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## Personnel Management of Restricted-Regular Employees

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This paper has two objectives. Firstly, it aims to shed light on the current personnel management approaches to “restricted-regular employment,” a form of employment about which a concern is raised in Japan. Secondly, using these insights, this paper will clarify the relationships between three forms of employment: regular employee, restricted-regular employee, and non-regular employee.

“Restricted-regular employee” is the term used to describe regular employees who have limitations on their work location and tasks. In other words, they are regular employees with different characteristics to those of “typical regular employees,” workers employed under conventional Japanese-style employment practices, who have no limitations on their work location or tasks. The case studies introduced in this paper revealed that there are two main types of restricted-regular employee category: categories introduced for existing regular employees of the company, referred to in this paper as “restricted-regular employee (type 1),” and categories introduced for non-regular employees, referred to as “restricted-regular employee (type 2).” These types of categories are each utilized within companies in different ways. Employees in “restricted-regular employee (type 1)” categories are “limited-location regular employees” in the pure sense of the term, because, while their place of work is limited to a certain location, their tasks are flexible. As there is a tendency for the personnel and wage systems and career paths applied to them to overlap with those of “typical regular employees,” employees in “restricted-regular employee (type 1)” categories can be described as restricted-regular employees with similar characteristics to “typical regular employees.” On the other hand, employees in “restricted-regular employee (type 2)” categories have limitations on both their work location and tasks, and there tends to be few overlaps between their personnel and wage systems and career paths and those of “typical regular employees.”

### **I. Introduction**

This paper has two objectives. Firstly, it aims to shed light on the personnel management of “restricted-regular employment,” a form of employment about which a concern is raised in Japan. Secondly, using fact findings, this paper will clarify the relationships between three forms of employment: regular employee, restricted-regular employee, and non-regular employee.

“Restricted-regular employee” refers to regular employees who have limitations on the range of their work location or tasks. In other words, their form of employment has different characteristics to that of “typical” regular employees, who will be discussed later.

There are currently two main factors encouraging government to advocate introducing restricted-regular employee categories. Firstly, restricted-regular employment may assist

with measures tackling labor problems of non-regular employment.<sup>1</sup> It has been indicated that, in comparison with regular employees, non-regular employees generally have (i) less employment stability, (ii) lower wages, and (iii) considerably fewer opportunities for career development. Restricted-regular employment is expected to solve these three problems by allowing for the promotion of non-regular employees to restricted-regular employees.

Secondly, restricted-regular employment is seen as a means of changing the way of regular employees' working style. As is well known, regular employees in Japan are far from achieving ways of working which allow an adequate work-life balance, as is reflected by the long working hours of many regular employees. A contributing factor to this is said to be typical regular employment, as employees do not have a clearly defined range of work location or tasks and are expected to adapt their way of working flexibly to suit their given situation. The aim is therefore to facilitate the diversification of ways of working by employing more workers as restricted-regular employees, in other words, by employing more regular employees with restrictions on the way they work. In the past, there were attempts to create more diverse ways of working by establishing various types of non-regular employment. The important aspect of the discussions regarding restricted-regular employees is to create more options for ways of working while maintaining "regular employee" as a form of employment.

As described, restricted-regular employees are anticipated to serve as the remedy to solve a number of different problems at once. Moreover, in addition to the challenges regarding labor policy, changes in the labor supply structure (overall reduction in the labor force on one hand, increase in women and older people on the other) will urge corporate personnel management to consider utilizing regular employees with limitations on how their labor can be used. It is expected that there will be a growing necessity to consider the potential for making use of restricted-regular employment in order to effectively utilize human resources.<sup>2</sup>

On the basis of this background, this paper clarifies personnel management approaches to restricted-regular employment, a form of employment which is anticipated to become more widespread, through case studies of companies which have already introduced such types of regular employment. Using the insights gained from these case studies, it then addresses the relationships between typical regular employees, restricted-regular employees, and non-regular employees.

Let us also define the term "employee category" used in this paper. Employee catego-

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<sup>1</sup> In this paper, "non-regular employment" or "non-regular employees" refers to cases in which the employment contract is a fixed-term contract. It includes both direct employment and indirect employment.

<sup>2</sup> Imano (2012) highlights the fact that with diversification in the makeup of the labor force, there is growing scope and necessity for personnel management in companies to utilize employees with restrictions on factors such as their type, place, and hours of work, regardless of their form of employment. Imano gives restricted-regular employees as one form of employment.

ries are regarded as the foundations of personnel management,<sup>3</sup> and the term normally refers to the categories created by dividing employees into multiple different groups based on some form of logical grounds. The categories are according to factors including forms of employment such as regular employees and non-regular employees, differences in future career development possibilities, and differences in ways of working (Morishima 2011).

Using criteria described by Imano (2010) as a reference, employee categories have been defined in this paper as follows. Firstly, different forms of employment are considered to be independent employee categories. In other words, regular employees and non-regular employees (e.g. directly-employed full-time workers on fixed-term contracts), each belong to different employee categories.

The divisions of employees according to differences in how they develop their career are also regarded as independent employee categories. For example, *sogoshoku*, the “managerial career track,” and *ippanshoku*, the “clerical career track,” are taken as two separate employee categories. Moreover, cases in which personnel management manages employees separately according to differences in ways of working, such as different range of work allocation, are also regarded as different employee categories.

For example, if a company introduces personnel system reforms to create a “limited-location managerial career track,” dividing the “managerial career track” into managerial track employees who may be transferred and managerial track employees who may *not* be transferred, the employee categories are further broken down into subcategories. On the contrary, there are also cases in which employee categories are combined. For example, in a system initially consisting of “unrestricted-regular employees,” regular employees with no restrictions on their work location or tasks, and “limited-location regular employees,” employees who only work in a certain location, if the limited-location regular employee category is abolished and such employees are treated as unrestricted-regular employees, the employee categories are combined.

## **II. Relationship between the Typical Image of Regular Employees and Restricted-Regular Employees**

### **1. Characteristics of Personnel Management of Typical Regular Employees**

Before pursuing the discussion on restricted-regular employees, let us clarify the characteristics of conventional Japanese employment practices and the regular employees who work under such practices. As is widely known, the characteristics of Japanese-style employment systems are the principles of (i) long-term, stable employment, (ii) seniority-based wages and promotion, and (iii) cooperation between labor and management (Hisamoto 2008).

It is also significant that in Japan, not only those employees in the white-collar level

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<sup>3</sup> For example, Imano and Sato (2009).

but also those in the blue-collar level have benefited from the aforementioned characteristics of the employment system. On the other hand, female regular employees and non-regular employees have often been left outside of the “core level,” which consists largely of male regular-employees. Hisamoto cites the following two points as characteristics of the employment management of regular employees: (i) the small size of the gap between blue collar workers and white collar workers, and (ii) different management according to gender (Hisamoto 2008). It can be inferred from these insights that while there are only minor gaps in treatment due to different jobs, there is a significant gap between the sexes.

