

## Article

# Polarization of Working Styles: Measures to Solve the Polarization and New Category of Regular Employees

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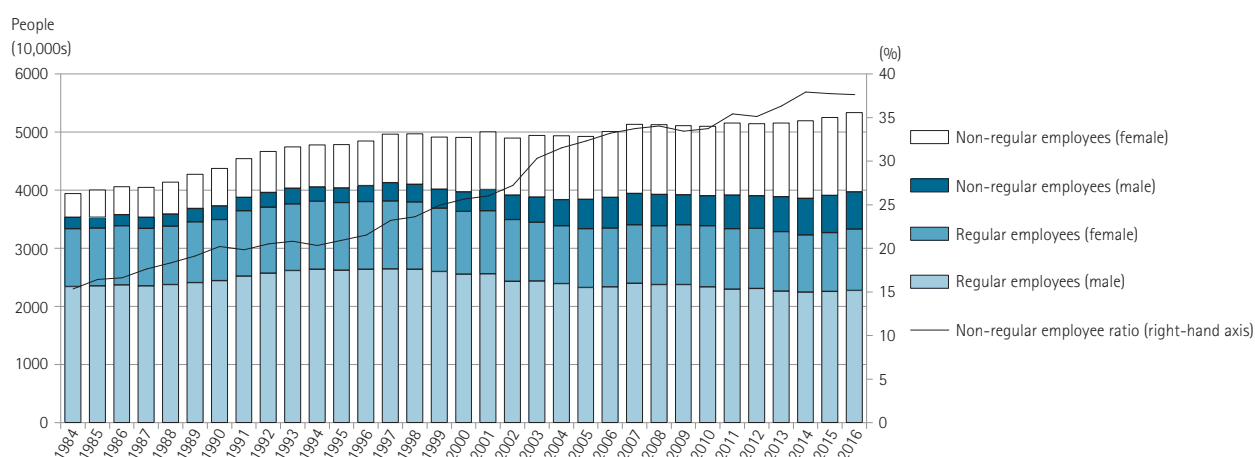
## I. Background

Regular employees enjoy stable employment and high wages, but at the same time bear a heavy burden of overtime and relocation. By contrast, non-regular employees can choose their time and place of work, but their employment is unstable and their wages are low. To examine what is needed in order to solve this “polarization of working styles,” JILPT has set up a study group consisting of JILPT researchers and university professors, whose task has been to analyze questionnaire surveys conducted by JILPT and compile a report (hereinafter “the Report”).

Until the 1980s, the typical Japanese employment system – namely, the practice of lifetime employment and the use of internal labor markets – brought benefits to companies and the workers under those

systems (i.e. regular employees). But there were two problems with this. The first was that, because hiring regular employees is basically cost-intensive, hiring tends to be reduced when sales growth slows. The second is that regular employees face the unspoken assumption that they are supposed to accept overtime and relocation.

These problems started to emerge after the collapse of the bubble economy from the mid-1990s onward. First, as economic growth slowed and the economy slid into deflation, many companies reduced their hiring of regular employees. As a result, the ratio of non-regular employees to all workers in employment, which had been about 20% in 1990, has now grown to around 37% as in Figure 1. The reduced hiring of regular employees directly impacted younger people and generated



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Notes: 1. Figures for February (or average of January through March) each year.

2. “Non-regular employees” are “part-time workers,” “*Arbeit* (temporary workers),” “dispatched workers from temporary agencies,” “contract employees,” “entrusted employees,” or “others.”

Figure 1. Trends in numbers of regular and non-regular employees

many young non-regular employees. Also, because companies have a deep-rooted preference for “hiring regular employees from new graduates” even while reducing their hiring of regular employees, workers in non-regular employment became stuck in that position. Their lifetime earnings are expected to be extremely low compared to those of people who work as regular employees.

Incidentally, in the period after the collapse of the economic bubble, women’s advancement into higher education progressed and the Equal Opportunity Act was amended (effective from 1999). With this, gender discrimination in recruitment, hiring, job assignment and promotion was outlawed. However, the long working hours of regular employees, which had always been seen as a problem, remained unchanged in this period. Although the average working hours of workers in employment as a whole slightly decreased, this was largely due to an increase in part time workers, and other non-regular employees. The total annual working hours of “ordinary workers,” which generally refers to regular employees, consistently have hovered around the 2,000 hour mark as shown in Figure 2. This made it difficult for women who mainly bear family responsibilities to work as regular employees.

