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GENERAL SURVEY

Half of Those Who Are Homeless* Want to Work: Survey

The number of people living in parks, streets, along riverbeds and in other outdoor locations throughout the country exceeds 25,000, according to the findings of a survey conducted by the Ministry of Health, Labour and Welfare.

The survey, carried out in January and February, was the first round of a nationwide survey based on the "Law for Special Measures concerning Support for Independence of the Homeless" enacted in July 2002. (For details on the law, see the November 2002 issue of the *Japan Labor Bulletin*.) Three surveys were conducted before this one in an attempt to obtain a realistic estimate of the number of homeless, but not all local governments participated in the previous surveys, and their methods and monitoring periods were not consistent. The latest survey used visual observation to arrive at the number of homeless, and included interviews with some 2,000 people.

According to the survey, the number of homeless has

increased to 25,296, this is 1,200 more than in the previous survey taken in September 2001. This time, 62 percent of all homeless were concentrated in five cities. These cities have always had many homeless (25% in Tokyo and 30% in Osaka), but the proportion fell by nine percent from the previous survey. On the other hand, Shimane Prefecture, which previously recorded no homeless, reported four in the latest survey, indicating that the existence of homeless people is spreading across the country.

According to the interviews, the average age of people with no home was 55.9. Those in their 50s accounted for 45 percent, followed by those in their 60s (30%), 40s (15%), 70s (4%), and 30s (4%). The overwhelming majority, 93 percent, were male. About half were unmarried, and 23 percent had had contact with their families in the past year.

The highest proportion, 63 percent, had lived without a roof over their head for less than five years, and 22 percent for five to 10 years. Many were obliged to become homeless in the 1990s following the burst of the bubble economy. As for their occupation immediately before becoming homeless, 34 percent were construction workers (at civil engineering projects, cleaners for industrial sites, etc.), followed by skilled construction workers (carpenters,

plumbers, etc. at 20%), production line and manufacturing workers (10%), and service workers (9%). In terms of type of employee, permanent regular employees accounted for 40 percent of the homeless surveyed, and day laborers for 36 percent, indicating a conspicuously high proportion of people who went directly from being a regular employee to being homeless. A lack of work was the reason given for being homeless by 36 percent of the respondents, while 33 percent said they had entered into bankruptcy or lost their jobs, strongly reflecting the dismal influence of the prolonged recession.

Currently, 65 percent of all homeless people have some kind of job, but 73 percent of those were engaged in collecting unwanted articles, a majority earning less than ¥30,000 a month (multiple answers possible). Some 60 percent had one or two meals a day; half complained of poor physical condition; only 32 percent sought medical advice, purchased medicine, or took other health-related action.

Concerning future prospects, about half answered they would like to get a job and work properly, and 32 percent said that they were in fact looking for work. On the other hand, some 60 percent replied that they did not want to use public temporary accommodations, mainly because they did not wish to be interfered with (35%). Nevertheless, 73 percent in practice received meals, clothes, blankets, or other kinds of aid from volunteer organizations, and 90 percent acknowledged that this type of aid was useful.

Note: *In the U.S., France and other Western countries, homeless refers not only to people living on the street, but also to those who reside in shelters and other publicly provided accommodations, or in cheap motels. In Japan, homeless refers only to those living on the street, which is the case with this survey. The Ministry of Health, Labour and Welfare has allocated money for 11 public shelters accommodating 3,100 people for fiscal 2003.

WORKING CONDITIONS & THE LABOR MARKET

Scheduled Cash Earnings Fall for the First Time: Government Survey

On March 19, the Ministry of Health, Labour and Welfare released the results of the *Basic Survey on Wage Structure* for 2002. Average monthly scheduled cash earnings (which do not include overtime payments and other non-scheduled earnings) for general workers declined for the first time since the survey began in 1976, an indication of the sharp downturn in corporate performance and the deflationary economy.

The yearly increase in scheduled cash earnings for general workers began to decrease in the first half of the 1990s, and the year-on-year growth rate has been around one percent since 1995. Average monthly scheduled cash earnings for June 2002 were ¥302,600, a decrease of one percent from the same month the previous year. However, this figure represents a 1.3 percent drop for males, whose base salary in June 2001 averaged ¥336,200, whereas the base salary for women increased during the same period by 0.5 percent (¥223,600).

The drop in earnings is directly related to educational background: junior high school graduates experienced a 3.4 percent drop; high school graduates a 2.6 percent decline; and university graduates a mere 0.3 percent decrease. Although workers in most age groups saw their earnings drop, this phenomena was conspicuously sharp among middle-aged and older workers, those 45 years old and older. By company size, the drop in earnings was greatest at small firms with between 10 and 99 employees (2.1%), while the figures for those at large firms with 1,000 or more workers, and at medium-sized firms with 100 to 999, stood at 1.6 percent and 0.2 percent, respectively.

Statistical Aspect

Recent Labor Economy Indices

| | March 2003 | April 2003 | Change from previous year (April) |
|--------------------------------------|---------------------|---------------------|-----------------------------------|
| Labor force | 6,649 (10 thousand) | 6,691 (10 thousand) | -17 (10 thousand) |
| Employed ⁽¹⁾ | 6,266 | 6,306 | -27 |
| Employees ⁽¹⁾ | 5,296 | 5,312 | -6 |
| Unemployed ⁽¹⁾ | 384 | 385 | 10 |
| Unemployment rate ⁽¹⁾ | 5.4% | 5.4% | 0.1 |
| Active opening rate ⁽¹⁾ | 0.60 | 0.60 | 0.08 |
| Total hours worked ⁽²⁾ | 150.7 (hours) | 156.6 (hours)* | -0.3 (%) |
| Monthly cash earnings ⁽²⁾ | 298.6 (¥ thousand) | 285.5 (¥ thousand)* | -0.6 (%) |

Notes: ⁽¹⁾ Seasonally-adjusted figures.