Under the conventional Japanese employment practices described above, typical regular-employees (mainly male regular-employees) were expected to always maintain a certain level of flexibility with regard to the delineations and boundaries of their work in order to fulfil their anticipated role as the primary labor force (Inagami 1989). As can be ascertained from the points raised by Inagami, typical regular-employees have been expected to be flexible when it comes to the range of their work location and tasks. This means that companies have essentially been able to utilize human resources without any restrictions. As Marsden has highlighted, in Japan, unlike in countries such as Germany, it is possible for employers to utilize human resources without any limitations being placed upon them regarding the allocation of tasks.<sup>4</sup>

However, on the other hand, the employers following conventional Japanese employment practices undertake the obligation of guaranteeing the employee employment stability until retirement age (Sugeno 2004). In addition, due to the seniority-based wage curve, it is necessary for companies to take on a certain level of personnel expenses. Essentially, employers bear such obligations and expenses in return for the benefits of being able to utilize human resources flexibly.

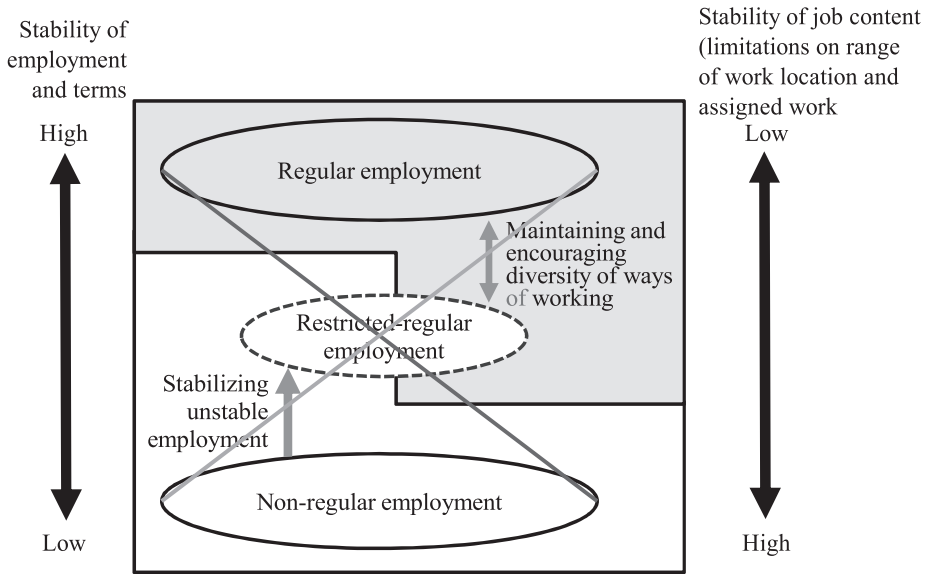
Given that for employees in long-term employment there are no restrictions on the range of tasks or duties, it can be said that employment in Japan is characterized by the fact that employees are employed as “members” of a company, as opposed to being given specific tasks and receiving payment in return for accomplishing those tasks. Based on this characteristic, Hamaguchi (2011) describes Japanese employment as “membership-based employment,” highlighting the difference with the characteristics of employment contracts in Europe and the United States, which he describes as “job-based employment.”

## 2. Restricted-Regular Employees

Bearing in mind the points which have been raised so far, restricted-regular employees can be described as regular employees with a certain level of restrictions on their work

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<sup>4</sup> For characteristics of task distribution in the employment systems of each country, see Marsden (1999).



Source: Compiled by the author with reference to JILPT Research Report no.158, *Research on Personnel Management of Diverse Regular Employees*.

Note: Please note that this is merely a schematic image.

Figure 1. The Relationship between Typical Regular Employees, Restricted-Regular Employees and Non-Regular Employees

location or tasks. Therefore, unlike typical regular employees, they are regular employees which place a certain level of restrictions on their employer in terms of how they can be utilized. This is comparable to the characteristics of *non-regular* employees, whose work responsibilities and places of work have a limited range.

Figure 1 represents the relationship between typical regular employees, restricted-regular employees, and non-regular employees. As Figure 1 demonstrates, typical regular employees enjoy stable employment and treatment in return for there being no limits on the range of the tasks they engage in or their work location. On the other hand, while non-regular employees have a limited range of work location or tasks, their employment and treatment are unstable. As this indicates, the polarization between typical regular employees and non-regular employees in Japan forms what is referred to in Japan as a “twist phenomenon,” in which factors which are problems for one form of employment are solved by the other form of employment, and vice versa. Restricted-regular employees can be found at the intersection where typical regular employees and non-regular employees meet, as an intermediate layer between the two. As noted in the introduction of this paper, restricted-regular employees are expected to have the effect of increasing the stability of employment of non-regular employees, while also maintaining and encouraging the diversity of regular employees’ working style.

At the same time, there is research highlighting that in the 1980s at least a number of

Japanese companies began to introduce different types of regular employment, in the form of personnel management systems consisting of multiple employment paths, such as managerial and clerical career tracks, and systems for employees with restrictions on their place of work.<sup>5</sup> Moreover, using the criteria defining employment categories as a basis, the JTUC Research Institute for Advancement of Living Standards (RENGO-RIALS) demonstrates that regular employees with restrictions on the range of their work location or their tasks in considerable numbers (RENGO-RIALS 2003). According to RENGO-RIALS (2003), among 547 companies surveyed, 56.3% of companies have a number of different employment categories of regular employees. RENGO-RIALS also highlight that among these multiple employment categories for regular employees, there are regular employees with restrictions on the range of their work location or tasks. However, such employees account for around just 30% of the total number of regular employees. 69.0% of regular employees have no restrictions on their work location or tasks, making the majority of regular employees *unrestricted*-regular employees.

Research on human resources architecture and internal labor market also highlights the existence of regular employees with restrictions on the way they work.<sup>6</sup> Addressing the existence of a number of different types of regular employee, Sato, Sano, and Hara (2003) point out that personnel management are faced with the challenges of defining boundaries and providing balanced treatment for the different employee categories.

However, while research has demonstrated the existence of restricted-regular employees and emphasized the importance of defining the treatment and boundaries between the categories, there is a particular lack of research addressing the personnel management of employees in restricted-regular employment categories and the challenges involved in utilizing such restricted-regular employees. As Morishima (2011) points out, it is necessary to clarify the changes which occur in corporate personnel management in companies when multiple regular employee categories are created within the same company, and more specifically to define the characteristics of the treatment and career paths offered to employees. Let us look at the current status of such personnel management through the following case studies, which reveal the approaches being taken toward restricted-regular employment in companies which have already introduced such forms of employment.