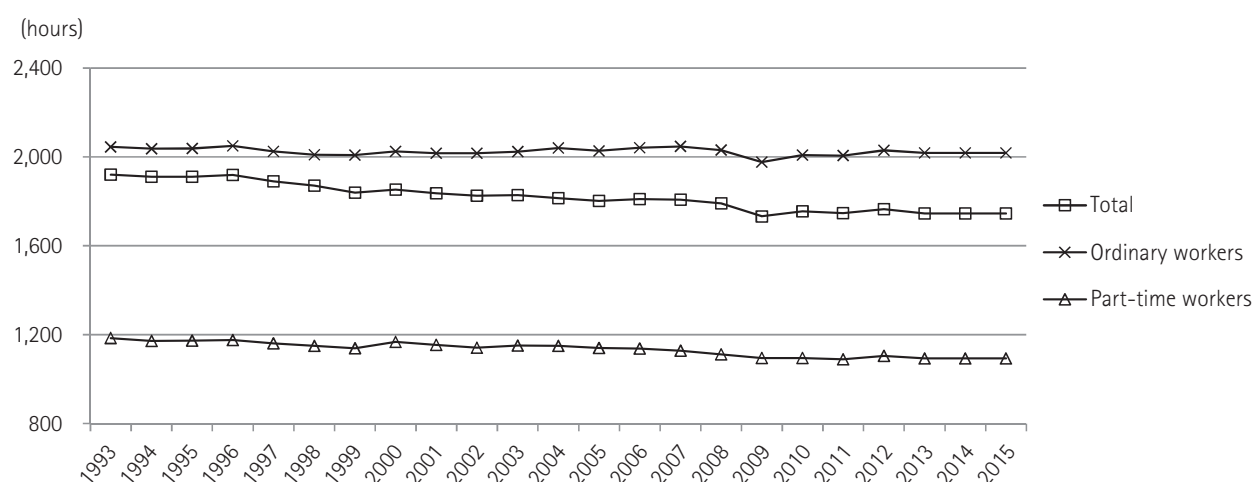
Meanwhile, with the declining birth rate and

aging population, there is a worrying trend amongst both male and female regular employees to quit their jobs due to the need of long-term care for their parents.

## II. Outline of the Report

Given this background, measures to solve the polarization of working styles are required in labor policy. The study group identified four policy issues concerning the polarization of working styles – improving the unfavorable treatment of non-regular employees, supporting conversions from non-regular to regular employment, reducing the workload on regular employees, and creating an intermediate employment category between regular and non-regular employees. Of these, as to the improvement of the treatment of non-regular employees, the government is currently trying to bring the principle of “equal pay for equal work” into legislation. The aim of the Report, therefore, was to present policy proposals based on quantitative analysis of the other three issues.

After summarizing the situation of working style polarization based on official statistics, the Report contains articles providing quantitative analyses on the conversion from non-regular to regular employment, the workload on regular employees,



Source: Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

Notes: 1. The survey targeted businesses with at least five full-time workers.

2. Full-time workers are classified into “ordinary workers” and “part-time workers.” “Part-time workers” are workers who have fewer scheduled working hours per day, or who have the same scheduled daily working hours but fewer working days per week than “ordinary workers.”

3. Although the categories of “ordinary workers” and “part-time workers” are not identical with those of “regular employees” and “non-regular employees,” those are broadly seen as corresponding to “regular employees” and “non-regular employees” respectively in this paper.

Figure 2. Trends in total annual working hours

and the intermediate employment category. Some of those will be introduced here, with a few additional comments.

Two types of questionnaire survey, A and B, were used in the quantitative analyses. Survey A was a “Survey on diverse employment forms and human resource portfolios” targeting private establishments and their employees. The establishment questionnaire was distributed nationwide to 8,000 establishments employing 30 or more employees. The employee questionnaire was distributed to 10 employees aged under 40 at each establishment. Survey B was a “Survey on the present status of workload and workplaces of regular employees,” an internet survey targeting regular employees aged under 35. Both surveys were conducted by JILPT in 2014.

