleteness of this kind of information and the learning effect include Harris and Holmstrom (1982), and Beaudry and DiNardo (1991).

In the case of intra-company transfers, the length of continued service within a single company is longer and the propensity to remain in the same job is stronger than in the case of inter-company transfers. In the internalization process, in which workers increase their abilities through continuous service for a certain period of time, and are screened through their working conditions, even non-permanent employees experience gradual increases in pay, satisfaction and responsibility levels in their work. By gradually approximating a permanent employee through incremental changes in job content, the degree of improvement in a person's employment situation is relatively small, even after becoming a permanent employee.

On the other hand, in the case of inter-company transfers, the recognition of job content during the period of non-permanent employment is weaker, and even if the individual concerned has a high level of ability and ambition, the impact of the imperfect nature of information makes it difficult for this to be immediately reflected in pay. When this was believed to contribute to permanent employment, the evaluation of the individual's abilities and ambition was promptly upgraded and a more significant improvement in conditions took place.

Another important discovery was the revelation that annual income after becoming a permanent employee does not depend on the transition route from non-permanent employment. Non-permanent employees who have become permanent employees are assessed in general on their own abilities and the content of their work, including their academic backgrounds, job types, number of years of continued service and the scale of the company, and pay is determined on the basis of these. The reason for this is likely to be the impact of permanent employee pay becoming independent of past transition routes, due to the workings of arbitration concerning the expected utility of intra-company and inter-company transfers.

Does the above have any other implications? Firstly, from this study, it has once more been verified that accumulating continued experience in a specific job type within a company gradually improves working conditions from the time when an employee is in non-permanent employment and may bring about permanent employment. This suggests that progressively developing an environment in which non-permanent employees can continue working for a certain period of time has the potential to promote the transition of their employment status.

In contrast, in order to encourage the transition as a result of inter-company transfers through job changes, it is desirable to alleviate the difficulties of non-permanent employees who, although they have the potential to work as permanent employees, remain unable to bring to the surface their latent abilities and ambitions. In the transition through inter-company transfers, the improvement of the environment from the perspective of information in the labor market is effective as a policy, in order to eliminate the asymmetric nature of information between companies and workers in relation to individual abilities.

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