### **III. Case Studies**

The companies covered in this paper are companies which have utilized human resources according to so-called Japanese-style employment practices. The case studies include companies in the finance and insurance industries, the manufacturing industry, and one company for which it is not possible to disclose its industry sector, but which can be

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<sup>5</sup> For example, Inagami (1989).

<sup>6</sup> Examples include Nishimura and Morishima (2009) and Hirano (2010).

Table 1. Profiles of Case Study Companies

	Number of employees	When restricted-regular employment was introduced	Direction of employee category reform	Whether or not restricted-regular employment has been continued or abolished
Manufacturing Company A	Over 10,000	Mid-1990s	Breaking down regular employee categories into subcategories	Continued
Manufacturing Company B	Over 10,000	Early 2000s	Breaking down regular employee categories into subcategories	Abolished
Manufacturing Company C	Approx. 6,000	Mid-1990s	Breaking down regular employee categories into subcategories	Abolished
Finance Company D	Over 5,000	2006	Old restricted-regular employees → new restricted-regular employees	Continued
Finance Company E	Over 10,000	2000s	Old restricted-regular employees → new restricted-regular employees	Continued
Major Company F	Approx. 5,000	2000s	Newly established restricted-regular employee categories	Continued
Manufacturing Company G	Approx. 4,000	2008	Non-regular employees → restricted-regular employees	Continued
Manufacturing Company H	Over 1,000	Late 2000s	Non-regular employees → restricted-regular employees	Continued

described as a major corporation with just under 5,000 employees. All of the companies were selected as the subject of case studies because they introduced categories for restricted-regular employees alongside their existing “typical regular employees” who have no restrictions on their work location and tasks, as in Figure 1. The profile of each of the companies is given in Table 1. As shown in the table, they are all large companies with 1,000 employees or more. An overview of each case study is given in Table 2.

The case studies revealed two main types of restricted-regular employees. The first is the type in which companies introduce restricted-regular employment for existing regular employees with the aim of changing the way in which they work. The second is the type in which restricted-regular employment is introduced with the aim of employing non-regular employees as regular employees. Let us look at the personnel management of restricted-regular employees in each case.

Table 2. Overview of

	Main target group	Names of employee categories following the reforms	Approaches to hiring for the restricted-regular employee category	Basic wage system applied to restricted and unrestricted employee categories
Manufacturing Company A	All employees (In effect, employees engaged in administration work at branch offices and in work-site operations)	G Employee (Unrestricted) L Employee (Restricted)	Continuing to recruit new graduates en masse	Same system applied
Manufacturing Company B	All employees (In effect, employees engaged in work-site operations)	G Employee (Unrestricted) Limited-area employee (Restricted; this category has been abolished in effect)	Not hiring at present	Same system applied
Manufacturing Company C	All employees (In effect, employees engaged in general administration work and in work-site operations)	G Course (Unrestricted) L Course (Restricted; this category was later abolished)	None	Same system applied
Finance Company D	Clerical track (female employees)	Managerial track (Unrestricted) Limited-region managerial track (Restricted)	Recruiting new graduates	Same system applied



Case Studies

Differences in treatment in comparison with other regular employees	Policy toward changing range of tasks/position	Policy toward switching between categories
Base salary is around 90% of that of unrestricted-regular employees (Wages decided according to three geographical areas)	L Employees not appointed to managerial positions at section chief level or higher  “Limited-period G Employee System” introduced for L Employees in work-site operations	There is a system for switching between categories in both directions  The company does not actively encourage switching category
Base salary is 85–90% of that of unrestricted-regular employees	Limited-area employees not appointed to managerial positions at section-chief level or higher	In principle, switching is only allowed in the case of transfer accompanied by change of residence at the convenience of the company
While the system was still in place, there was an allowance which was only paid to G Course employees (Around 100,000–200,000 yen per year)	L Course employees not appointed managerial positions at section-chief level or higher	While the system was still in place, switching between categories was possible (employees decided every 5 years)  In effect, no employees switched between categories
Different title-based portions of the monthly salary  Different speeds of promotion	Range of work expanded from mainly administrative work to include out-of-office sales and marketing work  Possible for restricted-regular employees to reach higher positions than when “clerical track” existed  Restricted-regular employees also on career path for internal promotion	A system for switching between categories exists  Less employees switch now than when the “clerical track” existed

Table 2

	Main target group	Names of employee categories following the reforms	Approaches to hiring for the restricted-regular employee category	Basic wage system applied to restricted and unrestricted employee categories
Finance Company E	Clerical track (female employees)	G Course (Unrestricted)  A Course (Restricted)	Recruiting new graduates	Same system applied
Major Company F	Regular employees of main body above a certain age	Reemployed-regular employee (Restricted)	Regular employees of main body are reemployed by a group company after retiring from the main body of the company	Same system applied
Manufacturing Company G	Non-regular employees engaged in sales work (fixed-term contract workers)	Regular employee for sales (Restricted)	Recruiting new graduates en masse in urban areas	Different system applied  No retirement allowance
Manufacturing Company H	Non-regular employees engaged in work-site operations on the manufacturing floor (temporary agency workers)	Regular employee C (Restricted)	Recruiting new graduates to fill vacancies	Same system applied

*Note:* The category names are merely for descriptive purposes and may not be the official names.

(Continued)

Differences in treatment in comparison with other regular employees	Policy toward changing range of work/position	Policy toward switching between categories
There is an allowance which is only paid to G Course employees (Around 20% of the monthly salary)	Range of work expanded from mainly administrative work to include out-of-office sales and marketing work	A system for switching between categories exists
	Possible for restricted-regular employees to reach higher positions than when "clerical track" existed	The company does not actively encourage switching
	Restricted-regular employees also on internal promotion career path	
Base salary is around 70% of that of regular employees at the main body of the company (Wages decided according to three geographical areas)	Range of duties is the same as unrestricted regular employees	Changes in one direction only (unrestricted-regular employees becoming restricted-regular employees)
Different wage table is applied	No significant change in comparison to when such employees were non-regular employees	Existing other non-regular employees are not converted to regular employees
	Separate career path for restricted-regular employees	
Salary raises are lower in comparison with existing regular employees	No significant change in comparison to when the employee was a non-regular employee	Category is essentially replenished by recruiting new graduates, not existing other non-regular employees.
	Separate career path for restricted-regular employees	

## 1. Restricted-Regular Employment Introduced for Regular Employees

Restricted-regular employment introduced for regular employees may be further broken down into forms of employment introduced for all regular employees of the company, and forms of employment introduced for specific levels of employees. The following sections set out the characteristics and challenges of each type.<sup>7</sup>

### (1) Forms of Employment Introduced for All Regular Employees (Manufacturing Companies A, B, and C)

#### Manufacturing Company A

In the mid-1990s, Company A divided its regular employees, which up until then had been a single category, into two categories: regular employees *without* restrictions on work location (G Employee) and regular employees *with* restrictions on work location (L Employee). There were two reasons behind this change: firstly, the company wished to expand the narrow range of locations within which regular employees were transferred, and secondly, it was necessary to give consideration to the family circumstances of employees.

