
The MHLW's Policy of "Diverse Regular Employees" and Its Impact on Female Employment

Kaoru Kanai

Saitama University

This paper examines the implications and issues for female employment under the rationale of "diverse regular employees," whereby restrictions are placed on an employee's work type, place of work, etc. In Japan, the introduction of a course-based employment management system has been advocated by employers' associations since around the 1980s. Particularly in larger companies, the majority of male employees have been hired on the "managerial career track," with no restriction on working hours, work type and place of work, and the majority of females on the "clerical career track," with restrictions on work type and place of work, on the assumption of short-term employment. The conventional course-based employment management system and "diverse regular employees" resemble each other, in that they both create categories of employment management in which there are restrictions on the work type and place of work, etc. But if we consider the ideal employment management system, there is a difference as to whether the respective employment is "short-term" or "medium- to long-term." Depending on how systems are designed with a view to forming medium- to long-term careers, the policy of "diverse regular employees" could in fact both reinforce and eliminate Japan's gender pay gap and gender imbalance in types of employment, which are on the large side among industrialized nations.

I. Introduction: Disparity in Working Conditions between Regular and Non-Regular Employees in Japan

This paper examines implications and issues for female employment under the policy of "diverse regular employees,"¹ whereby restrictions are placed on an employee's work type, place of work, etc. This is an issue now being reviewed by study groups in the Ministry of Health, Labour and Welfare (MHLW), among others.

In 2011, MHLW set up a "Discussion Group on the Vision for Non-Regular Employment" followed by a "Study Group on 'Diverse Regular Employees.'" These have been conducting research and studies on "diverse regular employees," and attention is now being focused on the rationale behind this type of employment. As will be discussed below, however, employers' associations in Japan have been advocating the introduction of a multi-track employment management system since around the 1980s, and a degree of "diversity"

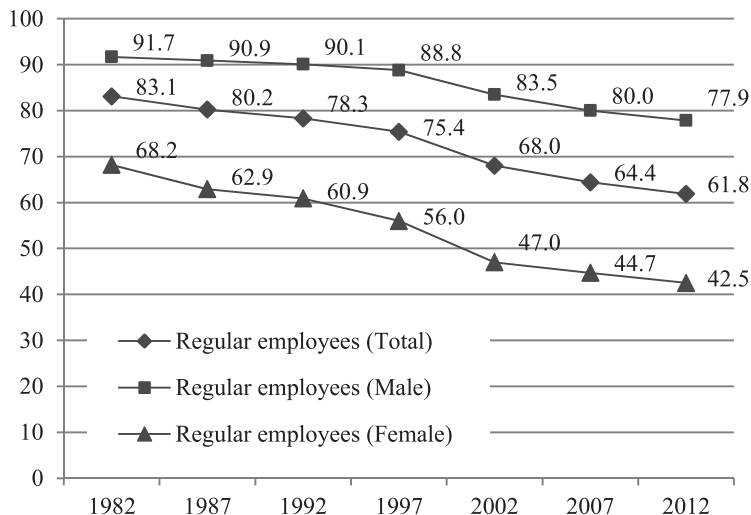
¹ Based on the 2010 Report by the Employment Policy Study Group, the Report by the Study Group on "Diverse Regular Employees" (Ministry of Health, Labour and Welfare 2011a) the Report by the Discussion Group on the Vision for Non-Regular Employment (Ministry of Health, Labour and Welfare 2011b), and others.

has already become evident among regular employees, especially in larger companies.² In this section, therefore, the current situation and problems of disparity in employment conditions between regular and non-regular employees in Japan will first be surveyed, and the proposed aims behind the policy of "diverse regular employees" will be enumerated.

Exactly who is referred to as a "regular employee" in Japan, in the first place? In a report by the MHLW "Discussion Group on the Vision for Non-Regular Employment," persons in regular employment are defined as satisfying three conditions: (i) having no fixed term of employment contract, (ii) contractually working full-time, and (iii) being directly employed. Workers who also meet the additional conditions that (iv) their employment conditions and employment management systems are premised on the customary practice of long-term employment (wage structure, promotions and upgrading, postings, ability development, etc. geared to years of service) and (v) they have no restriction on the place or work type, with the possibility of overtime work, are classified as "typical regular employees." Those who do not satisfy any one of these five conditions are classified as "diverse regular employees." One characteristic of Japanese companies is that they establish employment management categories, create management systems and change employment conditions according to combinations of (i)–(v). As will be discussed further in Section III, this kind of employment management system has been arranged mainly by large corporations, partly in response to the introduction of the Equal Opportunity Act. In other words, the specific interpretation of regular vs. non-regular employees is determined by each company's employment management system and customary practice. Moreover, since government statistics also reflect this situation, the definition of regular vs. non-regular employees differs from survey to survey.

The present status of non-regular employees will now be examined by referring to macrodata. Trends in ratios of regular employees are revealed in the Ministry of Internal Affairs and Communications (MIC)'s Employment Status Survey, which aggregates various types of employment under the designations given by companies. According to this, the ratio of regular employees among all workers has declined for both men and women, this trend being particularly conspicuous since the 1990s (Figure 1). However, seen by gender, men continue to be mostly employed as regular employees, while for women the ratios of regular and non-regular employment were reversed in 2002. By 2012, the ratio of regular employees among women had fallen to 42.5%. In particular, many young women used to be regular employees, but the ratio of non-regular employees among young women has increased sharply since the second half of the 1990s. There is a gender gap in types of employment between regular and non-regular employees, and that gap is widening.

² It has been asserted that, even before the appearance of "regular employees," Japanese companies were already practicing "multi-track management" (in which fixed quotas of employees with superior status and qualifications were placed on a separate course, while the rest were put into competition with each other), and that Japan's labor union movement aimed to break down this multi-track management (Woo 2010; Nimura 1987).



Source: Compiled from the MIC Employment Status Survey for each year.
 Note: Figures indicate the ratio of all workers (except company officers) designated as “regular staff or employees” by employers.

Figure 1. Trends in Ratios of Regular Employees by Gender (1982–2012)

There is an ongoing trend toward non-regular employment, accounting for nearly 40% of all persons in employment, and the employment conditions offered to these workers (wages, stability of employment, access to social security) remain at a low level. For example, according to the 2014 MHLW General Survey on Diversified Types of Employment, coverage rates of unemployment insurance, health insurance and employees’ pensions are almost 100% among regular employees, but at low levels of 67.7%, 54.7% and 52%, respectively, for non-regular workers.³ Retirement allowances are available for 80.6% of regular employees but only for 9.6% of non-regular workers, while bonuses are paid to 86.1% of regular employees but only to 31% of non-regular employees.