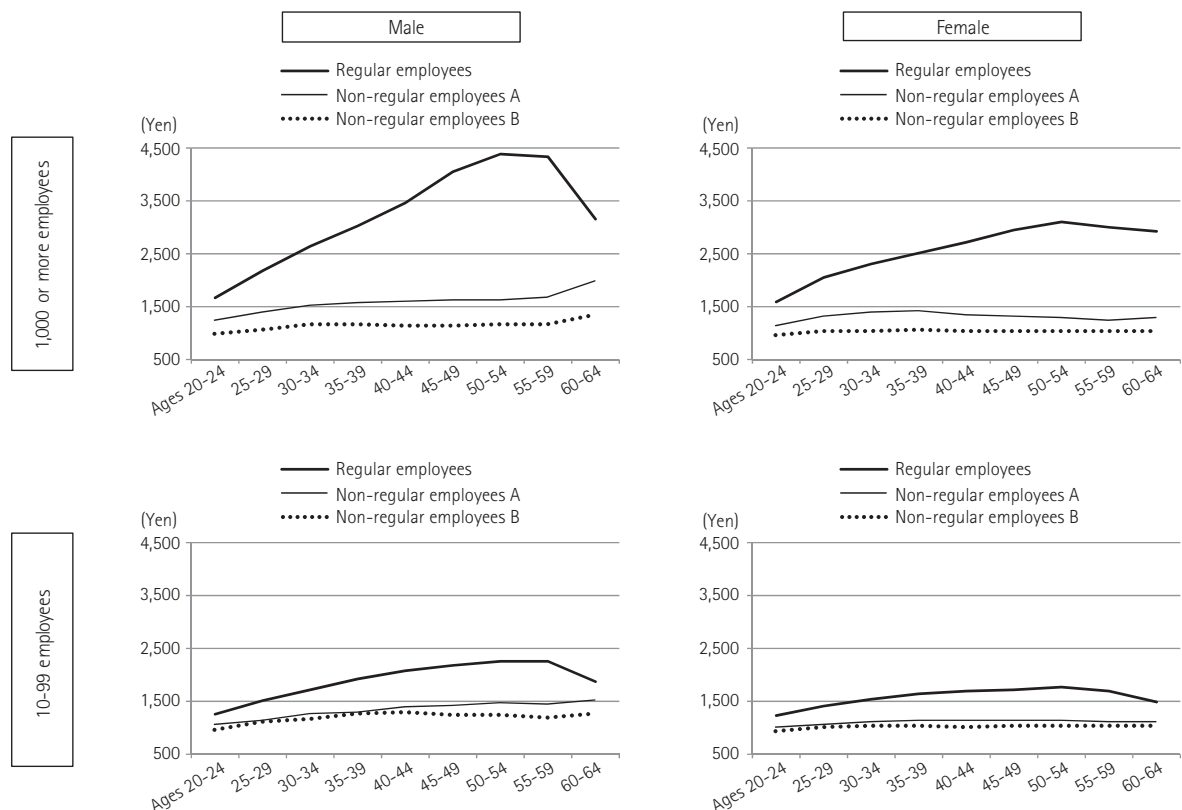
### III. Analysis Results

#### 1. Realities of polarized working styles

Figure 3 shows the age and wage profiles of

regular and non-regular employees divided by gender and company size. From this, we can see that the wage levels of non-regular employees are far below those of regular employees. Moreover, the gap between the two is wider for middle-aged than for younger workers. It is also wider among men than among women, and wider in large corporations than in small and medium enterprises. An underlying factor is the difference in the composition of academic background, industry and occupation. Another factor is that the wages of non-regular employees can be characterized by job-based pay while those of regular employees are determined considering skill and experience.