⁽²⁾ Figures refer to establishments employing five or more people.

*Preliminary figures.

US\$1=¥119 (June 2, 2003)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Rodoryoku Chosa* (Labour Force Survey); Ministry of Health, Labour and Welfare, *Shokugyo Antei Gyomu Tokei* (Report on Employment Service), *Maitsuki Kinro Tokei* (Monthly Labour Survey).

Female university graduates saw a drop in cash earnings of 0.4 percent over the year and high school graduates 1.2 percent, whereas two-year and technical college graduates enjoyed an increase of 1.8 percent over the same period. An increase in wages among those in their 20s boosted the growth rate of wages for women as a whole.

Scheduled hourly cash earnings among part-time male workers (whose hours per day or per week are shorter than regular workers) dropped by 3.7 percent from the previous year to ¥991, plunging under ¥1,000 for the first time in 12 years. As for women, scheduled hourly cash earnings increased by 0.1 percent to ¥891.

Almost Half of All Disabled Have Jobs

On March 27, the Ministry of Health, Labour and Welfare published the results of a survey on the employment situation of people with physical or intellectual disabilities. The results show that there were 1.24 million physically disabled people and 0.26 million intellectually disabled between the ages of 15 and 64, and that 44 percent were working.

The nationwide survey was carried out in June 2001, targeting people with disabilities and households with such members. Valid replies were returned by 7,002 physically disabled people (65%) and 1,592 intellectually disabled (74%). The figures given below are estimated values calculated in accordance with the stratified random sampling method. This was the first time the ministry published individual surveys concerning disabled people.

Of the 1.24 million physically disabled, 520,000 individuals (42%) had jobs, representing more than half of every age group between the ages of 25 and 49 (except for the 30 to 34 group). By job type, professional and technical workers, production line workers and laborers, and office workers accounted for the largest share — 16 percent, 16 percent, and 15 percent, respectively — among both those with serious disabilities and those with non-serious disabilities. However, more than eight percent of those with serious disabilities were employed in massage, acupuncture and moxa cauterization. By employment contract, 41 percent are regular employees, followed by the self-employed (34%), executives of firms or organizations (19%), and temporary or day workers (13%). Among the 720,000 individuals with physical disabilities currently not in the labor force, approximately 40 percent of those with serious disabilities and about 60 percent of those with non-serious disabilities had previously worked. When asked why they were no longer working, 42 percent replied that it was due to illness, 12 percent said they had reached the mandatory retirement age, and nine percent were let go by their employers because of bankruptcy or labor cuts. Among people with serious disabilities, illness accounted for a relatively high proportion, while mandatory retirement and bankruptcy or labor cutting measures were the main reasons among those with non-serious disabilities.

Concerning the 260,000 intellectually handicapped people, 50 percent work, a fairly high proportion, with 65 percent of those in their 20s having a job. Only 24 percent

were regular employees, 41 percent worked on the shop floor, 31 percent at vocational aid centers, 12 percent worked as *arubaito* (side job) or temporary workers, and five percent were self-employed or helped their family businesses. Asked whether or not they would like to work, some 40 percent of those not working gave a positive answer, and 65 percent of these are looking for a job.

A “statutory employment quota” system* — the legally required hiring rate of 1.8 percent for disabled people in relation to the labor force as a whole in private firms — forms the backbone of current employment policy for handicapped people. Nevertheless, the number of disabled workers dismissed during fiscal 2001, according to the Public Employment Security Offices, exceeded 4,000, an increase of 60 percent compared to the previous fiscal year. With the continuing gloomy employment situation, public administrations are having a difficult time effectively using the system and steering measures to support the employment of disabled people.

Note: *Concerning the employment situation of the disabled and the statutory employment quota system, see the February 2003 issue of the *Japan Labor Bulletin*. Businesses which fail to satisfy their quota are required to pay a monthly levy of ¥50,000 per person, though firms with less than 300 employees are eligible for exemption.

INTERNATIONAL RELATIONS

Hellowork Offices for Foreign Workers Open in Tokyo and Osaka

As of 2001, 1.78 million foreigners resided in Japan, 740,000 of whom work, a sharp three-fold increase over the previous 10 years. (See Figure 1 on page 5.)

To deal with the increasing number of non-Japanese workers, part-time interpreters are currently stationed at 81 Hellowork offices — Public Employment Security Offices (PESOs) — across the country. In addition, job introduction services for job-seeking overseas students and foreign professional workers, and similar services for workers of Japanese ancestry, are available at the Hellowork offices in Tokyo and Osaka. However, in spring the two services were combined, and Hellowork offices catering to workers from abroad were established at central locations in Tokyo and Osaka with permanent interpreters in four languages (Chinese, English, Portuguese and Spanish). With the exception of some locations, the Hellowork offices in Tokyo and Osaka no longer dispatch interpreters and have combined their services, thus streamlining their functions.

According to statistics from the Immigration Bureau, of the 740,000 foreign nationals working in Japan in 2001, 55,461 were engaged in the entertainment industry, 40,861 as specialists in humanities and international services (interpreters, translators, designers, language teachers, etc.), and 37,831 in “activities based on the Working Holiday Programmes*, and other special activities.” Other outstanding features include the high number of people with Japanese ancestry (239,744) and overseas students working

on an *arubaito* basis (65,535). By occupation, compared to 10 years ago, the number of intra-company transferees increased by 6.6 times, that of engineers 5.7 times, and that of skilled laborers four times. On the other hand, the number of people engaged in medical services and artists fell 75 percent and 68 percent, respectively. The number of people overstaying their visas is estimated to be 224,067, a decrease from the peak reached in 1993.