According to the 2014 MHLW Basic Survey on Wage Structure, wage levels for part-time workers⁴ were 53.5% for males and 48.4% for females, where 100 is the average hourly wage for male regular workers. Although a simple comparison cannot be made due to differences in definitions among OECD countries, the hourly wage rate of part-time workers compared to that of full-time workers is lower in Japan than in any other OECD country.

The wide disparity in employment conditions between regular and non-regular em-

³ In the survey, employees on temporary assignment, contract employees (specialist posts), *shokutaku* or temporary contract employees (reemployed retirees), part-time employees, temporary employees, dispatched workers, and others are referred to collectively as “non-regular workers.”

⁴ Here, “part-time workers” are those who have shorter contractual working hours per day than ordinary workers in the same business establishment, or even if the daily working hours are the same, have fewer contractual working days per week.

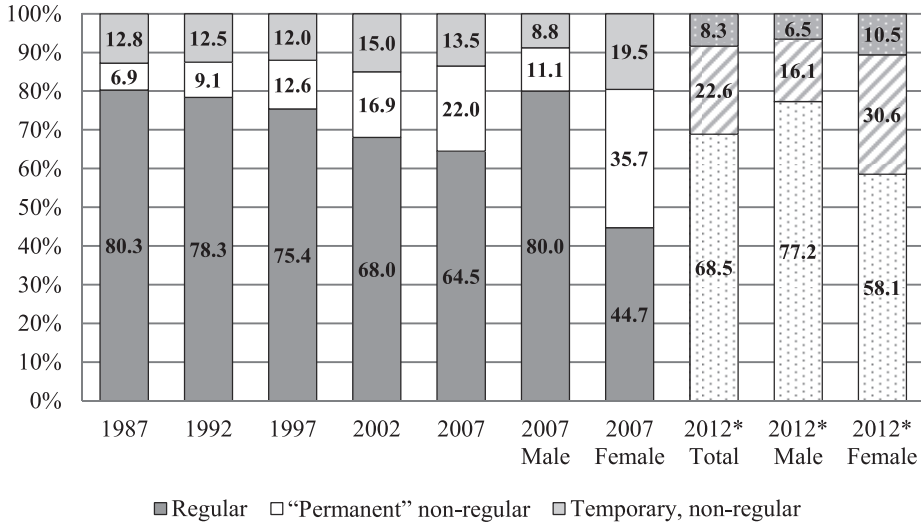
ployees in Japan, together with the growth in numbers of non-regular employees, signals an increase in people with unstable employment and poor employment conditions. As one way of resolving this, the problem awareness that "permanent⁵ non-regular workers" with routinely renewed fixed-term employment contracts should be given "an employment that is stable to a certain degree, *though not to the extent of regular employees*"⁶ (author's italics) has been raised.⁷ In particular, one proposal is that an employment management category of "diverse regular employees" should be created as an intermediate type of employment. The 2010 MHLW Employment Policy Study Group Report anticipated that job security for conventional regular employees would diminish if today's "permanent non-regular workers" were changed to "diverse regular employees" with restrictions on work type, place of work, etc. Creating "diverse regular employees" would have the advantage that many existing fixed-term contracts could be converted to nominal "open-ended employment contracts." For the workers, this could prevent the patchwork employment seen until now, while companies would retain some freedom to adjust employment if an abnormal situation were to occur (such as the closure of a business establishment). At the same time, they could convert non-regular employees into medium- to long-term business assets by giving appropriate support for career formation under new employment contracts. This was also seen as a potential means whereby non-regular employees could make the step up to the present status of regular employees. In other words, the policy of "diverse regular employees" could be seen as a proposal, for "permanent non-regular workers" who have routinely renewed fixed-term employment contracts, to create an employment management category positioned between the aforementioned "typical regular employment" and non-regular employees, and to convert them to medium- to long-term business assets while promoting improvements to their employment conditions.

These "permanent non-regular workers" are on the increase, as is also shown in the Study Group materials (see Figure 2). Breaking this down by gender, in 2007 only 11.1% of men but 35.7% of women were "permanent non-regular workers," revealing that more than a third of all female employees fall into this category. In terms of the gender ratio of "permanent non-regular workers," moreover, females account for the majority with 71.8% of the total. The survey topics were changed from 2012 onwards, with the previous options of full-time, temporary and day labor changing to a question asking directly whether the employment contract was fixed-term or open-ended. The result was that 68.5% of contracts were open-ended and 22.6% had fixed terms. Even amongst those with open-ended employment contracts, 16.8% replied that their employment was non-regular. More

⁵ Workers who have their employment contracts renewed repeatedly even if their contract term is fixed.

⁶ Minutes of the 4th Employment Policy Study Group Meeting of FY2009.

⁷ MHLW Employment Policy Study Group Report, "System of Economy and Employment to Achieve a Sustainable and Dynamic Society," published in July 2010 (Ministry of Health, Labour and Welfare 2010).



Source: Compiled from the MIC Employment Status Survey for each year.

Notes: "Permanent non-regular" includes workers going under the employers' designations of "part-time," "arubaito (side-job)," "workers dispatched from a worker dispatch business," "contract employees and shokutaku (temporary contract employees)" and "others," but not corresponding to "temporary employment" with a contract term between 1 month and 1 years or "day labor" with a contract term of less than 1 month.

* A simple year-by-year comparison cannot be made, as the data from 2012 onwards show ratios of "No contract term specified (including up to retirement)," "Contract term specified" and "Don't know," from the bottom upwards.

Figure 2. Trends in Workers in Regular and Non-Regular Employment (by Term of Employment Contract)

specifically, only 6.7% of males but 33% of women replied to this effect, revealing a higher ratio of non-regular employees among women with open-ended contracts.⁸ If the policy of "diverse regular employees" is to be considered as a response to "permanent non-regular workers" and other non-regular employees, many of those covered by the policy will be female workers.

Thus, in this paper, Section II will use actual company cases to examine how phenomena seen in macro statistics—namely, the declining ratio of female regular employees and the increasing ratio of female full-time non-regular workers—have arisen. Section III will give an overview of the course-based employment management system, which has amassed a long history as a method of personnel management by companies and has spread since the Equal Opportunities Act. Section III will also examine the impact of the

⁸ Of workers with open-ended employment contracts, those who responded that they are non-regular employees are thought to include some who routinely renew fixed-term employment contracts.

course-based employment management system on female workers and differences compared to the "diverse regular employees" now being advocated. Section IV, finally, will consider implications and issues for female employment arising from the policy of "diverse regular employees," based on the discussion in Section II and III.

II. Company Cases Illustrating the Declining Ratio of Female Regular Employees

In this section, a case study will be used to examine how phenomena seen in macro statistics—namely, the declining the ratio of female regular employees and increasing ratio of female "permanent non-regular workers"—have arisen in actual companies. Although it is not possible to generalize owing to problems of industry characteristics, this case study will be introduced as one example.