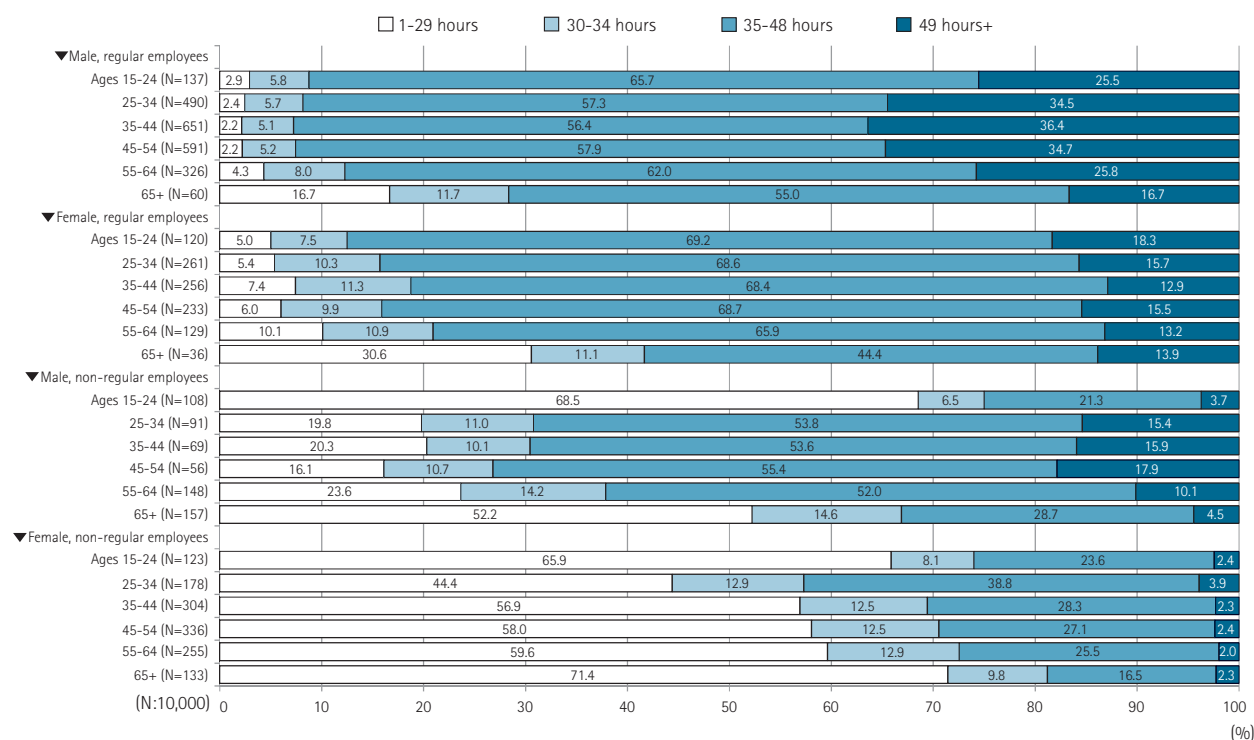
Figure 4 shows the difference in weekly working hour distribution for regular and non-regular employees by gender and age. This reveals that more than a third of male regular employees aged 25-54 work at least 49 hours per week. Working hours for female regular employees in the same age brackets



Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*, 2014.

Notes: “Non-regular employees A” are full-time workers other than regular employees. “Non-regular employees B” are part-time workers other than regular employees.

Figure 3. Age and hourly wage profiles by gender, company size, and employment forms



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, 2016.

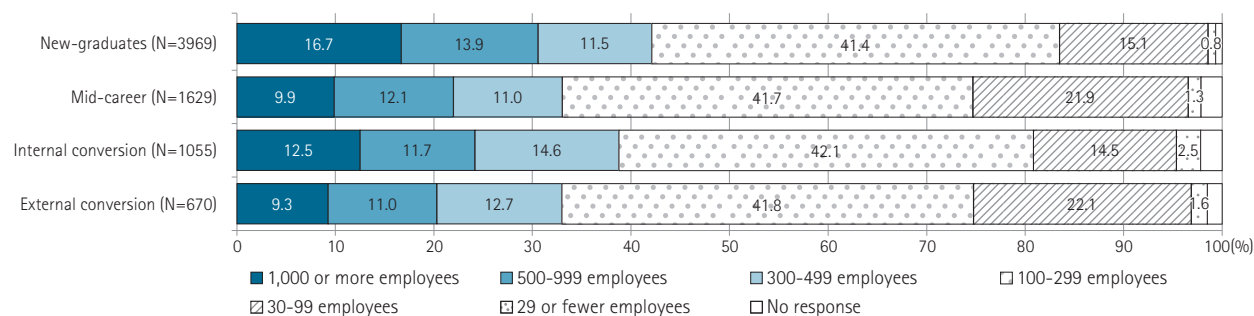
Note: "Non-regular employees" are also known as "part-time workers," "Arbeit (temporary workers)," "dispatched workers from temporary labor agencies," "contract employees," "entrusted employees," or "others."

