
Introduction

The Diversification of Regular Employment in Japan

The traditional Japanese employment system is characterized by practices such as long-term employment, seniority-based pay, and enterprise unionism—practices that generally only apply to workers in “regular employment.” While many research studies have highlighted the changes in such practices since the mid-1990s, such as the growing adoption of performance-based pay systems, little attention has been given to the introduction and increasingly widespread use of different types of regular employment. These different types of regular employment are the topic of this special edition.

The definition of regular employment differs from country to country. In Japan the term “regular employees” is generally used to refer to workers who are directly employed by their company, who have open-ended employment contracts, and who are designated full-time working hours. It should also be noted that along with these terms, regular employees in Japan must accept that their companies have comprehensive rights to manage personnel affairs, rights which allow companies to order personnel transfers, reassignments and overtime work. Regular employees therefore enjoy benefits such as job security, high wages, and opportunities for skills development, while at the same time accepting conditions such as the possibility of changes in their work duties and place of work, and being expected to work overtime and therefore potentially long hours.

In comparison with regular employees, “non-regular employees”—namely, employees with fixed-term employment contracts—are rarely subject to changes in their work duties and place of work or made to work overtime. At the same time, non-regular employees often face disadvantages such as lack of job security due to the risk that they may not have their contract renewed, relatively low wage levels, and a lack of opportunities for skills development. As a result, there is a stark divide between regular and non-regular employment, due to the significant disparities between the respective employment categories in terms of job security, wage levels, opportunities for skills development, and working hours.

The existence of this divide between regular and non-regular employment is by no means a desirable situation for Japanese workers, who are currently adopting more varied attitudes toward working and more diverse values regarding careers. A solution to the divide is also needed from the point of view of supporting Japanese society as it faces a decrease in its working population in the coming years. It is necessary to ensure that there is a way of working that allows women, older people, and other such workers who are only able to work in certain locations and for certain hours to engage in medium- to long-term employment.

Given such developments in workers’ attitudes and the social conditions, there are those who advocate the necessity of “restricted regular employment” as an intermediate form of employment between regular and non-regular employment. “Restricted regular employees” have open-ended employment contracts like conventional regular employees, but at the same time have restrictions on aspects of their employment such as the type of work

they engage in, where they work, and the hours that they work. It is anticipated that restricted regular employment will allow many workers to achieve work-life balance and build up a specialist career in a certain type of work, while at the same time ensuring job security.

This special edition focuses on restricted regular employment and considers the issues to be addressed regarding the diversification of regular employment in Japan. The five papers included consider such questions as: What merits does restricted regular employment present for workers? How do the wages, working conditions, and job satisfaction of restricted regular employees compare with those of conventional regular employees? What kinds of challenges does restricted regular employment pose for Japanese companies and their employment practices and methods of personnel management?

In “Restricted Regular Employees and Compensating Wage Differentials: Theory and Evidence,” Emiko Usui applies economic analysis to investigate restricted regular employment in terms of the merits it can offer to workers and its sustainability as a form of employment. She notes that a significant question that arises when making restricted regular employment more widespread is at what level to set the wage differential between conventional regular employees and restricted regular employees. On that basis, Usui also adopts a theoretical model of compensating wage differentials to explain that while the wage differential between restricted regular employees and conventional regular employees will expand if more workers aspire to restricted regular employment, it will shrink if the cost for companies of providing restricted regular employment decreases. Usui asserts that for companies to be able to provide restricted regular employment at low cost, it is necessary to establish clear legal standards, such as fixed standards regarding the dismissal of work-location-restricted regular employees—that is, employees who are hired to work only at a specific location—in the case of closures of business sites. At the same time, Usui also points out that if such standards are established the number of workers hoping to become work-location-restricted regular employees may then cease to increase.

“Current Developments and Challenges in the Personnel Management of Restricted Regular Employees: With a Focus on the Diversity of Restricted Regular Employment,” a paper by Koji Takahashi, focuses on work-location-restricted regular employment and work-type-restricted regular employment and uses the findings of questionnaire surveys of places of business and employees and interviews of companies to investigate how companies currently manage such personnel and the challenges this may involve in the future. Takahashi notes that as work-type-restricted regular employees have a narrower scope of work duties and therefore limitations on the managerial-level positions that they can be assigned to, there is a limited extent to which they can develop their careers within their companies in comparison with conventional regular employees. He also notes that work-location-restricted regular employees often have lower wage levels in comparison with conventional regular employees even if they engage in the same work duties, and are therefore prone to feel dissatisfaction regarding their wages. On the basis of these findings, Takahashi asserts that in order to allow for more widespread use of work-type-restricted regular employment it is necessary to establish external labor markets that allow such em-

employees to develop their careers while engaging in a specific type of work, and to allow for the more widespread use of work-location-restricted regular employment it is necessary to establish systems to ensure that workers can inform management of their opinions on disparities in wages within the company.