From the time of the company's establishment and during the period of high economic growth, Company A transferred its salespeople repeatedly between various regions across Japan. However, once the company entered a period of stability, around 80% of the salespeople were only transferred within one branch office. This trend was effective in allowing the company to ascertain the trends in demand in local regions, but as the company's projects began to expand overseas, it became detrimental to training employees with the ability to take into account what is best for the company as a whole. In order to send out the message that it would be expanding the range of locations within which regular employees with no restriction on their work location could be transferred, the company established two categories: "L employees," whose range of work location is restricted, and "G employees" whose range of it is *not* restricted.

All employees were free to choose between the two categories, but in practicality, the employees who selected to become L employees were employees whose work duties and work location were in effect already limited prior to the new categories being introduced. More specifically, the employees who selected to become L employees were employees engaged in work-site operations in the manufacturing division and employees engaged in routine administrative work at branch offices or sales offices.

Personnel management of the L Employees—the restricted-regular employees—is characterized by the fact that a different wage table to that of G Employees is applied, and the wages of L Employees are around 90% of those of G Employees. There is a significant number of L Employees who are dissatisfied with such differences in treatment. Discontent is particularly common among the workers in charge of work-site operations in the manu-

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<sup>7</sup> The system names used in the following case studies have been created for descriptive purposes based on characteristics of the systems and are not the official names used in the companies.

facturing division. The reason for this is that there are a considerable number G Employees whose work location is in effect limited to one location. The discontent of L Employees engaged in work-site operations is increased by the fact that the G Employees with backgrounds in science and engineering who work alongside them in the research and development division are essentially never transferred and in many cases effectively remain in the same work place. On the other hand, there is relatively less discontent among L Employees who work in branch offices and sales offices, because they see at close hand G Employees who specialize in sales being regularly transferred.

Moving on to look at career development, L Employees are mainly hired as new graduates. The company recruits students from local high schools and universities with which it has already built up relationships. L Employees differ from G Employees in that there is an upper limit on the positions to which they can be promoted, such that it is not possible for L Employees to be appointed to managerial positions at the level of section chief or higher. On the other hand, the system allows employees to switch between the two courses (G Employee and L Employee). Every year employees have an opportunity to choose whether to remain in their current course or switch to the other. However, in practicality the general rule is that employees remain in the course that they started in when they were initially hired.

There is a significant number of employees who wish to switch from G Employee to L Employee, but as the company wishes to retain a certain amount of employees who can be transferred as a buffer, changes are not permitted except in unavoidable circumstances (such as to allow employees to provide nursing care for their children or parents). Changes from L Employee to G Employee are generally limited to cases of highly-capable employees who are deemed to be difficult to replace, but changes are sometimes also allowed when it is determined that the employee has sufficient time to develop their career. As a result, employees who switch from L Employee to G Employee are generally employees aged 30 or under and employees who have worked for the company for less than 20 years.

At the same time, there is also a system known as “Limited-period G Employee System,” by which L Employees become regular employees with no restriction on work location and tasks for a limited period of three years. This system is mainly aimed at L Employees engaged in work-site operations and is used in situations such as when the company is selecting overseas production bases. “Limited-period G Employees” receive the same treatment as G Employees.

Finally, as a feature of human resources development, initiatives are being conducted to expand the range of the work duties of female L Employees working at branch offices. The aim is to allow employees who were previously engaged in mainly routine administrative work to also take on sales work.

### Manufacturing Company B

Company B first divided its categories for regular employees in the early 2000s, and

introduced a category for “limited-area employees” aimed at non-managerial employees in positions at subsection chief level or lower. The main aims for introducing this category were to alleviate the burden of the personnel expenses spent on regular employees and to preserve the jobs of domestic regular employees. The limited-area employee category was open to all employees in positions at subsection chief level or lower, but, as in the case of Company A, in reality the employees who selected to become limited-area employees were those who in effect already had restrictions on the place and content of their work before the category was introduced. More specifically, a number of regular employees who had been hired after high school graduation to engage in work-site operations and were working in the same location selected to become restricted-regular employees, while the regular employees who had been hired by head office upon graduating university selected “G Employee,” the category which includes the possibility of transfer and relocation.

As in the case of Company A, Company B largely recruits new graduates. Cases of mid-career recruitment into the company are rare. Moreover, limited-area employees also receive lesser wage in comparison with G Employees, such that their wages are generally around 90% of those of G Employees. Furthermore, restricted-regular employees are also not able to be appointed to managerial positions.

At present, the company is not recruiting limited-area employees and the category has in effect been abolished. This can be attributed to the fact that, following the introduction of the category, the company (i) implemented an early retirement system and decreased the number of workers as a whole, and (ii) significantly increased the discontent among limited-area employees when they transferred such employees to different locations due to the closure and consolidation of locations. This discontent is largely due to the fact that the limited-area employees were under the understanding that they would be guaranteed employment in the same workplace until retirement age in exchange for accepting wage reductions.

### Manufacturing Company C

In the mid-1990s, Company C divided its employee categories to create two categories: “G Course,” employees *without* restrictions on their work location, and “L Course,” employees *with* restrictions on their work location. However, the company later abolished the L Course and merged its employees into one category again.

The objectives for introducing the new categories were firstly to raise the motivation of employees by increasing the number of options of working style, and secondly to facilitate the efficient use of human resources by allowing the company to clarify which employees could and which employees could *not* be transferred globally. This was necessary due to the fact that expansion of business meant that there were possibilities for career development which included opportunities overseas.

The new categories were open to all employees, but eventually the choices employees made were neatly divided according to the content of their work. The employees closely resembling the “clerical career track,” in other words, employees engaged in general ad-

ministrative work, and the employees engaged in work-site operations on the manufacturing floor selected L Course, while employees engaged in all other types of work selected G Course.

After introducing the new categories, Company C consolidated its production locations. At that time, it was decided that, with the situation expected to become increasingly more uncertain in the future, it would be difficult to utilize a category which guarantees employees work in a certain location, and the system of restricted-regular employment was abolished.