This example is based on interview surveys held between November 2007 and May 2010 with the personnel departments and labor unions of three department stores (Company A, Company B, Company C) that had introduced a system for conversion from non-regular to regular employees. It also draws on data from interviews with workers who had converted to regular employees, converted from part-time to contract employees, or remained as contract employees in each company. Unless stated otherwise, the descriptions are from April 2008 for Company A and 2007 for Companies B and C. Outlines of each case are shown in Table 1.

In Kanai (2010), the realities and issues of the system of converting or promoting non-regular employees to regular employment were clarified from the same case study survey, taking into account the system's impact on the employment conditions of non-regular employees in general. But in this paper, the focus will be on the reasons why the system of conversion from non-regular to regular employees was introduced. In the process, attention will be given to how the dividing line between regular and non-regular employees has moved, and what sort of impact this has had on female employment.⁹

It is well known that Japanese companies as a whole made serious efforts to reduce personnel costs due to the economic slump throughout the 1990s. In their efforts to reduce these costs, the case study companies adopted the method of cutting mass recruitment of new graduates rather than restructuring middle-aged and older employees,¹⁰ the brunt of this reduction being borne by the mass seasonal recruitment quota of female graduates from high school and junior college.

⁹ See Kanai (2010) for specific details of each company's personnel system and system of conversion to regular employees. This section is an updated version of Kanai (2011).

¹⁰ A common hiring practice in Japan is to conduct mass recruitment of new graduates every year, with the new graduates entering companies as regular employees on April 1st. These are prone to be targeted by employment adjustments, while the numbers hired are susceptible to the impact of business cycles, etc.

Table 1. Case Outlines

	Company A	Company B	Company C
Sector	Department store	Department store	Department store
Operational area	Kanto region	Whole country	Kanto and Kansai region
Sales turnover	—	¥747,982 mln (Feb. 2007 term)	¥838,400 mln (unconsolidated) (Feb. 2007 term)
Total employees	7,986	11,180	13,857
Regular employee ratio	44.7%	60.1%	56.0%
Contract employee ratio	16.8%	9.3%	9.6%
Part-timer ratio	38.5%	27.4%	28.7%
Other non-regular employee ratio	—	3.2%	5.7%

Source: Compiled from interview survey data.

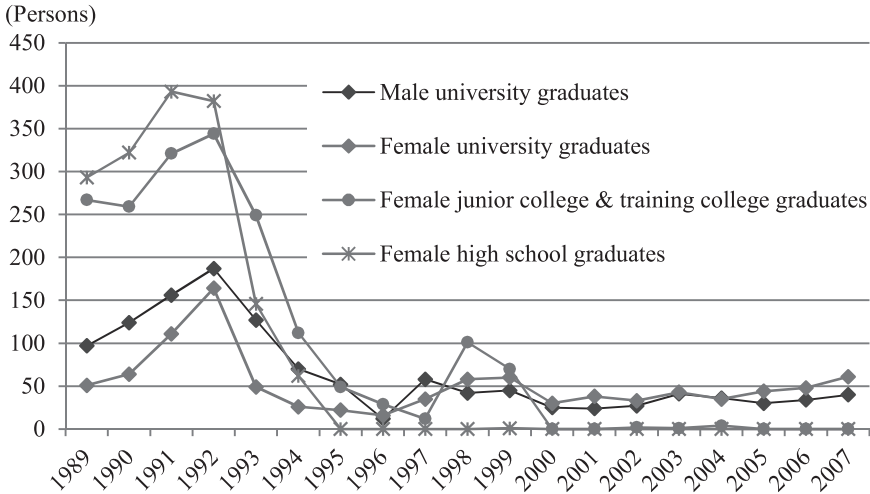
Note: Unless stated otherwise, information is from April 2008 for Company A and 2007 for Companies B and C. Companies A and B have merged since the survey.

Figure 3 shows trends in mass recruitment of new graduates since 1989 by case study Company B, for which recruitment numbers by educational level and gender are known.¹¹ Until the first half of the 1990s, new female graduates from high school and junior college were recruited for regular employment on a large scale, but the numbers have fallen since the mid-1990s. Specifically, recruitment of high school graduates has been zero since FY1995, while hardly any junior college graduates have been hired since FY1999.¹² During that time, recruitment of new university graduates has also fallen compared to the level up to the first half of the 1990s, but numbers between around 50 and 100 have consistently been maintained. By nature, mass recruitment of new high school and junior college graduates is affected by store openings and closures, and the number of recruitment varies wildly according to the situation in a given year. Nevertheless, the tendency to interrupt or scrap mass recruitment of new high school and junior college graduates since the mid-1990s differs from the previous trend, in that recruitment of female regular employees has been vastly reduced. This has caused a sense of personnel shortage in the workplace.

Even before the recruitment of new graduates was reduced, companies had used short-hour part-time workers not involving shift work but limited to specific places of work. With the reduced intake of regular employees, however, it became difficult to operate stores

¹¹ Until FY1994, the company hired between a handful and around 30 new male graduates from high schools, junior colleges and specialized training colleges, but since FY1995 the numbers have been zero in each case. This is omitted from Figure 3.

¹² The company hired two female junior college graduates in 2002, one in 2003 and four in 2004.



Source: Compiled from interview survey data.

Note: Figures show numbers newly hired on April 1st each year.

Figure 3. Trends in New Graduate Recruitment for Regular Employment by Gender and Educational Level in Company B

using only part-time and regular employees. As a result, the need arose to introduce “contract employees,” who could work full-time in shifts and would be less expensive to hire than regular employees.¹³ From the 1990s to the beginning of the 2000s, contract employee systems were introduced in each of the case study companies. Although the companies differ from each other in aspects such as the qualifications required for promotion by contract employees, posts and other employment conditions, they agree in that the shift system for full-time work on a 1-year contract is basically the same as that for regular employees. Moreover, they have all introduced contract employees into sales positions, core occupations in the department store industry. Another point they generally share in common is that, although contract employees were hired in mid-career when the system was first introduced, they have subsequently started hiring new graduates as contract employees. This “new graduate quota” of contract employees, though mainly consisting of junior college graduates, also includes some high school graduates (both school-recommended and independently applying), as well as 4-year university graduates, and most of them are female. This trend could be seen as consistent with the macro statistics showing that a decrease in recruitment of young female regular employees is balanced by an increase in non-regular employees

¹³ Although the disparity in employment conditions between regular and contract employees differs from company to company, if performing work at the same level in Company A, for example, the monthly salary level is more or less the same but employee benefits like bonuses and retirement allowances are different. If spread out over subsequent careers, the disparity is said to be around two million yen per annum. In Company C, too, monthly salary levels are more or less the same, but there is disparity in bonuses, etc.

who routinely renew fixed-term employment contracts.