Figure 4. Distribution of weekly working hours of regular and non-regular employees by gender and age

are shorter than those of men, but even then, female regular employees working for 34 hours or less account for fewer than 20%. From this we can see the reality that if a woman who mainly bears home responsibilities wants to find a job with less than 34 workweek, the only option she has is to work as a non-regular employee.

## 2. Actual situation of workers converted to regular employment

There are plenty of previous studies on conversion from non-regular to regular employment. As a result, it has already been made clear that male, young, and highly-educated non-regular employees are more likely to convert to regular employment. What is hardly known at all, however, is what sort



Source: Compiled from data in Figure 3-3-1 of JILPT Research Report No.185.

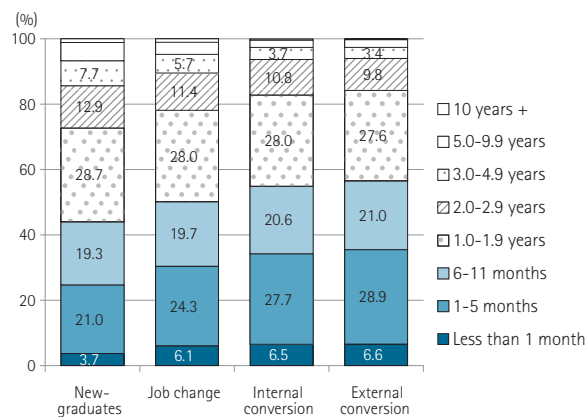
Figure 5. Distribution of company size regular employees are working for

of work these converts do, and for what kind of employers. The author analyzed this point in the Report.

Figure 5 divides respondents working as regular employees at the time of the survey into four categories, those who joined their employers as new-graduates (new-graduate regular employees), those who were regular employees in their previous job but changed jobs via mid-career hiring (mid-career regular employees), those who converted from non-regular to regular employment within their present company (internal conversion regular employees), and those who converted from non-regular to regular employment by changing their employer (external conversion regular employees), based on

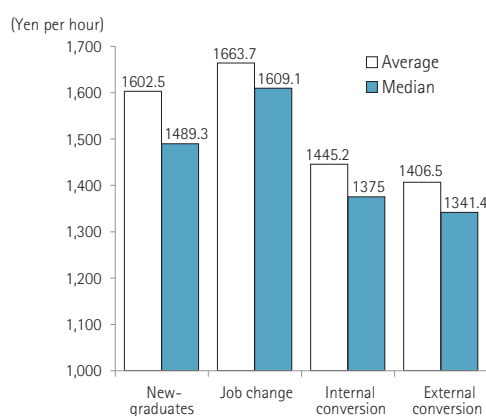
the employee questionnaire in Survey A. The figure shows the distribution of company size for each of these. The results reveal that, while more than about 30% of new-graduate regular employees work for companies with 500 employees or more, the ratio is lower at 20-24% for external and internal conversion regular employees.

Figure 6 shows how job levels differ among these four categories. Job levels are measured by the number of years taken to master a job. From this, we know that both internal and external conversion regular employees have lower job levels than new-graduate regular employees. Again, Figure 7 compares wage levels. This tells us that internal and external conversion regular employees have lower wage levels than new-graduate regular employees and mid-career regular employees.



Source: Compiled from data in Figure 3-4-1, *ibid*.  
Note: Excludes "No response."

**Figure 6. Job levels of regular employees measured by years taken to master a job**



Source: Compiled from data in Figure 3-4-4, *ibid*.  
Note: Only respondents giving wage and working hours.

**Figure 7. Hourly wage of regular employees**

### 3. Factors behind the workload on regular employees

Long working hours are undeniably the prime factor in the workload on regular employees. To improve this situation, rates of overtime pay were increased in an amendment to the Labor Standards Act (effective from 2010), while the government is currently considering the introduction of a cap on overtime work. In order to enhance the effectiveness of these legal regulations, we need to elucidate what factors help to shorten/lengthen working hours.