While the system was still in place, the company's policy for hiring new employees to fill positions in the restricted-regular employee category was largely to recruit new graduates from colleges of technology and high schools. Restricted-regular employees were subject to essentially the same wage system as applied to G Course employees, but there was a special allowance provided only for G Course employees, and therefore the wages of unrestricted-regular employees (typical regular employees) were higher than those of restricted-regular employees by the amount of this allowance. The system also did not allow restricted-regular employees to be appointed to managerial positions.

(2) Forms of Employment Introduced for Specific Levels of Employees (Finance Company D, Finance Company E, and Major Company F)

Finance Company D

Company D abolished its "clerical career track," its existing category for restricted-regular employees, and introduced a "limited-region managerial career track" as a new category for restricted-regular employees. This reform was implemented with the aim of increasing the flexibility of female employees in terms of their work content and opportunities. With a background of factors such as the decreases in the number of employees of the company and increases in the length of clerical track employee's service, the employee categories were changed with the aim of expanding the work duties of the company's clerical track employees and increasing the ease of switching between duties under each of the employee categories. For female employees who had formerly been clerical track employees, the changes opened up a wider range of potential duties and higher levels of positions to which they could be promoted. Female limited-region managerial track employees began to be appointed to posts which until then had largely been held by male managerial track employees, and also began to participate in meetings on matters such as business strategy for branch offices, which they would not have participated in when they were clerical track employees.

As managerial track employees are frequently transferred, and former clerical track employees generally wish to remain in the local area where they grew up, limited-region managerial track employees were not subject to transfers requiring relocation and the same stipulations regarding work location which had applied to them as clerical track employees were kept in place. Moreover, limited-region managerial track employee categories are all

occupied by women.

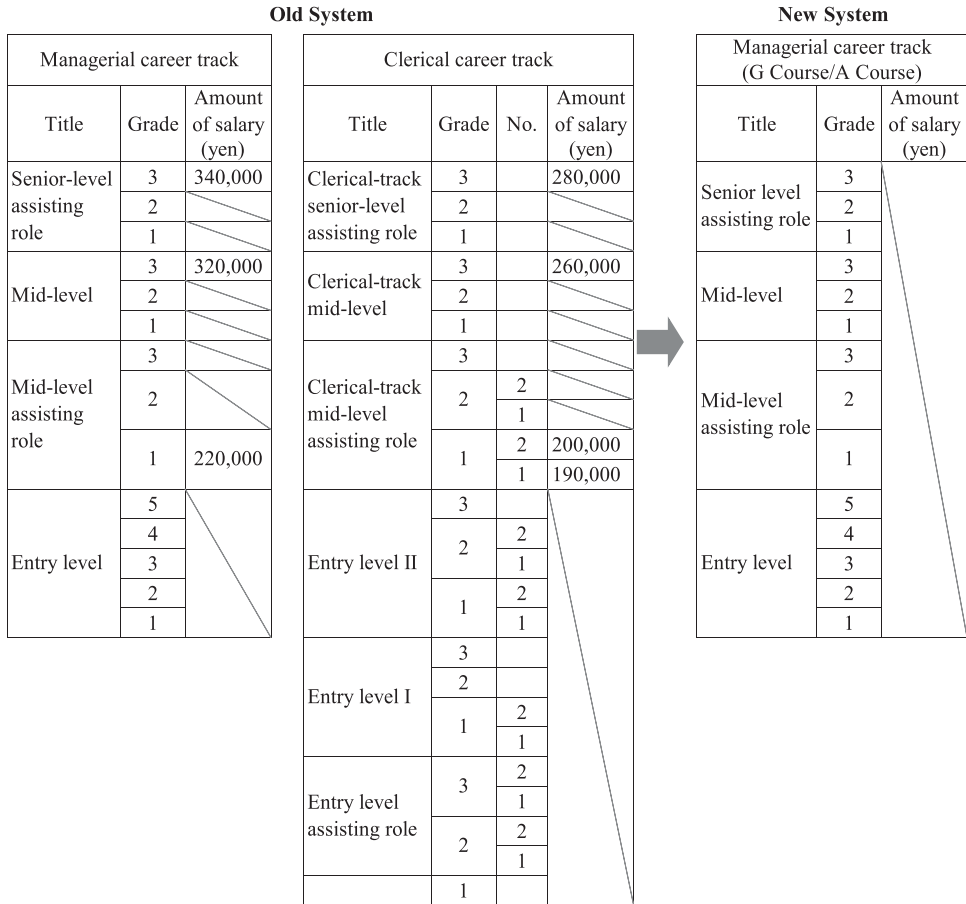
It is also the case in Company D that wage level of restricted-regular employees is at a lower level in comparison with unrestricted-regular employees. However, as managerial track employees are transferred frequently, limited-region managerial track employees are not significantly discontent toward the difference in wage level. There are very few employees who switch course between the managerial career track and limited-region managerial career track, and the number of employees switching track is in fact lower now than it was before the new category was introduced. This is due to the fact that, unlike when they were clerical track employees, limited-region managerial track employees are able to develop their career while remaining in the same category.

### Finance Company E

Company E abolished its existing restricted-regular employee category, the “clerical career track,” and introduced the “Managerial career track A Course.” With decreasing numbers of regular employees in the company and expansion in the market aimed at women, Company E was under pressure to expand the range of tasks assigned to female employees in the clerical career track. However, initiatives aimed at allowing their range of tasks to be expanded while they remained clerical track employees did not yield the results anticipated. This can be attributed to the fact that the name “clerical career track” was restricting the female employee’s motivation toward their work. Company E therefore abolished the clerical career track and expanded the range of tasks of female employees by placing them in the Managerial career track A Course. As a result, there are a greater number of cases in which the treatment and work content of female former clerical track employees are equivalent to those of employees in the “Managerial career track G Course (the former managerial career track),” a regular employee category with no restrictions on work location or tasks. The level of the positions to which these female employees can be promoted has also increased. As former managerial track employees were frequently transferred, A Course employees retain the same stipulations on work location which applied to them as clerical track employees, and are not subject to transfers which require relocation. Similar to the case of Finance Company D, the majority of A Course employees are women. The company is not considering recruiting men as A Course employees.

Company E applies essentially the same personnel and wage system to both G Course and A Course employees. There were previously significant differences in the number of titles and grades and corresponding salary amounts between the clerical track employees and former managerial career track employees, but these differences no longer exist (Figure 2). At the same time, there is a “G Employee allowance,” the equivalent of around 20% of the monthly salary, which is paid only to “G Course” employees as an allowance in exchange for no restriction on work location. Restricted-regular employees (A course employee) are not particularly discontent about this difference in conditions, due to the fact that, as in the case of Company D, G Course employees are transferred and relocated





Source: Compiled by the author using materials provided by the labor union.

Notes: 1. The amounts have been created for the purpose of this paper and are not real amounts.