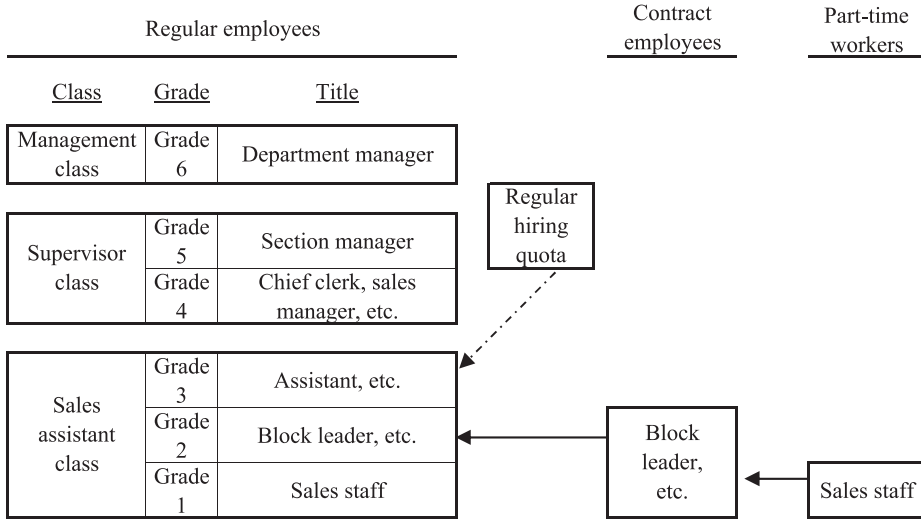
In the case study companies, regular employees who had started employment during the conventional mass recruitment of new high school and junior college graduates were subject to the same personnel system as university graduate regular employees, the only difference being the initial salary grade. But although the personnel system did not establish disparity in the speed or upper limits of promotions or upgrades, etc., many female high school and junior college graduates who joined the companies have not been promoted or upgraded and now find themselves in the lower echelons of the qualification grading system.¹⁴ Amid rising pressure to cut costs in the 1990s, there may have been a heightened sense of cost burden vis-à-vis regular employees who were not promoted or upgraded but continued to work long-term. As a result, companies changed course toward converting these regular employees to non-regular employees. In the interview with Company A below, this is set out as a company policy, and is perceived to have been a necessary step toward improving the business management structure.

Kanai: In terms of your direction, are you intending to increase fixed-term contracts at sales floor level?

Company A HR Dept.: Yes, that's absolutely correct. Because, at the moment, we do not hire junior college and high school graduates on the premise of lifetime employment. If we could significantly reduce the current salaries of our sales clerks (Ability Grades 1 to 3) and put them on the same level as the current contract employees, we might be able to consider changing them all to lifetime employment. Grades 1 to 3 (of regular employees) are very expensive to employ as regular workers.

Figure 4 is a schematic diagram showing Company A's personnel system by employment categories, and its system of conversion. At the time of the interview, the company was narrowing its recruitment of regular employees down to (new) university graduates or higher. Regular employees are trained as the category of “*teiki saiyosha*” (literally, “regular employees”) for four years in the company, whereupon their daily work assignments change, along with other aspects including transfers, reassignments and employment conditions (wages and evaluation system). These are then nurtured as future core personnel. In their 5th year, these regular employees are basically ranked in Grade 3. In the case of Company A, elevation to Grade 3 means that they are appointed as assistants (assisting or deputizing for duties carried out by titled employees such as sales managers and buyers). However, previous regular employees recruited from high school and junior college graduates need at

¹⁴ This is a system of grading employees according to their latent ability (called “job performance ability”), and raising them to a higher grade of professional ability qualification if their job performance ability increases and they pass reviews, examinations, etc. In recent years, the content of qualifications has changed to include not only latent ability but also the job being performed, responsibilities, etc., but this system is commonly found in Japanese companies.



Source: Compiled from interview survey data.

Figure 4. Company A’s System of Personnel and Conversion

least ten years’ employment in the company before they can rise to Grade 3 and be appointed to assistant posts. Compared to these, we can see just how much more quickly university graduate regular employees are promoted, and what a difference there is in the way they are nurtured until promotion to Grade 3.

Because high school and junior college graduates who would previously have been hired as regular employees are now hired as contract employees, the distinction in roles and jobs between regular employees and contract employees in the workplace has become blurred. Between the second half of the 1990s and the beginning of the 2000s, the rationale of “Japanese-style rules for balanced treatment of workers” was set out at policy level, and there was a widening perception among companies that they must have rational reasons for any difference in employment conditions between employment management categories. In Japan’s Part-Time Worker Act, for example, it is taken as rational for disparity in conditions to be established even if regular employees and part-time workers do the same job, seen at a single point in time, because employment management categories differ due to the presence or absence of job conversion, territory conversion, differences in the scope of transfers, etc.¹⁵ The case study companies have also established differences in aspects including job conversion and scope of transfers in connection with disparity between employment man-

¹⁵ The amended Part-Time Worker Act of 2014 sets out a principle of “equal” treatment, prohibiting discriminatory treatment of part-time workers whose “jobs” and “systems of human resource utilization” are the same as those of so-called regular employees. For other part-time workers, it promotes a principle of “balanced” treatment, in which there is a balance with the treatment of regular employees commensurate with the similarity of employment circumstances compared to those of regular employees.

agement categories, and have arranged “rational” reasons for this disparity. In reality, however, it had become difficult for differences in employment management category (such as cases in which there were not many opportunities for job conversion, territory conversion or transfers, even for regular employees) to be perceived clearly as actual “differences in type of employment” between regular and non-regular employees whose actual conditions resembled each other.

In the case study companies, the presence of the rank and file of regular employees for long time who did more or less the same jobs as contract employees—many of them being conventional mass recruited employees from high school and junior college graduates before—led to growing dissatisfaction among contract employees. In particular, Company A at one time switched roles between employment management categories when regular employees were allocated below upgraded non-regular employees, with the result that non-regular employees were supervising regular employees. Even in Companies B and C, where there was no such switching, there is a large degree of homogeneity in age, education and other aspects between contract employees, who consist largely of new graduates and young people, and regular employees who were conventional high school and junior college graduates. Dissatisfaction on the part of contract employees was probably exacerbated because annual salaries and employment conditions were different even though hardly any difference could be felt compared to regular employees. For the company management, reducing the dissatisfaction of contract employees, maintaining their motivation and securing contract employees with proven strength of performance have become problematic. Systems of conversion from contract employees to regular employees have been introduced by the case study companies partly in response to this kind of personnel management problem.