According to data on job seekers and firms registered with the PESOs (as of 2001) designed for foreign job seekers in professional fields which were located in Tokyo until being closed in March, IT engineers were in high demand, accounting for about half the advertisements, whereas registered foreigners who wished to work as IT engineers accounted for only 12 percent. The two industries that registered non-Japanese workers were the most interested in were the trading industry (42%), and interpreting and translating (14%). However, jobs in these fields comprised only 10 and four percent respectively, of all job advertisements; an obvious mismatch between labor supply and demand.

Note: *The Working Holiday Programmes are bilateral agreements designed to provide opportunities for young people to enjoy vacations in partner countries with different cultural outlooks, allowing them to engage in work to supplement their funds for travelling. As of April, Japan had such agreements with Australia, New Zealand, Canada, the Republic of Korea, France, Germany and the U.K.

PUBLIC POLICY

New Social Security System Squeezes Household Budgets

Social security premiums were increased and pension benefits reduced at the beginning of the current fiscal year which began in April. This has resulted in households headed by company employees keeping tighter control of their budgets.

Previously, corporate health insurance plans meant that the insuree had to pay 20 percent of their outpatient, hospi-

Statistical Aspect

Table 1. Number of Foreign Workers by Status in Japan (Estimate)

| | Status of residence | Number |
|---|--|---------------------------|
| Non-Japanese with working visa (workers with specialized or technical skills) | Professor | 7,196 |
| | Artist | 381 |
| | Religious activities | 4,948 |
| | Journalist | 348 |
| | Investor/business manager | 5,906 |
| | Legal/accounting services | 99 |
| | Medical services | 95 |
| | Researcher | 3,141 |
| | Instructor | 9,068 |
| | Engineer | 19,439 |
| | Specialist in humanities/international services | 40,861 |
| | Intra-company transferee | 9,913 |
| | Entertainer | 55,461 |
| | Skilled labor | 11,927 |
| | Subtotal | 168,783 |
| Designated activities ⁽¹⁾ | | 37,831 |
| <i>Arubaito</i> (side-job) workers (activity other than that permitted in status of residence) ⁽²⁾ | | 65,535 |
| Japanese ancestry ⁽³⁾ | | 239,744 |
| Undocumented worker ⁽⁴⁾ | Illegal | 224,067 |
| | Workers without permission to engage in an activity other than that permitted by status of residence, and illegal immigrants | quite a few (= α) |
| Total | | 740,000 (app.) + α |

Notes:

⁽¹⁾Designated activities include working holiday visas and training programs. The number of workers with working holiday visas is estimated by Ministry of Health, Labour and Welfare.

⁽²⁾*Arubaito* workers are those with student visas, etc. who have obtained permission to engage in an activity other than that permitted by their status of residence.

⁽³⁾Workers with Japanese ancestry are non-Japanese holding a residence status such as "long term resident," "spouse or child of Japanese national," or

"spouse or child of permanent resident." This includes those presumed to be engaged in some kind of job. The Ministry of Health, Labour and Welfare estimates the number of workers with Japanese ancestry.

⁽⁴⁾Number of people who obtained permission to engage in an activity other than that permitted by status of residence is the number of permits within a year. Number of illegals is as of January 2002. Number of others is as of the end of 2001.

Source: Immigration Bureau, Ministry of Justice.

tal and other treatment expenses, while their dependents paid 20 percent of the bill for hospital treatment and 30 percent for treatment as an outpatient. But now, the rate of self-coverage has been increased to 30 percent for all medical treatment. With medical expenses for the elderly increasing rapidly due to the graying of society, the recession is draining revenues from health insurance contributions, creating a problem with the financial management of insurance plans.

The public pension scheme, on the other hand, takes the form of an index-linked pension whereby the payments are subject to change, in principle, according to fluctuations in consumer prices for the previous year. The index-linked system was frozen from fiscal 2000 to 2002 despite deflation. But since fiscal 2003, pension payments have been linked to the consumer price index, resulting in a reduction of 0.9 percent, in accordance with the drop in prices the previous year, the first drop in pension payments caused by a fall in consumer prices. Specifically, a model recipient — a married couple with the husband working for a large private firm participating in the Employees' Pension Plan (a public pension system for salaried employees) — will see their monthly pensions decrease by ¥2,100.

At the same time, due to the revision of the social insurance plan for employed workers, the pension premiums are now calculated on the basis of annual salaries, including bonus payments, rather than monthly income. In effect, what this means is that employees whose bonus payments account for a large proportion of their annual salaries will have to pay more. Members of the government-backed health insurance plan — employees at small and medium-sized firms and their dependents (36 million people) — were required to contribute 8.5 percent of their monthly

salary and one percent of their bonus, but now the revised plan requires them to contribute 8.2 percent of their annual salary in premiums. The average annual bonus of employees participating in the plan is 1.9 times their monthly salary, corresponding to 7.5 percent of their annual salary under the revised plan. In practice, the burden has increased by 0.7 percentage point. On the other hand, premiums for the Employees' Pension Plan, which was 17.35 percent of one's monthly salary and one percent of the bonus, is now 13.58 percent of one's total annual salary. Participants whose annual bonus payments are 2.4 or more times their monthly salary will face an increase in premium payments. (Under both the previous and new plan, the burden is shared by both the company and employee.)

So far, many households have used their bonuses to pay their home mortgage and for school expenses, but now some households will most probably have to plan their budgets more carefully. What is more, people 40 years old and older must pay premiums into the nursing care insurance system. The premiums vary depending on the local governments, but have increased at a monthly average of 4.3 percent.