2. Titles and grades are shown for levels which are members of the labor union.

Figure 2. Changes in the Titles and Grades of Company E

frequently and therefore restricted-regular employees appreciate the merits of having a fixed work location.

### Major Company F

Company F is a company made up of a main body and a number of group companies. The main body of the company consists of around 5,000 employees. Including employees from group companies in which Company F holds 50% or more of shares, the company has a total of around 37,000 regular employees. Regular employees of the main body of the company are characterized by the fact that they may engage in the duties of the group companies as a whole, through temporary transfer to group companies.

Table 3. Wage Level Groupings

Wage level (% of wage of regular employees in the main body of the company)	Region group
<i>x</i> %	Prefecture A
<i>y</i> %	Prefecture B, Prefecture C, Prefecture D, Prefecture E...
<i>z</i> %	Prefecture F, Prefecture G, Prefecture H...

Source: Compiled by the author using materials provided by the labor union.

Company F has introduced a category of limited-location regular employees, known as “reemployed-regular employees,” which is aimed at employees over a certain age. In the past, there was a period when Company F hired huge numbers of regular employees in line with the expansion of its business. As the employees hired at that time grow older, the growing personnel expenses have begun to place a strain on corporate management. Under pressure to take some form of action to address the issue, the company introduced the reemployed-regular employee system.

Upon reaching the prescribed age, all regular employees employed by the main body of the company make the choice whether to become a reemployed regular employee or to remain as regular employee of the main body of the company. Employees who select to become a reemployed regular employee at that time are able to become “aged 60-plus employees”<sup>8</sup> when they are over 60 years of age, while employees who choose to remain regular employees in the main body of the company are not given such an employment contract. More specifically, employees who select to become reemployed-regular employees retire from the main body of Company F and are reemployed by one of F’s group companies as a restricted-regular employee.

The range of duties for reemployed-regular employees is the same as that of regular employees of the main body of Company F, and their actual duties are the same as those they engaged in as regular employees of the main body of the company. In that sense, there are no restrictions on the tasks that they engage in. Their work location, on the other hand, is limited to within specific prefectures.

As demonstrated in Table 3, the wage level of reemployed-regular employees differs according to the region in which they are reemployed. The prefectures are divided into three different groups and there is a different wage level for each. 100% refers to the wage received by regular employees of the main body of the company, and each region group receives a lower wage level than that. The wage level is approximately 70% of that received by regular employees of the main body of Company F. The company adopted the system of

<sup>8</sup> “Aged 60-plus employees” are fixed-term contract workers employed under a system introduced as part of measures to extend the employment of employees aged 60 years or over. Employees who select this system have their employment extended until the age of 64.

setting different wage levels on the grounds of the restrictions on the range of the work location because they determined that employees would not be satisfied to receive lower treatment despite taking on the same tasks as before.

## 2. Forms of Employment Introduced to Employ Non-Regular Employees as Regular Employees (Manufacturing Company G, Manufacturing Company H) Manufacturing Company G

Company G manufactures products in-house and sells these products in department stores and shops in suburban shopping malls and through mail order. The company has around 4,000 regular employees and around 900 fixed-term contract workers.

In 2008, Company G introduced the “regular employees for sales” category allowing sales staff engaged in selling Company G products at department stores and other shops to become regular employees with restrictions on the work location and tasks. Since the 1990s, Company G had begun to change the recruitment of sales staff, hiring them as fixed-term contract workers. In 2001, the company made the decision to stop recruiting sales staff as regular employees altogether, and to employ all sales staff as fixed-term contract workers. A wage system and training system were established for fixed-term contract workers, and these workers were utilized as the key players in sales work.

It later became difficult to hire sales staff as fixed-term contract workers due to tightening labor market, and in 2008 the company established the regular employee category known as regular employee for sales and began to recruit sales staff as restricted regular employees. At that time, significant numbers of the fixed-term contract workers engaged in sales work were employed as regular employees for sales. However, this applied only to sales staff working at department stores, mass retailers, specialty stores, and other retail stores with longstanding stable relationships with clients. Sales staff working at suburban shopping malls and other such stores with unstable relationships with clients remained as fixed-term contract workers. Given that regular employees are guaranteed lifetime employment, the company considered it difficult to commit to utilizing regular employees unless relationships with clients are stable.

In the urban areas of Tokyo, Nagoya, and Osaka, regular employees for sales are hired by recruiting recent graduates en masse. In other regions, employees are recruited as necessary when vacancies arise. Moreover, fixed-term contract workers who work at suburban shopping malls and other such stores with unstable relationship with clients are not converted to regular employees for sales.

There is no overlap between the work of regular employees for sales and unrestricted-regular employees who work within the company. The work is divided such that unrestricted-regular employees engage in sales to clients, while regular employees for sales sell products on the shop floor. As a result, the career paths created for each are different. Regular employees for sales have the possibility of developing their career up to section chief class, but there are special posts exclusively for regular employees for sales, such as “train-

ing section chief,” and they are not promoted to section chief positions normally held by unrestricted-regular employees.

There is a special wage system for regular employees for sales and the number of titles and grades and wage levels are completely different to those of unrestricted-regular employees. The prefectures are divided into several groups, and wage levels differ from group to group.

### Manufacturing Company H

Company H is a manufacturing company with business locations across Japan and more than several thousand employees. The company made its *haken-shain*, temporary agency workers who were dispatched from agencies to work on the manufacturing floor, into restricted-regular employees under the category known as “Regular Employee C.”

From the late 1990s, Company H became more conscious of its overall personnel expenses and made efforts to diversify its forms of employment. The most significant change was the introduction of indirect employment in the manufacturing division. In addition to using more *ukeoi-shain*, contracted workers who undertake work based on a service contract, in on-site operations in the manufacturing division, the company conducted initiatives such as introducing titles and grade systems and welfare benefit systems for such workers, with the aim of creating an environment in which each and every worker would be highly motivated and work hard daily with the aim of acquiring a position. There were in fact contracted employees who took on roles as leaders responsible for various processes on site under the supervision of their foreman.

However, as it became difficult to utilize these employees as contracted workers due to revisions in the Worker Dispatching Act, the law defining the appropriate use and employment conditions of temporary agency workers, the company decided to change the form of employment of the workers engaged in on-site operations to employ them as temporary agency workers. At the same time, it was necessary to allow all temporary agency workers to switch to direct employment after three years of working for the company, and therefore, following internal deliberations, it was decided that temporary agency workers would be employed as regular employees.