What has happened since the 1990s is that, although not clearly classified as an employment management category, recruitment of female junior college and high school graduates as regular employees, many of whom have continued to work long-term with restriction on their place of work but with hardly any promotion or upgrading, has been reduced or discontinued. The work performed by the rank and file of regular employees has been taken over by contract employees who work in full-time shifts under fixed-term contracts. Female regular employees who do not seek promotion or upgrading but work with restriction on their place of work while maintaining a work life balance may well have increased the sense of cost burden for companies amid a slumping economy, thus encouraging a shift to non-regular workers. On the other hand, the shift to non-regular employees also caused problems for personnel management, in terms of the difficulty of maintaining motivation and the high job-leaving rate, etc. Therefore, systems of conversion to regular employees were introduced as one measure for improvement of treatment for non-regular employees.¹⁶ The dividing line between regular employees and non-regular employees moved

¹⁶ However, as pointed out in Kanai (2010), if we calculate the conversion ratio as the proportion

upwards when the work of women (who account for much of the rank and file of regular employees) was shifted to non-regular employment, and systems of conversion to regular employees were introduced. The purpose of this was both to reduce the job-leaving rate of non-regular employees who now performed that work, and to keep them motivated. In this way, the path was opened for converting some strongly performing non-regular employees to regular employees.

III. The Equal Opportunity Act and the Establishment of Course-Based Employment Management

This section will focus on the impact on gender equality of regular employees with restricted place of work or work type in the course-based employment management system, which has spread mainly among Japan's large corporations since the 1980s, and how they differ from the "diverse regular employees" that have received so much attention in recent years. As is well known, the enactment of the Equal Opportunity Act lies behind the permeation of the course-based employment management system into companies. Firstly, then, the rationale used by employers' associations when designing employment management categories will be outlined, with reference to the Equal Opportunity Act.

1. The Equal Opportunity Act and the Course-Based Employment Management System

The Equal Opportunity Act (the formal title being the "Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment") was passed in 1985. It stipulated that (i) employers must make efforts to treat men and women equally with regard to recruitment, hiring, assignments and promotion, (ii) the Minister of Labour may determine guidelines on these matters, and (iii) employers must not subject workers to discriminatory treatment with regard to education or training (as specified in ordinances of the Labour Ministry), employee welfare, retirement age, retirement or dismissal on grounds of their gender. It also included measures to make the elimination of discrimination more effective, including support for dispute resolution by Directors of Prefectural Women's and Young Workers' Offices and mediation by Equal Opportunity Mediation Commissions.¹⁷

of contract employees who pass one examination for conversion to regular employees, the result is a very narrow window of 0.4%–3.7%. This leads to a situation in which the problem of treatment of non-regular employees cannot be solved with conversion systems. Compared to the aim of raising motivation among non-regular employees by introducing conversion systems, conversion systems in which many candidates fail could have the opposite effect of lowering motivation. According to the integrated websites of Companies A and B, they currently aim to convert the class of contract employees to open-ended employment from the 4th year onwards.

¹⁷ In 1997 and 2007 the Equal Opportunity Act was amended toward stronger regulation, the obligation to "make efforts" in relation to recruitment, hiring, assignments and promotion being changed to prohibition.

In the 1985 Equal Opportunities Act, Article 7 obliged employers to make efforts to give women the same opportunities with regard to recruitment and hiring as they did to men. Article 8 obliged them to give female workers the same treatment as male workers with regard to assignment and promotion. At the time, numerous gender differences were seen in matters of recruitment, hiring, assignment and promotion; given the actual employment situation of female workers, there was felt to be a lack of clarity over the extent to which employers should make efforts to achieve equal treatment for men and women. Therefore, to make the regulation on efforts more effective, the Act took the route of indicating guidelines on specific targets for efforts by employers with regard to these matters whenever necessary, having considered the actual employment situation of female workers, etc.

In the 1985 guidelines, it was deemed that, as long as the door was as open for women as for men and selections were made fairly when recruiting and hiring, no problems would arise in terms of the Equal Opportunities Act as a result. In other words, the problem was taken to be one of “exclusion,” whereby women are given no opportunities at all, but the method of providing opportunities was not specifically stated. As a result, it was interpreted as not being a problem under the guidelines if, for example, the male-female ratio for hiring within the same recruitment quota were 70 to 30. Also, the possibility that men could be excluded or women treated preferentially if opportunities were given to women was not considered to be an issue of concern to the Equal Opportunities Act.

On assignments and promotions, the interpretation given in the guidelines is that “It would be a violation of ‘equal treatment’ to treat men and women differently in assignments and promotions, for reasons only of socially accepted norms about women in general and average circumstances of employment. However, treatment focusing on differences in actually existing attitudes and abilities of individual female workers would not be a violation.” Furthermore, when assignments and promotions are made in consideration of elements of the hiring category or work type, the interpretation is that because these differ between men and women, it could not be deemed to violate equal treatment even if different treatment of men and women were to arise in assignments and promotions. In other words, treating female workers differently from male workers within the same hiring category or work type would constitute a violation of equal treatment.

The response by large corporations to these guidelines on the Equal Opportunities Act, which require equality only within the same employment management category, was to rearrange conventional gender-specific courses into a course-based personnel system consisting of a “managerial career track” and a “clerical career track” (Omori 2010). In response to the enactment of the Equal Opportunities Act in 1985, Nikkeiren (the Japan Federation of Employers’ Associations) and other employers’ associations started to advocate multi-track systems of personnel treatment.

For example, the Human Resources and Wages Committee of the Kanto Employers’ Association published its report on “The Equal Opportunity Act and Future Directions for Employment Management” in April 1986. This included an explanation that employment

management by Japanese companies was a comprehensive system in which, regardless of gender, core workers were nurtured while receiving education and training, reassignments, promotion, upgrades, pay rises, and others as and when necessary, on the assumption of long-term employment from hiring until retirement age.¹⁸ Education and training was taken as an example illustrating the impact of the Equal Opportunities Act on this system of employment management. If it is assumed that short-term workers who leave their jobs early and those who remain in long-term employment should receive the same education and training, it would mean having to provide fixed education and training even to workers who do not need it, leading to increased outlays on education and training and irrecoverable costs. The Committee's report suggested that the same was conceivable for assignments, promotion or upgrading, employee welfare and other issues. It explained that, according to the Public Opinion Survey on Women conducted by the Prime Minister's Office in 1972, women could be differentiated into three groups by their attitude toward work: (i) those willing to work for short terms; (ii) those willing to find reemployment; and (iii) those willing to work for long terms. The Committee's view was that irrecoverable costs would arise if the same education, assignments, promotion or upgrading, employee welfare and others that are available for men in long-term employment were also applied to women in types (i) and (ii), who are thought to work short-term and to leave their jobs early.