Incidentally, the revision of the Employment Insurance Law at the end of April included reduced unemployment benefits and a shorter period of eligibility for workers whose salaries were fairly high and for those who lost their jobs due to mandatory retirement or for other reasons less serious than company bankruptcy and labor shedding. Premiums, increased in 2001 and 2002, were left unchanged this year, but are expected to be raised from the present 1.4 percent to 1.6 percent in April 2005. (For details of the revised Employment Insurance Law, see the next issue of the *Japan Labor Bulletin*.)

Statistical Aspect

Figure 1. Trends in Number of Foreigners to the Population of Japan

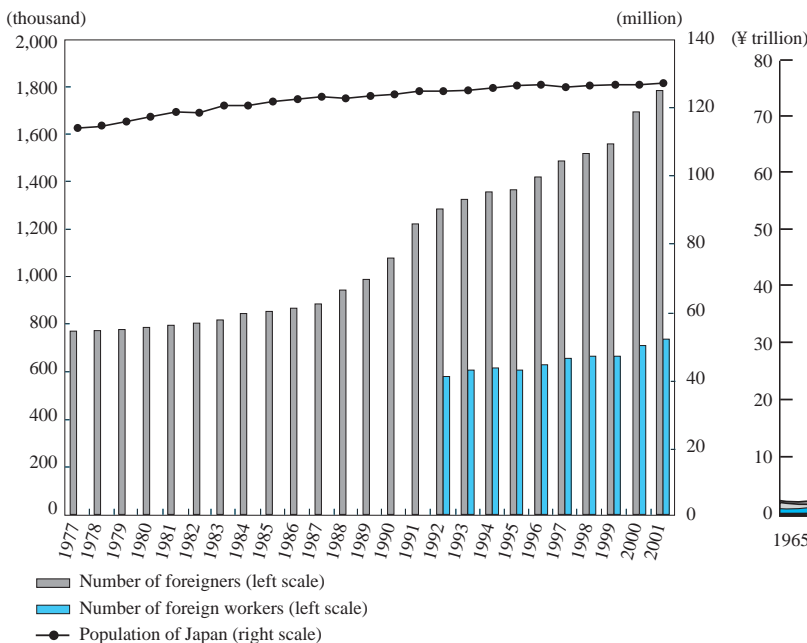
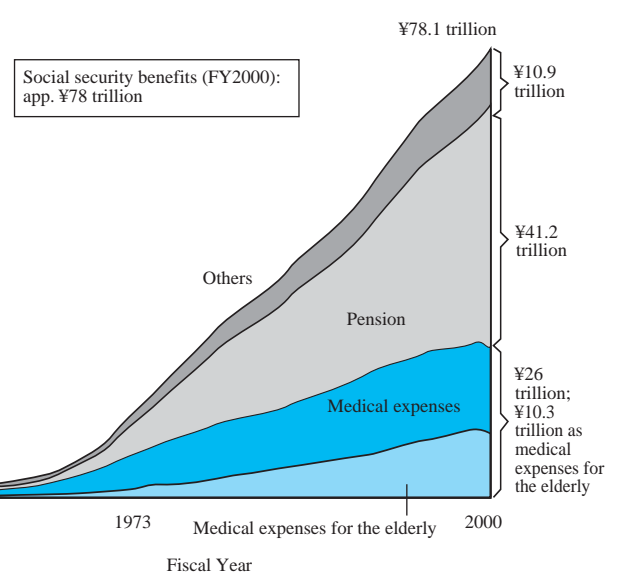


Figure 2. Trends in Social Security Benefits



The Situation Part-time Workers Face and Future Tasks: An Analysis Focusing on Case Studies

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1. Trends in Diversification of Labor Contracts

The expansion of the service sector has produced a diversity in labor contracts, with the number of part-time, dispatched and other non-regular workers (so-called “atypical” workers) increasing conspicuously. According to the *Comprehensive Survey concerning Diversification of Employment Patterns* (1999) published by the Ministry of Health, Labour and Welfare, the proportion of atypical workers to workers as a whole was 27.5 percent, of which part-time workers accounted for the largest proportion, 20.3 percent, followed by contract employees at 2.3 percent, and dispatched workers at 1.1 percent.

Nor is the situation of all part-time workers uniform. Part-time workers are categorized into two types: legally defined part-time workers (those whose scheduled working hours are shorter than regular workers at the same business), and nominal part-time workers (referred to simply as part-time workers at their workplaces). In the *Labour Force Survey* published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, “employees with shorter working hours” are defined as employees who work less than 35 hours a week in the non-agricultural and forestry sectors. The number of such workers totalled 4.71 million in 1985, and has been increasing since, reaching 12.05 million in 2001.

What should be noted is that the increase in the number of atypical workers is occurring concurrently with a decrease in the number of typical workers. Statistics and survey results are insufficient and do not give us an accurate picture of the present pattern of labor contracts, but there is data that suggests that the number of atypical workers considered under a particular definition — whether they are part-time or dispatched — is increasing while the number of regular employees is falling⁽¹⁾.

2. Report from a Study Group on Part-time Workers

The diversification of employment patterns had

previously been attributed to a general correspondence between corporate wishes and the wishes of those they employ. But it has become necessary to reconsider the significance and limitations of studies of employment patterns that relied on traditional analytical methods because employment patterns are not only diversifying, but atypical workers are taking the place of typical employees.