At that time, the temporary agency workers were employed as regular employees under a newly-established category for regular employees known as “Regular Employee C,” as opposed to the conventional terms for regular employees. Up until then Company H had had only one employee category, and therefore its regular employees were all regular employees with the possibility of transfer requiring relocation. As the temporary agency workers were not subject to transfers, a personnel system incorporating multiple career path options was introduced at the time of the conversion to allow the company to create a new category of regular employees who *not* be subject to transfers.

Through these changes to the system, Company H created three new employee categories: “Regular employee A,” employees who may be subject to relocation anywhere in

Japan and have *no* restrictions on their work duties, “Regular employee B,” employees who essentially work in the same region, largely engaging in production technology in the manufacturing division or sales work, and “Regular Employee C,” employees who will not be subject to transfers requiring relocation and who engage in on-site operations in the manufacturing division.

After switching all temporary agency workers to Regular Employee C category, Regular Employee C category employees are recruited as new graduates. The company has given little thought to replenishing its human resources by employing existing other non-regular employees as regular employees. Moreover, while the company annually recruits large numbers of new graduates under the category Regular Employee A, recruitment for Regular Employee C is carried out as required when it is necessary to fill vacancies at factories.

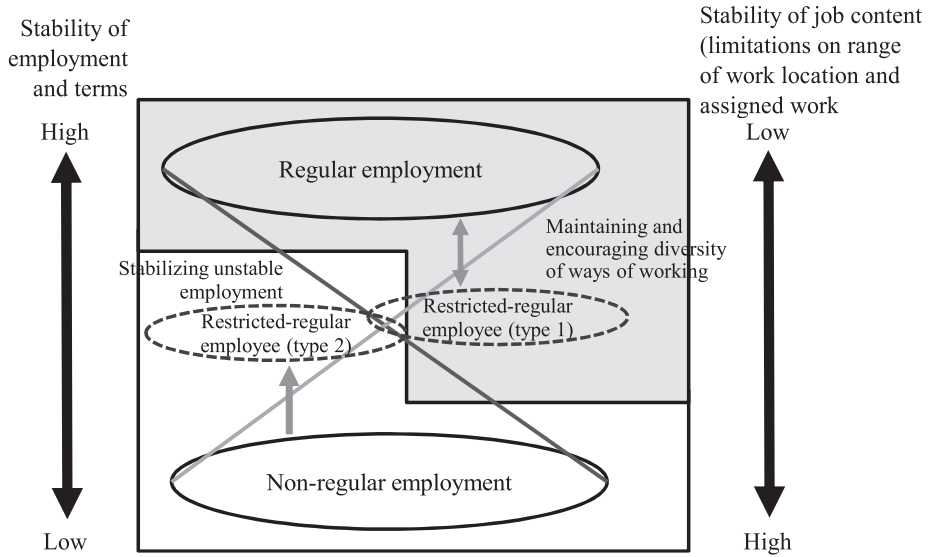
Employees in the Regular Employee C category engage in on-site operations on the manufacturing floor, and the content of their work overlaps very little with the work of regular employees in other categories. As a result, the internal career paths of employees in the Regular Employee C category differ from those of the employees in the Regular Employee A and B categories. Employees in the Regular Employee C category have career paths which progress upward from workers engaged in on-site operations, to “sub-leaders,” who are responsible for a number of machines within a certain manufacturing process, followed by “leaders,” who have overall responsibility for a certain process, and finally up to “foremen,” who oversee all processes. Even in the manufacturing division, Regular Employee A and B employees engage in production planning and maintenance. The role of manufacturing division chief, who holds the highest position of responsibility in the manufacturing division, is generally held by employees selected from the Regular Employee A and B categories.

Employees in the Regular Employee C category receive lower wages in comparison with the previously-existing regular employees. However, their wages are higher than they were when they were non-regular employees.

## **IV. Conclusion**

### **1. Restricted-Regular Employee Types**

In the cases described above, there are two main types of category for restricted-regular employees: those introduced for existing regular employees already directly employed by the company, and those aimed at non-regular employees. There was no type of restricted-regular employee category which was introduced for both regular employees and non-regular employees. Therefore, rather than there being one type of restricted-regular employees which simultaneously fulfils both of the expectations of labor policy described in the introduction to this paper—namely, to tackle labor problems of non-regular employment and to facilitate changes in the way that regular employees work—there are two types of



Source: Compiled by the author with reference to JILPT Research Report no.158, *Research on Personnel Management of Diverse Regular Employees*.

Note: Please note that this is merely a schematic image.

Figure 3. The Relationship between Typical Regular Employees, Restricted-Regular Employees and Non-Regular Employees (Amended)

restricted-regular employee: “restricted-regular employee (type 1),” which are introduced with the aim of changing the way that existing regular employees work, and “restricted-regular employee (type 2)” which are introduced with the aim of employing non-regular employees as regular employees. These types exist independently of each other and it is expected that restricted-regular employee categories which have both qualities are rare.

In the case studies, restricted-regular employees of type 1 are recruited as new graduates, and no consideration was being given to making non-regular employees regular employees as a means of recruiting for this category. Moreover, even in the case of Manufacturing Company A, which allows non-regular employees to become regular employees, there is a strong tendency toward selecting only highly capable employees who cannot be replaced with other people, and converting non-regular employees to regular employees is not being considered as one of the dominant means of replenishing human resources.

In this respect, Figure 1 can be rewritten based on the insights of the case studies to create Figure 3.

## 2. The Characteristics of the Two Types of Restricted-Regular Employee

Let us look at the characteristics of the two types of restricted-regular employees, namely restricted-regular employee (type 1) and restricted-regular employee (type 2). First, preserving the jobs of regular employees was a common aim between each of the com-

panies introducing restricted-regular employees of type 1. In addition to preserving jobs, in the cases in which the restricted-regular employment categories are still in place, there is also a strong tendency when adopting categories of restricted-regular employees to place no restrictions on the work tasks, and restrict only the work location. This point is well reflected by the fact that, in the case of Manufacturing Company B and C, where in addition to the work location being restricted in employment contracts, the work tasks of employees was also in effect restricted, the categories have been abolished. Meanwhile, in the case of Manufacturing Company A, which expanded the range of tasks of female restricted-regular employees and established a “Limited-period G employee system” to allow the company to maintain a certain level of flexibility in the utilization of restricted-regular employees, the system is still in place.

Therefore, restricted-regular employees of this type are considered to exist as a category for *limited-location* regular employees in their pure form, which places restrictions on the work location while maintaining the flexibility of the work tasks the employees engage in. As a result, it could be said that they are restricted-regular employees with characteristics which are similar to those of “typical regular employees.” In this pool, there is a mixture of two types of cases. Firstly, there are cases in which the tasks of employees whose employee category has been changed in fact closer resembles that of typical regular employees in that it is less restricted, as demonstrated in the case of the two finance companies. Secondly, there are cases in which employees’ work location have been further restricted by the change, as in the case of Major Company F. It can be inferred that the types of employees belonging to restricted-regular employee (type 1) categories include mainly women and also older people above a certain age.