The Personnel and Wages Committee of the Kanto Employers' Association concluded that employment management would need to be converted from the conventional single-track type to a multi-track type based on diverse and flexible groupings or course divisions, according to the needs of individual classes of workers in response to the realities of their employers. In doing so, the impact of the Equal Opportunities Act on corporate management would be taken into account, but on the other hand the Act would be positioned as a response to the diversity of occupational awareness among female workers. Based on the rationale of course selection systems that had already been introduced in some sectors, the Committee proposed a system of dividing workers into courses based on (i) their assigned work type and content of work duties, (ii) whether or not transfers were possible, or the potential scope of transfers, and (iii) the length of working hours, etc. On this basis, different education and training menus, work duties and assignments, promotion routes, wage structures, scopes of employee welfare facility usage, and others would be created and managed, depending on the respective courses.

The same assertion is further developed in *Nikkeiren Times*, which introduced the specific rationale of multi-track employment management, its background, case studies and others in a 20-issue series titled "Multi-track employment management in practice" starting

¹⁸ In reality, as seen for example in the fact that issues of retirement age by gender have been contested in courts, it surely cannot be described as a comprehensive system in which, "regardless of gender," core workers were nurtured while receiving education and training, reassignments, promotion, upgrades, pay rises, and others as and when necessary, and on the assumption of long-term employment from hiring until retirement age.

<u>Course name</u>	<u>Assigned work duties</u>	<u>Possibility of transfers</u>
Managerial career track	Performs broad and varied duties in based on wide-ranging knowledge and experience	Includes transfers involving relocation
Clerical career track	Performs routine ancillary duties based on general knowledge and experience	No transfers ordered without the individual's consent
Special duty career track	Assigned to process specific work smoothly and efficiently	No transfers ordered without the individual's consent

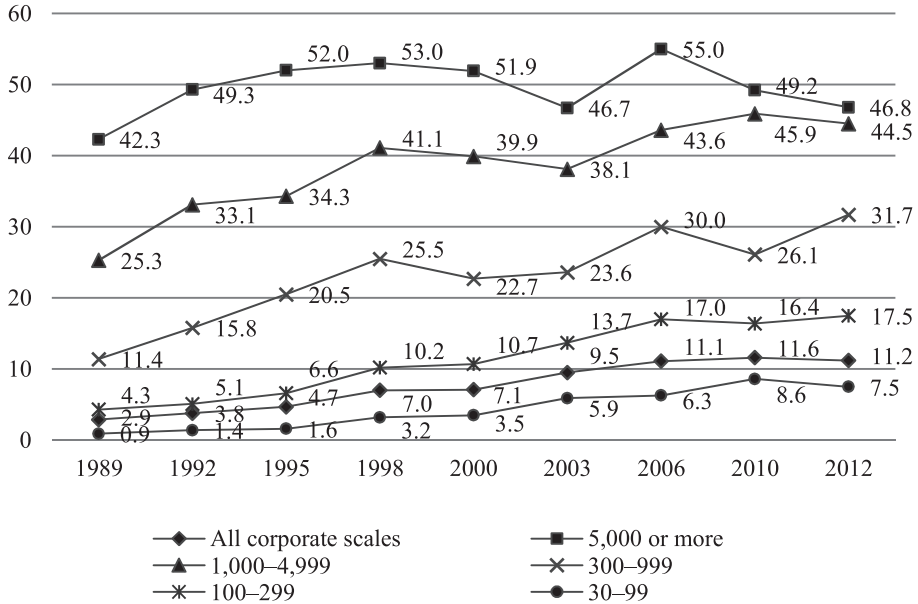
Source: "Multi-Track Employment Management in Practice 3: Content of Work Duties, Possibility of Transfers, and Points When Setting Courses," *Nikkeiren Times*, August 7th, 1986.

Figure 5. Work Duties and the Possibility of Transfers for Each Course

in July 1986. On the method of setting courses, the series proposed that two courses should be arranged, namely (i) job assignments in which broad and varied duties were performed based on wide-ranging knowledge and experience (the "managerial career track"), and (ii) job assignments in which routine, ancillary duties were performed based on general knowledge and experience (the "clerical career track"). On this basis, the series recommended that "There should be an explicit condition that employees on the managerial career track may receive transfer orders involving changes in the place of work, while those on the clerical career track would not receive transfer orders involving relocation in principle (or unless there is consent from the person in question)." This was because advanced job performance ability could be acquired while experiencing various work types and places of work but general job performance ability could be acquired without being transferred (see Figure 5).

This kind of course-based employment management system was introduced in the 1980s, mainly by large corporations, since when it has gradually spread to small and medium-sized enterprises as well (see Figure 6). However, according to Wakisaka (1997), who researched the reasons for introducing course-based employment management, about half of the companies introducing the system had done so "In response to the Equal Opportunities Act," but more than half of them cited "Other reasons." The latter reasons included "To use female staff" and "To respond to diversified awareness." According to the FY2014 "Status of implementation and guidance of the course-based employment management system" by the Ministry of Health, Labour and Welfare, the most common format of course-based employment management categories was "Managerial career track + clerical career track" with 44%, followed by "Managerial career track + clerical career track, other specialist and

The MHLW's Policy of "Diverse Regular Employees" and Its Impact on Female Employment

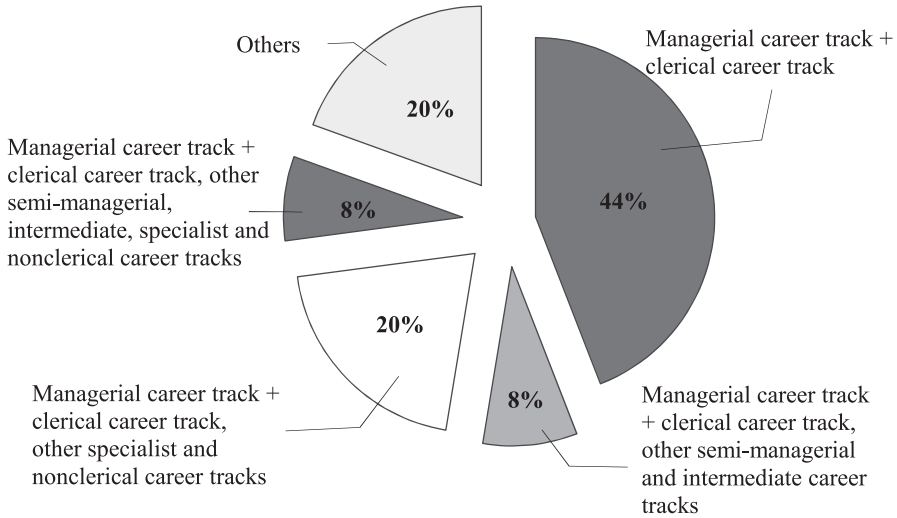


Source: Compiled from the MHLW Basic Survey of Gender Equality in Employment Management for each year.