This has resulted in part-time workers becoming a focus of attention from the policy-making point of view. Within the context of the traditional concept of part-time workers, the proposals found in a report submitted by the Ministry of Health, Labour and Welfare’s Study Group on Part-Time Workers (2002) are most interesting⁽²⁾. The report has five main points. The first is that there is a trend for individuals to have different work styles. The second is that the reason corporations have reduced the number of regular employees and increased the number of atypical workers is to cut costs, and that atypical workers are being substituted for regular workers. Therefore, young workers have fewer opportunities to enter the labor market as regular employees, a cause of great concern. The report also emphasizes that, although an increasing number of part-time workers play an essential role in the workplace, to date they have not been treated appropriately and their employment is not necessarily secure. Thus, in order for varied employment patterns to be accepted by society, a labor-management consensus needs to be created regarding treatment which matches the jobs actually done by regular, part-time and other types of workers. In addition, “Japanese-style rules for equal treatment” need to be established, for example, when regular employees and part-time workers engage in identical duties, their wage and treatment systems should be coordinated and balanced. A mechanism in which workers can switch from one employment

pattern to another needs to be created. Concretely this means establishing and encouraging a mechanism which enables regular employees to work shorter hours, and part-time and other non-regular employees to be promoted to regular employees.

3. Why Are Varied Employment Patterns Needed?

A simple explanation of the rationale behind policy making for part-time workers has been given above. The most important task to be clarified is to define the factors creating the discrepancy between the direction of political measures and the actual situation of the labor market. However, to do so, it seems necessary first to consider the fundamental question of why firms want to use workers with different labor contracts.

Table 1 on page 8 is a summary of case studies recently conducted by the Japan Institute of Labour (JIL)⁽³⁾. The survey aimed to shed light on the following questions:

1. What incentives are there for firms to use different types of workers;
2. How do firms combine different types of workers — systematically or on an ad hoc basis;
3. Can trends towards a decrease in the number of regular employees and an increase in the number of non-regular employees be detected; and
4. Are there part-time workers whose duties are identical to those of regular employees; if such part-timers exist, do firms clearly distinguish the personnel management of these workers from that of regular employees; and is it possible for non-regular employees to become regular employees.

3.1 Why Varying Labor Contracts Are Used

A glance at Table 1 will show that all the surveyed firms employed non-regular workers together with regular ones. Why, then, do they take advantage of these varied labor contract patterns? Put quite simply, the answer is, to respond to fluctuations in the demand for labor and to suppress labor costs. Almost all the firms surveyed gave this same answer. Disregarding minor differences, one can summarize the logic of employers (and management) as follows:

Suppose that a series of tasks arise which must be accomplished within a certain budget to be able to secure a certain amount of profit. Since employers must secure a profit, they therefore choose workers according to the following criteria:

1. (i) the difficulty involved in executing the tasks (e.g., can the tasks be accomplished with skills and knowledge that can be acquired in a short

period of time), and

- (ii) the magnitude of fluctuation in workload and the time required to complete the tasks (i.e., changes in the amount of, and future prospects for, labor demand);
2. the wage levels of the workers responsible for the tasks, which must be within the budget and generate a certain amount of profit; and
3. the availability of workers who are prepared to perform the tasks.

If the tasks are “easy” — i.e., although the workload varies from time to time, the time required is rather short, and workers suitable for the tasks are readily available — then non-regular workers rather than regular ones will be chosen because they meet the wage levels and budget associated with the tasks. Where the fluctuation in workload is concerned, there are some variations. There are cases where labor demand never disappears entirely, but rises markedly during certain periods (e.g., services which are in high demand during summer vacations and over the New Year holidays, on other special holidays, and on weekends). There are cases where the demand for labor is steady throughout certain periods, but may at times vanish completely (e.g., duties related to the building maintenance, which are no longer required when the contract ends). There are also cases when labor demand cannot be predicted (e.g., duties related to business start-ups, which tend to be carried out tentatively). The findings of the case studies showed that employers faced with widely fluctuating labor demand tend to assign part-time shift workers or *arubaito* (side-job workers) or part-timers, whereas when the demand for labor sometimes vanishes or when it is impossible to predict demand, employers tend to use temporary employees or workers on a fixed-term labor contract.

Why, then, do employers need to continue to employ regular employees together with non-regular ones? The need seems to be greatest when the tasks are difficult (that is, they require workers who have been trained within the company over a long period) and when the workload fluctuates, but there is always a need when there is a certain amount of work that cannot be handled only by non-regular workers.

Various duties are difficult; a good example are the tasks associated with management, for those who are able to grasp the larger picture, rather than a particular commodity or shop. These workers engage in duties that sometimes require that they transfer to different offices or branches, or move, as well as put in overtime. It is thought that the strong binding quality inherent in “regular” employment derives

from factors such as these.

3.2 Do Firms Anticipate the Use of Atypical Workers?

One crucial question raised in studies on labor

flexibility in Western countries was whether firms use various types of workers on a strategic, planned basis, or on an ad hoc, opportunistic basis⁽⁴⁾. It is difficult to give a clear-cut answer to this question, but certain features are suggested by applying two crite-