On the other hand, restricted-regular employee (type 2) is a newly-established type of regular employees with restrictions on *both* the duties *and* location of their work, newly established with the aim of employing non-regular employees as regular employees.

This type is characterized by the fact that the companies who introduced such categories had continued to employ non-regular employees who were not subject to transfer or relocation for relatively long periods of time. Companies which have continued to provide stable employment for a certain period of time to employees with restrictions in their employment contracts are able to utilize restricted-regular employees with restrictions on both the work location and tasks. Due to the fact they were initially non-regular employees, the restricted-regular employees (type 2) have different career paths to those of other regular employees in the company. As a result, there is a tendency for personnel management to apply career paths to restricted-regular employees which differ from those of unrestricted-regular employees. It is expected that restricted-regular employee (type 2) mainly consists of women, or, men who were recruited as high school graduates (or in some cases, as technical college graduates).

If we put aside the specific differences described above and make a broad summary, employment of restricted-regular employees (type 1) introduced for existing regular em-

employees are characterized by the fact they maintain flexibility in their tasks and only establish restrictions on the work location, while restricted-regular employees (type 2) aimed at non-regular employees within the company place restrictions on both the work location and tasks.

Moreover, it is possible to infer a trend that while in the case of restricted-regular employee (type 1) it is possible to see overlaps in the personnel and wage systems and career paths applied to these employees and those applied to unrestricted-regular employees, in the case of restricted-regular employee (type 2), there tends to be few overlaps between these employees and unrestricted-regular employees.

### 3. Challenges for Personnel Management

It was just pointed out that when utilizing several different types of regular employee, equal treatment can become an issue. It was established that there are many challenges to be faced in maintaining and operating systems for restricted-regular employee (type 1), in comparison with restricted-regular employee (type 2). Firstly, on the operational side, discontent regarding differences in wage between the different employee categories is more commonly seen in the case of restricted-regular employee (type 1). It is thought that this discontent is largely influenced by how frequently unrestricted-regular employees are transferred.

Secondly, let us address the issue of whether or not the restricted-regular employment systems have been maintained. As demonstrated by the case studies, there are cases in which categories for restricted-regular employees (type 1) which were aimed at existing regular employees have already been abolished. This is largely due to problems arising in relation to preserving the jobs of employees.

In the case of Manufacturing Company B, the reason why the system for restricted-regular employment was abolished can be traced to the fact that the company increased the discontent of employees when it transferred restricted-regular employees due to closures and consolidations of its plant. In fact, this discontent originally arose due to the fact that wage of restricted-regular employees was lower than those of other regular employees in exchange for restriction on their work location. But it can be said that it is an extremely delicate issue for personnel management, because if treatment of restricted-regular employees is not lower, there is a risk of increasing discontent among unrestricted-regular employees.

On the other hand, as demonstrated by the case of Manufacturing Company G, when introducing categories for restricted-regular employees (type 2) it is possible to utilize restricted-regular employees and fixed-term contract workers separately depending on the sustainability of their work place, hence avoiding the issues faced by Manufacturing Company B. In reverse, when the category is aimed at all employees, as in the case of Manufacturing Company B and Manufacturing Company C, it is difficult to opt to make regular employees working at business locations with uncertain prospects into non-regular employees,



and the company has no choice but to remain committed to treating all employees as regular employees. This factor is thought to be making it difficult to utilize restricted-regular employee categories introduced for regular employees.

Moreover, based on the above, it can be said that when introducing categories for restricted-regular employees, it is necessary to also take into account factors concerning corporate management, such as strategies for selecting locations, rather than simply focusing on aspects of personnel management such as overlaps in work tasks and securing human resources.

#### 4. Restricted-Regular Employees and Japanese-Style Employment Practices

In terms of the proportion they account for among all employees, the number of restricted-regular employees is not significantly high. However, in closing let us see what can be deduced regarding any signs of change—and in reverse, any aspects which are being steadfastly maintained—in companies which have introduced a category of restricted-regular employees.

##### (1) Maintaining the Principle of Long-Term Employment Stability

At the beginning of this paper it was noted that companies bear the obligation to preserve the jobs of typical regular employees. It is a common factor in both the restricted-regular employee (type 1) and restricted-regular employee (type 2) categories that the company still tries to continue to fulfil this obligation even if the employee is a regular restricted employee. In that sense, at least in the case of companies which are thought to have consistently implemented Japanese-style employment practices, the concept of employment security seems to remain a constant, regardless of what type of regular employee the employee is, and it is thought that these companies are maintaining the principle of the obligation of long-term employment stability.

##### (2) Gender-Differentiated Management and Restricted-Regular Employees

As far as the case studies suggest, there are no cases in which significant numbers of male employees have switched to employment categories formerly occupied by women. This is particularly well demonstrated in the case of the two finance companies. In this respect, it can be said that gender-differentiated management remains strongly rooted. However, there are increasing cases in which employee categories to which women belong are provided with the same personnel and wage systems as those applied to unrestricted-regular employees (typical regular employees). As this reflects, female restricted-regular employees are beginning to be able to enjoy the same benefits that were essentially enjoyed by typical regular employees. It is therefore anticipated that the restricted-regular employee categories which have been introduced in recent years will contribute to counteracting an aspect of gender-differentiated management.

### (3) White Collar and Blue Collar Workers

At the same time, the gap between white collar and blue collar workers is expanding in companies which introduce restricted-regular employee categories. Including the case studies in which the systems were abolished, in the four cases in which the categories were also aimed at male employees (Companies A, B, C, and H), the restricted-regular employee categories were aimed at regular employees engaged in work on the manufacturing floor. For the majority of such employees, a different wage table was applied, and these employees also did not have the possibility of being appointed to managerial positions. This deviates slightly from the characteristic of the Japanese-style employment system described at the beginning of this paper—namely, the fact that treatment of blue collar and white collar workers has generally be similar. In fact, as many employees of the shop floor have already been employed under non-regular employment conditions, it is probably possible to suggest that in this case the characteristic had already broken down, but it is worth noting the fact that such a trend can be seen even among regular employees.

To summarize the three characteristics addressed above, it is anticipated that the fundamental principle of preserving the jobs of employees will be maintained and groups which were formerly divided by large gaps (men and women) will become closer, while the groups that were formerly close (white collar and blue collar workers) will separate slightly.

It is not possible to predict at present what form the development of restricted-regular employment will take in the future, or whether or not the development of this form of employment may stagnate. However, at the least, it is possible to interpret the trends described above based on the characteristics of restricted-regular employee categories which have already been introduced.

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