Figure 6. Proportions of Companies Introducing Course-Based Employment Management by Corporate Scale

nonclerical career tracks” with 20%¹⁹ (see Figure 7). A requirement for setting courses in the multi-track employment management system introduced since the 1980s could be said to be based on a combination of the work performed and the place of work. But on the system reality that employment management categories are divided according to differences in work, subsequent research and court cases have proved that “differences in work depending on the course” are not clear. Owaki (1987) points out, immediately after the enforcement of the Equal Opportunities Act, that “The concepts of ‘work type’ and ‘work duties’ in the course divisions are not clear in the strict sense, and the courses are sometimes divided generally and abstractly under the concept of core planning-type jobs as against routine, ancillary type jobs or specialist jobs.” Mori (2005) has also used painstaking case studies to demonstrate that work is not clearly divided according to course differences, and that there

¹⁹ In the survey, course formats were defined as follows. Managerial career track: “Engaged in core work or work requiring overall judgment, such as drafting plans or external negotiation, in principle with transfers involving relocation.” Clerical career track: “Mainly engaged in routine work, in principle without transfers involving relocation.” Semi-managerial career track: “Engaged in work equivalent to the managerial career track, but in principle with transfers only inside a specific area.” Intermediate career track: “Engaged in work equivalent to the managerial career track, but in principle without transfers involving relocation.” Specialist career track: “Engaged in specialist work within special fields.” Nonclerical career track: “Engaged in work requiring technical skill.”



Source: Compiled from the FY2014 MHLW “Status of implementation and guidance of the course-based employment management system.”

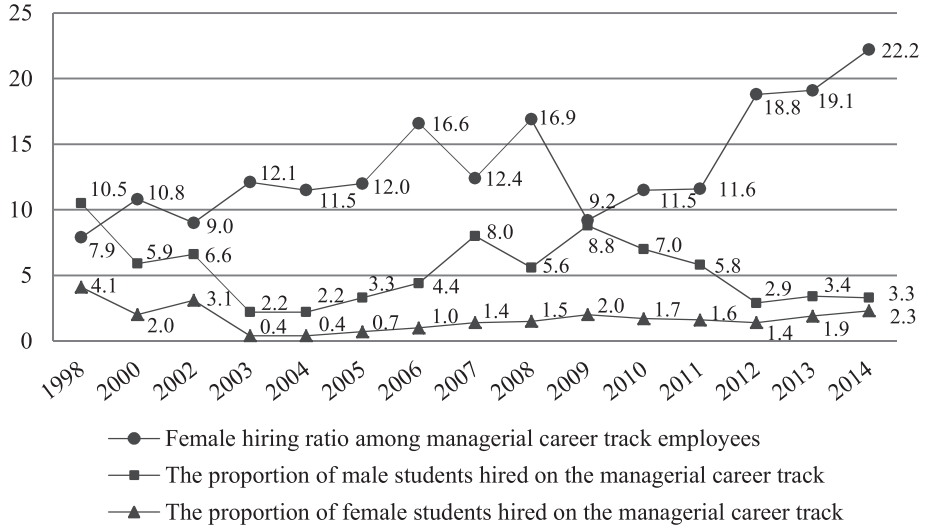
Figure 7. Combinations of Course-Based Employment Management Categories

is significant pay disparity even though the same job is being done across course boundaries.

2. Introduction of the Course-Based Employment Management System and Its Impact on Gender Equality

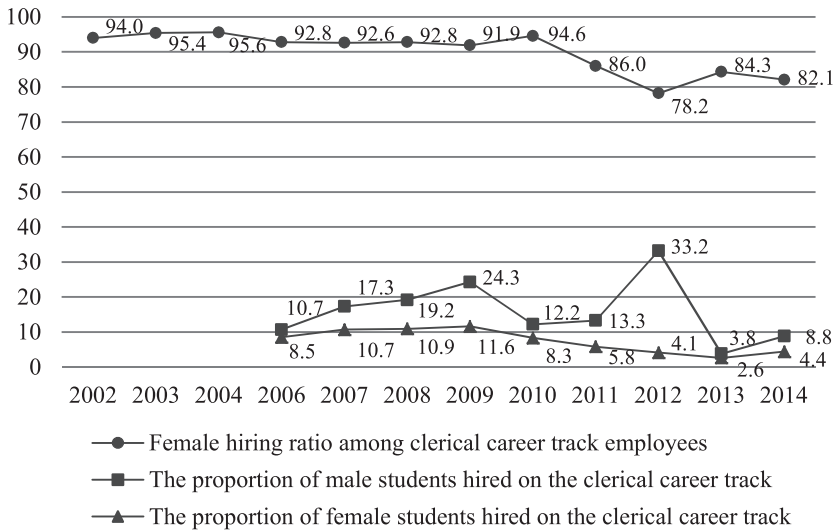
So what sort of impact has the course-based employment management system had on male and female workers, respectively? The answer is provided by trends since 1998 in the female ratio among employees hired on the managerial career track, the hiring ratio of men wishing to join the managerial career track, and the hiring ratio of women wishing to join the managerial career track, as shown in the MHLW “Status of implementation and guidance of the course-based employment management system.” This shows the results of an interview survey held with a selection of companies that have introduced course-based employment management in various parts of the country (for example, 118 companies were selected for the FY2014 survey). The female ratio among employees hired on the managerial career track has been trending at around 10%, but rose above 20% to 22.2% in 2014 (see Figure 8). Conversely, the female ratio among employees hired on the clerical career track had constantly been in excess of 90%, but since FY2011, the male ratio has exceeded 10% and the female ratio in 2014 was 82.1% (see Figure 9). As this shows, even today about 80% of employees hired on the managerial career track are men, and about 80% of those on the clerical career track are women, revealing a huge gender bias for each course. What’s more, the hiring ratio by gender of employees wishing to join both the managerial and clerical career tracks has always been higher for men, although the gap in hiring ratios is not so

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Source: Compiled from the MHLW "Status of implementation and guidance of the course-based employment management system" for each year.

Figure 8. Female Hiring Ratio among Managerial Career Track Employees, and Hiring Ratio by Gender of Persons Wishing to Join the Managerial Career Track



Source: Compiled from the MHLW "Status of implementation and guidance of the course-based employment management system" for each year.

Figure 9. Female Hiring Ratio among Clerical Career Track Employees, and Hiring Ratio by Gender of Persons Wishing to Join the Clerical Career Track

pronounced, being no more than 10 points in any one year. Thus, the course-based employment management system continues to produce a strong gender bias between employment management categories, i.e. managerial and clerical career tracks, but this would seem largely due to voluntary choices made by men and women, respectively.