The analysis by Kazuya Ogura makes it clear that systems of work management have an impact on working hours. Ogura conducted regression analysis on the employee questionnaire in Survey A, using the actual weekly working hours of regular employees as an explained variable. The result confirmed that the working hours of regular employees grow significantly longer if they have no discretion over their own work volume, or if they are subject to frequent "progress management" by their superiors.

The analysis by Tomohiro Takami shows that the causes of psychological stress among regular employees differ from industry to industry. Takami first specified three industries in which the response "I may get psychological stress (in my job)" was particularly common in Survey B. They were "education, learning support," "finance and insurance" and "accommodations, eating and drinking services." Takami then hypothesized,

**Table 1. Problems in the workplace or company cited by regular employees**

	Education, learning support (%)	Finance and insurance (%)	Accommodations, eating and drinking services(%)
Working hours	<b>32.8</b>	16.0	<b>27.7</b>
Holidays, leave	15.1	11.2	<b>25.3</b>
Quotas, results, progress management	4.5	<b>21.9</b>	4.7
Bullying, harassment	6.3	5.3	2.7
Soliciting voluntary retirement	1.0	1.6	1.4
Others	6.3	6.7	6.9
No particular problem	33.9	37.2	31.3
N	872	489	364

Source: Compiled from data in Table 5-2-4 originally made by Tomohiro Takami, JILPT Research Report No.185.

Note: Responses above 20% are shown in bold.

**Table 2. Reasons for overtime work by regular employees (multiple responses)**

	Education, learning support (%)	Finance and insurance (%)	Accommodations, eating and drinking services(%)
Heavy workload	<b>69.3</b>	61.6	50.7
Tight deadlines	17.3	12.4	14.6
High targets or quotas	6.2	<b>20.9</b>	6.2
Unnecessary work	21.1	21.9	14.2
Staff shortages	23.5	30.7	<b>48.2</b>
Sense of responsibility	41.2	24.5	32.8
Persistence in work and results	30.2	16.5	15.7
To secure an income	3.5	5.9	6.9
Unexpected assignment	25.9	26.3	25.5
Atmosphere in the Workplace	12.5	14.9	8.4
N	711	388	274

Source: Compiled from data in Table 5-2-5 originally made by Tomohiro Takami, *ibid.*

Notes: 1. Aggregation only targets those who work overtime. Excludes "Other" reasons.

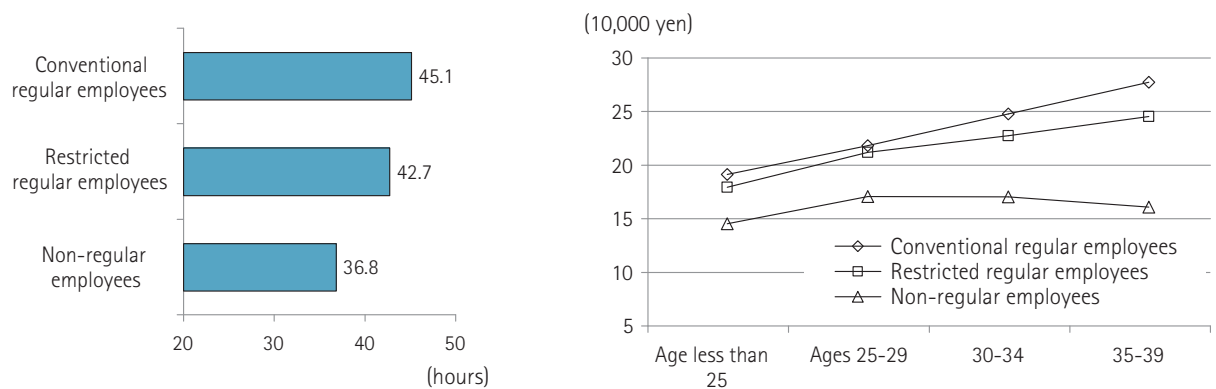
2. Parts referred to in this paper are shaded, with figures shown in bold.

considering problems in the workplace or company (Table 1) and reasons for overtime (Table 2) that workplaces in “education, learning support” are characterized as having long working hours due to a heavy workload; in “finance and insurance,” the principal factor is the rigid performance quota management; and in “accommodations, eating and drinking services,” it is an inability to take time off owing to staff shortages. On that basis, regression analysis reveals that a factor behind psychological stress in “education, learning support” is “take-home overtime,” in “finance and insurance,” it is the “fierce competition among employees,” and in “accommodations, eating and drinking services,” it is the lack of holidays and annual paid leave.