Table 1. Main Findings of Survey

| Firm; <i>Industrial sector; No. of regular employees (No. of atypical employees)</i> | (1) State of business (2) Fluctuation in labor demand (3) Personnel changes | (1) Atypical employee designations (2) Labor-management regulations | Use of atypical workers (main duties) | (1) Are the duties of part-time and regular employees identical (2) Can part-time workers be promoted to regular employee (3) Is the difference in manpower management between regular and part-time workers clear |
|---|--|---|---|--|
| Firm A; <i>Major firm in service sector (no. of employees; confidential)</i> | (1) good; (2) workloads increase on holidays (i.e., weekends and consecutive holidays); (3) numbers of both regular and atypical workers are increasing | (1) (a) temporary employees, (b) contract employees, (c) junior employees; (2) (a) and (b) have fixed-term labor contracts, (c) work shorter hours | (a) one-off tasks requiring special skills (i.e., translation), (b) & (c) to deal with fluctuations in the number of customers, and to realize low-cost performance (i.e., supervisors, shop assistants, attendants at attractions, etc.) | (1) no; (2) yes; (3) yes |
| Firm B; <i>Grocery store; 510 (1,500)</i> | (1) good; (2) workload fluctuates due to opening new stores and closing existing ones; (3) number of regular employees decreasing, number of atypical workers increasing | (1) (a) "Type-F" employees, and (b) re-hired employees; (2) (a) are different from regular employees in that they are not required to transfer to different stores, (b) are fixed-term employees re-hired after reaching mandatory retirement age | (a) duties as a whole within the store, including those of store manager, (b) duties within the store, etc. | (1) yes; (2) yes; (3) yes |
| Firm C; <i>Baby products, retail; 100 (110 to 130)</i> | (1) fair; (2) workload fluctuates due to opening new stores and closing existing ones; (3) number of regular employees stable or decreasing, that of atypical workers increasing | (1) "Type-P" employees (work less than 40 hours/week), "Type-M" employees (work 30 to 40 hours/week), and "Type-J" employees (work 20 to 30 hours/week); (2) work shorter hours and not required to transfer | duties as a whole within the store (some in managerial posts) | (1) yes; (2) yes in theory, but none in practice recently; (3) yes |
| Firm D; <i>Manufacturer of ceramic ware; 190 (38)</i> | (1) downward trend; (2) workload fluctuates due to changes in production level; (3) number of regular employees decreasing, number of atypical workers stable | (1) (a) part-time workers, and (b) temporary employees; (2) (a) at least six working hours per day (some work longer hours), (b) fixed-term labor contracts | (a) mainly engaged in ceramic manufacturing (many long-established workers), (b) duties related to new projects (e.g., speciality ceramics), branches that have difficulty foreseeing prospects for marketing products | (1) yes; (2) no; (3) no |
| Firm E; <i>Software developer; 28 (12)</i> | (1) stagnant; (2) workload fluctuates due to changes in orders from parent company; (3) stable | (1) (a) part-time workers, (b) dispatched employees; (2) (a) five hours or so per day, (b) workers are from group companies in accordance with the Worker Dispatching Law | (a) females, who once worked for the parent company as regular employees (software development), working shorter hours, (b) duties at call centers | (1) yes; (2) no; (3) yes |
| Firm F; <i>Japanese inn with hot spa; 74 (91)</i> | (1) stagnant; (2) workload fluctuates irregularly due to number of guests; (3) number of regular employees decreasing, number of atypical workers increasing | (1) (a) part-time workers (mainly waitresses), (b) part-time workers (mainly cleaners); (2) (a) with the exception of some workers with long working hours, most work shorter hours, in shifts (shift A: 7 am to 4 pm, and shift B: 2 to 10 pm), (b) short working hours with shifts (early shift: 9:30 am to 3 pm, late shift: 6 to 9 pm, and long shift: 9:30 am to 9 pm) | (a) waitresses providing meals and similar room services, (b) cleaning rooms, making beds, etc. | (1) yes; (2) no; (3) no |
| Firm G; <i>Maintenance and security of buildings; 70 (230)</i> | (1) stagnant; (2) workload fluctuates depending on contract renewals; (3) number of regular employees flat, that of atypical workers slightly decreasing | (1) (a) some regular employees are hired on the basis of hourly payments (indefinite-term labor contract), (b) part-time workers (2) (a) full-time with indefinite-term labor contract, (b) shorter working hours (mainly 4 to 5 hours/day) under one-year labor contract | (a) & (b) stationed on the clients' premises, responsible for cleaning, checking on facilities and security, and so on | (1) yes, when compared to regular employees on hourly payment contracts; (2) no; (3) yes |

Note: This survey took place from October 2002 to February 2003.

ria: does the firm deploy their atypical workforce under a certain manpower management system or rules (if such systems or rules are institutionalized, then the firm in question is categorized as using atypical workers on a strategic, planned basis); and does the firm systematically train atypical workers. An affirmative response to this question also falls into the category of using atypical workers on a strategic, planned basis.

First, Firms A and B (from Table 1) can be classified as using atypical workers on a strategic, planned basis. Both have an institutionalized system of manpower management of atypical workers, Firm B in particular has guidelines for training atypical workers and on their promotion to regular employee⁽⁵⁾. This may suggest that, because their business performance is good and because they are able to predict performance, performance and prospects substantially influence firms when they make decisions concerning the use of varied employment patterns and institutionalize guidelines for manpower management of each pattern. Of course, good business performance in itself does not necessarily induce firms to consciously combine various types of workers, or to institutionalize labor management in terms of employment patterns. Nevertheless, it can be inferred that good business performance and prospects serve as important incentives in such respects.

On the other hand, firms that have difficulty foreseeing their future performance tend not to establish an explicit employment management system for atypical workers, and tend to have difficulty evolving an organized training policy (e.g., Firm D). If business is sluggish, firms are less able to predict performance; they cannot afford to consider strategies and plans for using an atypical workforce from a long-term perspective, but are more preoccupied with short-term issues. In other words, there is a strong indication that such firms are obliged to resort to ad hoc and opportunistic measures, in the sense that they aim simply to curb labor costs.

Second, judging from the fact that the firms that hired atypical workers on a strategic, planned basis are also subject to fluctuation in labor demand, sharp fluctuations are not the only reason behind the failure to foresee the need for atypical workers and institutionalize rules on labor management.

Third, company size can also hinder the systematic use of atypical workers. Quite a few firms categorized as opportunist in their use of atypical workers are not only struggling with poor business perform-

ance, but are small and medium-sized firms with a small number of employees. It seems likely that a relatively small size, as a corporate characteristic, tends to weaken the necessity and incentives for firms to establish planned and institutionalized rules.

3.3 Can Trends Be Observed?

The statistics we have seen so far show a substitution effect, i.e., the number of non-regular workers increases at the expense of the number of regular workers. Was this tendency observable in the firms surveyed? The recent changes in the number of regular and non-regular workers makes the following three points clear.