As mentioned above, as far as employers' associations are concerned, the method whereby core workers are nurtured while receiving education and training, reassignments, promotions, upgrades, pay rises, and others as and when necessary, on the assumption of long-term employment from hiring until retirement age, was thought to cause an increase in outlays for education and training, etc., and irrecoverable costs, if the same cost were expended in hiring and nurturing women who wished to be employed in the "short-term employment type" and "re-employment type," under the requirement for equal treatment of men and women under the Equal Opportunity Act. Therefore, to circumvent regulation under the Equal Opportunity Act, employers sought to divide prospective long-term employees from prospective short-term employees at the hiring stage using course-based employment management, and to set and manage different education and training menus, work duties and assignments, promotion routes, wage structures, scopes of employee welfare facility usage, etc. For the so-called clerical career track (i.e. women), this system design did not envisage long-term ability development, promotions and upgrades, assignments, wage structures geared to years of service, etc., on the assumption that they would quit after a short time. According to macro statistics, the gender pay gap is in a shrinking trend over the long term, but when studied in terms of educational level and corporate scale, the degree of disparity shrinkage among university graduates is smaller than that among other educational backgrounds, while the degree of shrinkage in large corporations is also smaller than that in other corporate scales. So although "the gender pay gap shrank in Japan, except for regular employees in large corporations" (Nakata 2002) in the 1990s, that could be partly due to the introduction of the course-based employment management system, mainly by large corporations.

For female workers, on the other hand, types of employment with no relocation transfers and no overtime work, holiday work, etc., though lower in maximum career potential, were formats in which they could work stably while maintaining a work life balance. This led to an increase in years of service for women in employment management categories for which "short-term employment" was envisaged,²⁰ which in turn caused an increased sense of burden for companies amid the heightened cost cutting pressure from the 1990s.

What, then, is the difference between "diverse regular employees" and the so-called clerical career track under the course-based employment management system? Their formal

²⁰ According to the Basic Survey on Wage Structure, years of service by female ordinary workers in large corporations (1,000 employees or more) grew by nearly three years from 7.4 years in 1985 to 10.2 years in 2014, while the gap compared to male ordinary workers in large corporations also shrank from 7.8 to 5.7 years.

characteristics as employment management categories resemble each other in certain ways, such as the restriction on work type and place of work. But if we consider them in terms of the ideal of these kinds of employment targeted by each, differences can be seen in their employment conditions and career development, depending on whether they are "short-term" or "medium- to long-term." As discussed in Section I, "diverse regular employees" are expected to continue working in the medium- to long-term and to form careers, even though restricted in their work type or place of work.

IV. Conclusion

The policy of "diverse regular employees" being discussed by the Ministry of Health, Labour and Welfare sprang from the problem awareness that, given the large disparity in employment conditions between regular and non-regular employees, it might be possible to provide "a type of employment that is stable to a certain degree, *though not to the extent of regular employees*" (author's italics) by creating an intermediate employment management category between regular and non-regular employees. Particular emphasis is thought to have been placed on stabilizing the employment of "permanent non-regular workers," who have fixed-term contracts but routinely renew them. What implications and issues does this policy of "diverse regular employees" have for female employment?

In Section II, a case study was used to examine the reasons behind the situation whereby the ratio of female regular employees has decreased and more than a third of female employees are permanent non-regular workers. The case study companies had either reduced or stopped new recruitment of female regular employees, switching instead to hiring non-regular employees. This is due to an awareness of the cost incurred by (female) regular employees who, even if their years of service increase, will not be promoted or upgraded but remain at the qualification level of lower class of regular employees. This means that regular employees are expected to work with tighter ties to the company in order to achieve promotions and upgrades, thus raising the hurdles facing women who wish to become regular employees. On the other hand, the trend toward non-regular employment has also presented problems for personnel management, in aspects such as the difficulty of maintaining motivation and the high turnover rate. Therefore, studying a policy of "diverse regular employees" with nominal open-ended contracts for "permanent non-regular workers," as seen in the case study companies, is thought consistent in some ways with the companies' logic. In that case, it would be very meaningful to change fixed-term employment to a more stable open-ended employment. In terms of employment conditions, it is also suggested that this would be close to the strategy of Company A, which was thinking of converting the conventional class of female regular employees graduating from high school and junior college, who had been performing the same jobs, to lifetime employment after lowering their level of employment conditions.

In other words, considering historical changes in the case study companies, the possi-

bility cannot be denied that the employment management category of “diverse regular employees” will be created as a result of stopping recruitment or lowering the employment conditions of female regular employees who have low career prospects and are not involved in transfers, etc.

As seen in Section III, however, the rationale behind the design of the course-based personnel system, which has hired employees on the so-called female clerical career track, was a rule for ability development, assignments, promotions and upgrades on the assumption of female workers in short-term employment. If rules for ability development, assignments, promotions and upgrades for “diverse regular employees” are to be considered on the assumption of medium- or long-term service, there is room for this to be a personnel policy that could raise employment conditions above those of conventional clerical career track female workers, taking account of their subsequent career development.

However, caution is required, in that the course-based employment management system that has spread mainly among large corporations since the 80s has become established as a combination of the work performed and the place of work; it continues to produce a strong gender bias in employment management categories. This bias is largely affected by voluntary choices made by both genders. For many women who bear family responsibilities (or are thought to do so), it is difficult to accept transfers involving relocation, due to family circumstances.²¹ Therefore, they themselves “choose” employment categories with “restriction on the place of work.” Choices based on women’s practical gender needs²² lead to a gender bias in type of employment and employment management categories. Even in the policy for “diverse regular employees” currently under consideration, gender bias is highly likely to arise if the possibility of overtime work, holiday work, and relocation transfers is made a criterion for setting employment management categories.

Japan’s current administration is positively promoting women’s active involvement in the labor force, with a view to meeting the target of “30% of leadership positions to be occupied by women by 2020.” To increase the ratio of female executives to 30% from the current level of around 10%, a realistic response could be to encourage medium- to long-term career formation involving promotions and upgrades, given employment with looser company ties compared to typical regular employees (such as the lack of relocation transfers) currently chosen by many women. In fact, in promoting women’s active involvement, some companies have started to arrange schemes whereby relocation transfers and

²¹ For example, according to the 2004 MHLW “General Survey on Working Conditions,” 19.6% of companies had “Married employees living away from their spouse” but only 0.6% had “Married female employees living away from their spouse,” revealing a large gender bias in employees who have a spouse but live and work away from home.

²² According to Moser (1993), practical gender needs are defined as “the needs women identify in their socially accepted roles in the society. Practical gender needs do not challenge the gender divisions of labour or women’s subordinate position in society.” These are differentiated from strategic gender needs. “Meeting strategic gender needs helps women to achieve greater equality. It also changes exiting roles and therefore challenges women’s subordinate position.”

promotion are separated. It is possible that, depending on the design of personnel and employment condition systems for these "diverse regular employees," not only will the number of female executives increase, but men might also choose to become "diverse regular employees."

Depending on how systems are designed with a view to forming medium- to long-term careers, the policy of "diverse regular employees" could become a policy that both reinforces and eliminates Japan's gender pay gap and gender imbalance in types of employment, which are on the large side among industrialized nations.

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