Yoshihide Sano's "Diversification of Regular Employees' Career Orientations and the Current Status of Careers and Work Formats" investigates the "career orientations"—in other words, the expectations of employees toward their careers—and actual careers of regular employees in their late-twenties to thirties, on the basis of the results of a survey of workers. Sano observes that regular employees are adopting more varied career orientations, such as seeking specialized jobs or placing more importance on their private life, and only a certain percentage wish to advance their careers to managerial level. Moreover, regular employees are being provided with career development opportunities that are suited to the careers they seek. For instance, regular employees who wish to advance to managerial level have more opportunities to do so and to gain experience of more sophisticated work content to prepare them for such positions, and regular employees who wish to pursue specialized careers have fewer opportunities to advance to managerial level but greater opportunities to engage in specialized or technical positions. In the light of these developments, Sano advocates that in expanding the use of restricted regular employment it is necessary for such forms of employment to be offered in accordance with the career orientations of employees, and as employees' career orientations may vary, it is necessary to establish systems by which employees are able to change employment category between restricted regular employment and conventional regular employment.

In "Understanding Restricted Regular Employment: Differences by Company Size with a Focus on Wages and Satisfaction Levels," Akihito Toda highlights the existence of types of regular employment that include restrictions on work type, work location, and/or working hours, and uses data from a survey of workers to examine the impact of such restrictions on wages and job satisfaction, focusing particularly on work-type-restricted employment and work-location-restricted employment. In the case of work-location-restricted regular employees in large companies, he notes that while annual salaries are lower than those of conventional regular employees for both males and females, job satisfaction is lower for males but not for females, and therefore women are more likely than men to choose this form of employment. In the case of work-type-restricted regular employees, there are higher levels of job satisfaction in comparison with conventional regular employees, particularly among males working in small and medium-sized companies. Toda therefore argues that it is necessary to focus on differences in company size when considering measures aimed at greater adoption of restricted regular employment, and that introducing across-the-board policies could lead to disadvantages and dissatisfaction among workers.

Kaoru Kanai's "The MHLW's Policy of 'Diverse Regular Employees' and Its Impact on Female Employment" uses findings from interviews with corporate personnel departments and labor unions to investigate the effects of restricted regular employment on female workers, taking into account the similarities and differences between the employment management of the conventional "clerical career track" and that of the more recently introduced

“restricted regular employment” category. Kanai notes that while the clerical track and restricted regular employment are similar in that they both restrict the work types and work locations of female workers, they differ in terms of the career time spans that companies envisage for the female workers. Namely, while companies assume that clerical track employees will leave employment when they have children and therefore pursue only short-term careers, they anticipate restricted regular employees to pursue medium- to long-term careers. Kanai observes that while ensuring that restricted regular employees are able to develop long-term careers will allow for the potential improvement of wages and working conditions in comparison with the conventional clerical track, if restricted regular employment is only chosen by women, it will become established as an employment category solely for women, just as in the case of the clerical track in the past.

These five papers demonstrate that Japan is also experiencing increasing diversification of regular employment, and that in addition to conventional regular employees there is also already a certain percentage of employees in types of regular employment with restrictions on work type, work location, and/or working hours. They also highlight the fact that restricted regular employment may have become a form of employment that is desirable for workers, in the fact that it fulfils various conditions sought by workers, as it ensures work-life balance and increases the ability to develop specialization in a certain work type, while also guaranteeing job security.

On the other hand, restricted regular employment also poses new challenges for Japanese companies in terms of how they manage employment. Companies tend to set the wages of restricted regular employees lower than those of conventional regular employees, and this is highly likely to lead to dissatisfaction toward wages among workers in restricted regular employment. Furthermore, placing employees in restricted regular employment makes it more difficult for such employees to pursue skills development and careers development within their company in comparison with conventional regular employees, and it is possible that restricted regular employment may become established as an employment category that is only for female workers. In encouraging the greater adoption of restricted regular employment it is necessary for companies to address the need to ensure fairness in the treatment of restricted regular employees and conventional regular employees and provide opportunities for workers to switch between restricted regular employment and conventional regular employment categories.

We will need to wait for further research on this topic to accumulate before we can determine whether or not restricted regular employment can provide workers with solutions to the issues they face due to the stark divide between regular and non-regular employment and offer companies a more effective means of utilizing human resources. I hope that this special edition will contribute to understanding of the growing diversification of regular employment in Japan and to research and policies aimed at offering solutions to issues related to the disparities between regular and non-regular employment.

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