#### **4. Working styles and attitudes of restricted regular employees**

Faced with the polarization of working styles, many workers seek the employment stability and high wages of regular employees but want to reduce burdens of overtime and relocation. Currently attracting attention in this regard are moves to create an intermediate employment category between the conventional patterns of regular and non-regular employees. Although the intermediate employment category includes many subcategories, the employee questionnaire in Survey A focused on people who are regular employees but have restrictions on their working hours and/or place of employment – i.e. “restricted regular employees” – and attempted to grasp their working styles and attitudes.

In the analysis by Tomohiko Moriyama, restricted



Source: Compiled from data in Figures 9-2-10 and 9-2-11 originally made by Tomohiko Moriyama, *ibid.*

**Figure 8. Weekly working hours (left) and monthly salary (right) of conventional regular, restricted regular and non-regular employees**

**Table 3. Job-related worries of conventional regular, restricted regular and non-regular employees (multiple responses)**

	Conventional regular employees (%)	Restricted regular employees (%)	Non-regular employees (%)
Unsure about company's future prospects	<b>39.3</b>	29.2	18.8
No career vision	21.2	<b>24.9</b>	16.0
Own ability does not improve	23.2	<b>28.0</b>	21.1
Given no opportunities for education, training or vocational development	8.1	<b>11.6</b>	8.3
No role models among seniors or superiors	14.0	<b>18.5</b>	10.6
Cannot maintain motivation in the job	30.2	<b>34.7</b>	23.6
Too much job responsibility	<b>14.3</b>	12.2	10.9
Too heavy workload	<b>24.4</b>	18.2	15.3
Long working hours	<b>16.1</b>	10.9	7.9
Cannot take day or time off	<b>18.2</b>	17.6	9.1
Low salary	40.2	<b>44.1</b>	41.3
N	5806	329	2215

Source: Compiled from data in Figure 9-3-3 originally made by Tomohiko Moriyama, *ibid.*

Notes: 1. Items with the response rate less than 10% in any employment category have been removed.

2. The employment categories with the highest response rates are shown in bold.

regular employees have a lighter workload than conventional regular employees, but they face issues in terms of wages, human resources development and career development. Figure 8 shows that the weekly working hours and monthly salaries of restricted regular employees are midway between those of conventional regular and non-regular employees. Table 3 reveals that, while conventional regular employees are concerned about the volume of work, job responsibility, length of working hours and lack of holidays, restricted regular employees are worried about low salary, inadequate vocational development, loss of vision for their career path and

goals, and lowering of motivation.

#### IV. Policy Implications

A solution to the polarization of working styles is required in Japan's labor policy. Firstly, on the problem of unfavorable treatment of non-regular employees, one would expect the discussion on "equal pay for equal work" to come to mature. However, this research has confirmed that, even when converting from non-regular to regular employment, the employer is very often a small and medium enterprise, and both the job level and the wage level are lower than those of new-graduate



regular employees. To substantially reform the treatment and working condition of non-regular employees, productivity improvement in peripheral labor markets where many non-regular employees and converts to regular employees are working, is essential.

Another conclusion drawn from this research is that, to reduce the workload on regular employees, legal regulation of working hours will need to be underpinned by a revision of work management – i.e. respecting workers’ wishes when deciding work volumes, refraining from excessive progress management – and the characteristics of workplaces in each industry also need to be considered. Furthermore, the introduction of restricted regular employees will be meaningful in lowering the workload on regular employees. In their present situation, however, restricted regular employees

face issues in terms of wages, human resources development and career development; further study is required to find the ideal intermediate position between conventional regular and non-regular employees.

#### Reference

JILPT. 2016. *Hatarakikata no nikyokuka to seishain: JILPT anketo chosa niji bunseki kekka* [Polarization of working styles: Results of secondary analysis of JILPT questionnaire surveys]. JILPT Research Report no.185. Tokyo: The Japan Institute for Labour Policy and Training.

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