First, there are some firms in which the number of regular employees decreased and the number of non-regular workers increased (Firms B, C and F). However, in terms of workload and scope of duties carried out by non-regular workers, these three companies are not identical. Firm B enjoys excellent business performance and sees no particular decrease in the workload, yet at the same time experiences changes in the number of the two types of workers. This implies that non-regular workers are taking over duties once done by regular workers (such as the management and operation of shops). Firm C, though its performance does not match that of Firm B, shows more or less the same tendency. On the other hand, Firm F is suffering from a business slowdown, and the level of its workload has not increased, resulting in an increase in the number of non-regular workers taken on for the purpose of curbing labor costs and dealing with fluctuations in labor demand.

Second, in cases where business performance is favorable and the workload is increasing, some companies (such as Firm A) increased the number of both regular and non-regular workers.

Third, when labor demand fluctuates and cannot be predicted due to sluggish business performance, some firms tend not to increase the number of regular workers, and in some cases to reduce the number, while maintaining the number of non-regular ones, such as Firms D and E. Others maintain their regular employees while cutting the non-regular workforce, as in Firm G.

3.4 Managing Different Types of Workers and Switching Employment Patterns

Next, let us categorize the firms surveyed according to three factors: do they maintain non-regular

| Relevant firms | Atypical workers whose duties are identical to those of regular employees | Differences in manpower management rules | Opportunities for atypical workers to be promoted to regular employees |
|-------------------------|---|--|--|
| Firm B | Yes | Clear | Possible in theory |
| Firm C | Yes | Clear | Possible in practice |
| Firm F | Yes | Ambiguous | Possible in practice |
| Firm D | Yes | Ambiguous | Impossible |
| Firm E (some in Firm G) | Yes | Clear | Impossible |
| Firm A (some in Firm G) | No | Clear | Possible |

workers who engage in duties identical to those of regular ones; do their management policies explicitly distinguish between regular employees and atypical workers; and do they provide non-regular workers with opportunities to become regular workers. Before turning to the results, a few additional explanations need to be explained in terms of using different management policies. The term “explicitly distinguish” encompasses firms which have explicit rules regarding working hours and rotation to other work locations; for example, regular employees work longer hours and are subject to transfer to other offices or branches, whereas part-timers work shorter hours and are not required to transfer. On the other hand, a firm is classified as “ambiguous” if it does not have definite rules and has part-timers who work longer hours, as well as regular employees who are not required to transfer to different work locations that would involve a change in residence.

Firm A was the only company in which part-time workers do not engage in the same duties as regular workers. They also had in place definite rules concerning different management systems for different types of workers, and they had a scheme for re-employing non-regular workers on a regular basis.

The remaining six firms, though minor differences exist among them, do have non-regular workers who engage in duties identical to those carried out by regular ones. Major distinctions still exist among them, however, regarding definite rules and opportunities to change employment status. Firms B and C clearly treat different types of workers differently in terms of management rules, because in both firms regular employees are subject to transfers whereas non-regulars are not, and because their working hours are different. Firm E, too, belongs to the same group on the ground that its part-time employees work less hours. On the other hand, non-regular workers in Firms B and C have the possibility of being promoted to regular employees, whereas

those in Firm E do not.

Firms D and F belong to a group of firms whose manpower management rules do not clearly distinguish between different types of workers in the sense that they have part-time workers who work long hours, or they have regular employees who do not need to transfer. But they do not completely belong to the same group in that part-timers at Firm F have opportunities to be promoted to the status of regular employee whereas their counterparts in Firm D do not.

Incidentally, it should be noted that Firm G is rather difficult to classify in terms of the presence of non-regular employees whose duties are identical to those of regular employees. The firm has two types of regular employees, one engaged in routine work and paid on an hourly basis, the other located at headquarters and paid on a monthly basis. There are part-time workers whose duties are identical to regular workers in the first category, however, there are no part-timers corresponding to the latter category.

3.5 Policy Implications

It will be useful to follow the direction indicated in the *Report of the Study Group for Part-Time Workers* when considering the implications of the findings from the above studies.

Incorporating the policy directions suggested in the report with the findings of the case studies, the firms surveyed can be divided into three groups: Group I (Firms A, B and C), firms whose measures coincide with the direction suggested in the report; Group II (Firms D, E and G), firms whose measures diverge from the report; and Group III (Firm F), which falls somewhere in between in the sense that these firms make only a vague distinction regarding the management of different types of workers, but give their part-time workers opportunities to be promoted to regular employees.

Among Group I, Firm A clearly distinguishes

between part-time and regular employees in terms of duties and management, but provides its part-time workers with the opportunity to be promoted. Firm B can be classified in the same group as Firm C, in that part-time workers in both companies have the possibility of being promoted to regular employee. Thus, the firms in Group II can be regarded as those whose measures “diverge” in some way from the direction suggested in the report.

Among the firms surveyed that do not follow the direction laid out in the report, the following appear to be critical.

First, the firms in question seem to have poor business prospects in general (e.g., Firms D and F). Second, the flow of work is not continuous in some firms (e.g., Firm D). Third, it is difficult to forecast the workload because their business relies on the number of contracts concluded with clients (e.g., Firm G). Fourth, some (affiliate/small) firms are not free to manage their businesses at their own discretion, for example making profits on their own behalf (e.g., Firm E).

These factors, thus, being intimately associated with corporate performance, managerial independence, and other business developments, will require thorough investigation in order to promote policies for part-time workers.

Notes:

- ⁽¹⁾ Concerning changes in the number of regular and non-regular workers, see the following table.

| (Unit: 10,000) | | | |
|---------------------------------------|-------|-------|-------|
| Year | 1996 | 1999 | 2001 |
| Total employees | 4,843 | 4,913 | 4,999 |
| Regular employees | 3,800 | 3,688 | 3,640 |
| Part-time and <i>arubaito</i> workers | 870 | 1,024 | 1,152 |
| Temporary and other types of workers | 104 | 201 | 163 |

Note: Part-time and *arubaito* workers are defined according to the title actually used at their workplace.

Source: *Special Survey of the Labour Force Survey*, Ministry of Public Management, Home Affairs, Posts and Telecommunications.

- ⁽²⁾ The final report of the Study Group for Part-Time Workers (of which Hiroki Sato, professor at the University of Tokyo, was the chair, and in which the author participated as a committee member) can be found in *Part Rodo no Kadai to Taio no Hokosei* (Tasks concerning Part-Time Workers and How to Go Forward) published by the Equal Employment, Children and Families Bureau of the Ministry of Health, Labour and Welfare, July 2002. The report's findings were discussed at meetings of the

Labour Policy Council and meetings of the Subgroup on Equal Employment.

- ⁽³⁾ The case studies were part of a JIL study group, in which the author took part. For details of the case studies, see *Report on Labour Policies*, Vol. 4, 2003 (in Japanese, forthcoming).
- ⁽⁴⁾ Atkinson's flexible firm model has had considerable influence in the field. The model concerns corporate strategies for personnel management, whereby a “core” group of workers engages in important activities — jobs special to individual companies — with peripheral workers allocated around the core workers. While the core group must display functional flexibility characteristics, the purpose of the peripheral workers is to allow for numerical flexibility (Atkinson, 1985). The flexible firm model, however, has been open to criticism (Pollert, 1987). Case studies have criticized the model, emphasizing that labor utilization of a core-peripheral workforce is opportunistic and ad hoc, rather than pre-planned and strategic (Hakim, 1990).
- ⁽⁵⁾ In addition, the case of Firm B should be mentioned: “Type-F” employees, that is, part-time workers, do not remain in assistant positions; two part-time workers have in fact already been designated as store managers, so that the scope of their duties extends to the core. The firm gives them opportunities to be promoted to regular employees if their ability and enthusiasm are sufficient. (Promotion is based on certain qualifications, recommendations and interviews. Under the system, 10 part-time workers have been promoted to regular employees.) In this sense, the firm is actively promoting a more sophisticated use of part-time workers and their incorporation into the core part of the business. On the other hand, the firm's human resource management system classifies regular employees who are subject to rotation involving changes in residence into various ability- and qualification-grades — from the bottom upward: general office employees (Grades 1 to 4), management-level employees (subhead to subcounselor), and senior management-level employees (counselor to senior counselor). At the same time, “Type-F” employees, though not required to move to different branches, are also ranked in terms of skill level and other qualifications, and payments and other treatment of the two types of employees are linked.

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JIL NEWS AND INFORMATION

Briefing on Labor Issues: Globalizing the Social Security System, Internationalizing Pensions

On April 25, the Japan Institute of Labour sponsored a briefing on labor issues. The main theme was “Globalizing Japan’s Social Security System,” and the guest speaker was Takashi Oshio, associate professor of Tokyo Gakugei University. This article focuses on one of the major topics discussed at the briefing: bilateral agreements between Japan and other nations concerning public pension schemes that ensure people are not double billed for pensions payments, or do not fail to be enrolled in the scheme, and the current situation in Japan.

In Japan, workers dispatched from abroad as well as Japanese citizens must pay pension premiums. Thus, foreign workers from countries that do not have a pension payment agreement with Japan have to pay premiums to schemes both in Japan and in their own country. This so-called “dual coverage” is a great burden not only on the workers but also their employers.

At the same time, the absence of such bilateral agreements works to the disadvantage of the individual worker if he/she does not fulfill the eligibility requirements to receive pensions. They need to continue paying premiums for a certain period (25 years in Japan, 10 years in the U.S.); and the period when they are contributing abroad is not counted toward enrollment in a pension scheme at home. In fact, quite a few foreigners in Japan return to their own countries within three years, and thus are obliged to give up all the premiums they have paid during their stay. To remedy this, a “Withdrawal Lump-sum Allowance” scheme exists at the moment. Under the scheme, foreign workers who have paid premiums to the Japanese pension scheme for six months or more are refunded a certain amount in a lump-sum allowance. However, it was pointed out that this

scheme is disadvantageous in terms of the amount of reimbursement to non-Japanese workers who have stayed in Japan for three years or longer.

Currently, Japan has bilateral pension scheme agreements with Germany and the U.K. The agreement with Germany, coming into effect in February 2000, aims chiefly to avoid double payment of premiums and ameliorating the method of counting the years of enrollment in pension schemes. That with the U.K., effective since February 2001, is designed to avoid double payment, though it does not mention the methods of counting the years of enrollment.

Apart from those two countries, the government is holding preliminary negotiations with France, South Korea, Belgium and the U.S., and has been invited to enter into negotiations by the Netherlands, Italy, Luxemburg, Canada and Australia. Of these countries, the U.S. is the host to the largest number of Japanese workers (199,703 in 2002 according to the Ministry of Foreign Affairs), so that calls for an early agreement with that nation are increasing among Japanese business circles. However, the number of U.S. citizens working in Japan is not as large (some 37,000 according to the Ministry of Justice), and the U.S. pension scheme is considerably different, making progress difficult. It appears the U.S. would like an arrangement whereby U.S. citizens are exempt from compulsory enrollment in the Japanese health insurance plan.

As globalization progresses, Japan is likely to take some steps toward finalizing agreements on social security schemes with European countries, where pension premium payments are relatively heavy, as well as with China and other Asian countries.

OPINIONS REQUESTED

The editor invites readers to send their views and comments on the contents of *JLB* via e-mail to akuwa@jil.go.jp or via fax to +81-3-3594-1112.

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