

Japan Labor Issues

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February-March 2018

Volume 2 Number 5

SPECIAL ISSUE

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About this issue:

This special issue includes six significant papers selected by the Editorial Board of *Japan Labor Issues* from various relevant papers published in 2016–2017. These papers address the latest subjects as well as conventional themes on labor in Japan that may be of interest to overseas observers, which is the purpose of this journal. Since the original papers were written in Japanese, each author has arranged translation for the benefit of overseas readers. We sincerely thank them for their effort for this special issue, which we hope will offer useful information and deeper insights into the state of labor in Japan.

Editorial Office, *Japan Labor Issues*

A Legal Study on Equal or Balanced Treatment for Regular and Non-Regular Workers in Japan

With Particular Focus on the Relationship between Anti-Discrimination Principle and Policy-Based Regulations for Equal or Balanced Treatment



Koichi Tominaga

This paper discusses a few questions about the issue of equal or balanced treatment of regular and non-regular workers in Japan. Should equal or balanced treatment only be recognized once a law has been enacted, or should it already be recognized as a general legal principle, without any specific law being enacted? Also, even if intervention based on general provisions or legislation were recognized, how far (to what extent) should the intervention be permitted? Firstly, this paper briefly introduces current case law, statutory law, and scholarly discussions in Japan, and then discusses the first question (whether extrinsic intervention by the anti-discrimination principle to private autonomy should be recognized or not). This paper analyzes the anti-discrimination principle from two different angles, namely (1) power relationships between parties and (2) the nature of anti-discrimination factors, often called “protected classes.” Secondly, this paper discusses how far the anti-discrimination principle should intervene in private autonomy. Even if intervention based on general provisions or legislation were recognized, differences could arise in the content, based on differences in the factor subject to anti-discrimination — specifically, between factors based on human rights, such as gender or beliefs, and factors based not so much on human rights as on social policy, such as employment status. In this paper, this paper examines and classifies factors (protected classes) according to their nature, based on two axes, namely (a) the mobility (selectability) of those factors and (b) their impact on job duties. Differences in those factors would result in whether prohibition is one- or two-sided, and whether the criteria for judging exceptions to prohibition are strict or lenient. Thirdly, this paper analyzes the anti-discrimination principle on employment statuses (forms of employment) within the above-mentioned frame. Here, this paper suggests that the anti-discrimination principle on employment statuses has a rather loose regulatory content compared to that on factors related to human rights. This paper also suggests that it is even possible that anti-discrimination provisions based on employment status, though helping to correct disparity between regular workers and non-regular workers whose actual employment is similar to core employees, may promote a downward revision of treatment for regular workers who actually work in a non-regular capacity.

- I. Introduction
- II. Present status of legal regulation
- III. Analysis of the anti-discrimination principle and employment status discrimination
- IV. Conclusion

I. Introduction

Of the various problems related to wage disparity inside companies, this paper will examine that of legal regulation against wage disparity between regular and non-regular workers, in particular (see the endnote¹ for usage of the terms “employee” and “worker” in this paper).

The term *seiki rōdōsha* or “regular worker” generally refers to workers who are employed full-time, directly, and without a fixed contract term, while *hiseiki rōdōsha* or “non-regular workers” are those who lack at least one of those attributes. For example, they may be part-time rather than full-time workers, workers with fixed-term rather than open-ended contracts, or agency workers who are not directly employed.² Henceforth in this paper, I will use the terms “regular workers” and “non-regular workers” as categories based on this difference in legal employment contracts (employment conditions). In general, the terms *seishain* (“core employee”) and *hiseishain* (“non-core employee”) are also used with more or less the same meanings as these. In this paper, however, I will use “core employee” and “non-core employee” as categories based not on contractual arrangements but on the allocation of human resources within a company. Thus, they will be used to distinguish between core workers³ who are assumed to work in accordance with flexible extensions of working hours (overtime) and broad fluctuation in job duties and the place of work, on the presumption of long-term employment, and other peripheral (non-core) workers who are none of the above. Naturally, these terms will overlap with “regular workers” and “non-regular workers,” respectively, in many (but not all) aspects of actual practice.

In Japan, non-regular workers accounted for some 20% of all workers in 1990, but this number had doubled to just under 40% by 2015, partly due to the impact of long-term economic stagnation since the 1990s.⁴ Young workers who entered the employment market and became non-regular workers during this period of economic stagnation could not convert to regular employment, despite subsequent economic cycles.⁵ Instead, their immobility has become a serious social problem causing impoverishment of those young people and an increase in future social burdens, due to the large disparity in treatment compared to regular workers.

Given this situation in society, powerful claims were made for the existence and application of a legal principle, which would extrinsically and forcibly constrain the parties involved, and make it mandatory to have equal or balanced treatment between employment statuses (regular and non-regular workers). In response to this movement, a number of laws have been enacted in recent labor legislation. Some of these include provisions designed to increase mobility between employment statuses (mainly the conversion of non-regular workers to regular employment), as in Article 18 of the Labor Contract Act,⁶ Article 13 of the Act on Improvement, etc. of Employment Management for Part-Time Workers (Part-Time Workers Act⁷), and Article 40-6 of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Worker Dispatching Act⁸). Other provisions prohibit both discrimination and unreasonably differential treatment based on whether workers are employed full- or part-time or whether on fixed-term or open-ended contracts, triggered by the 2007 amendment of the Part-Time Workers Act. These include Article 20 of the Labor Contract Act, and Articles 8 and 9, Article 11 paragraph 1 and Article 12 of the Part-Time Workers Act. Others impose an obligation for mandatory efforts to ensure balanced treatment (Article 11 paragraph 2 of the Part-Time Workers Act, Article 30-3 of the Worker Dispatching Act). In the following, these recently enacted provisions enforcing equal or balanced treatment of non-regular workers will be abbreviated for convenience as “non-regular equality laws.” There are still many points of uncertainty about the basis and content of these legal principles and provisions.

In this paper, therefore, I will very briefly introduce the present status of legal regulation on wage disparity caused by differences in employment status⁹ in the form of full- or part-time workers and fixed-term or open-ended contracts. This involves the legal principle of extrinsically and forcibly constraining

the parties involved and making it mandatory to have equal or balanced treatment between employment statuses with regard to wage disparity within the same company. Specifically, I will focus on case law and statutory law (II), then study the characteristics and targets of the anti-discrimination principle in employment statuses after considering how the anti-discrimination principle is theoretically affected by the nature of anti-discrimination factors (III). Finally, I will conclude with a brief summary (IV).

II. Present status of legal regulation

1. Case law

Disparity in the treatment of workers (differential treatment in wages, etc.) based on employment statuses decided in labor contracts or agreements has long been contested in courts of law.

Grounds for redress to invalidate this differential treatment could include (i) Articles 13 and 14 of the Constitution,¹⁰ (ii) Article 3 of the Labor Standards Act,¹¹ (iii) Article 4 of the Labor Standards Act, (iv) international conventions,¹² (v) the provisions of non-regular equality laws (as above), and (vi) general provisions on the legal principle of public policy (e.g. Article 90 of the Civil Code¹³).

In case law, there is a tendency for cases to be treated as lying outside the direct range of the provision in question. The constitutional provisions in (i) above, for example, have been excluded on grounds that they were not intended to apply directly to relationships between individuals, while the application of (iv) international conventions, etc., as direct grounds for redress has been denied because they are not self-executing or lack legal normativeness, among other reasons.¹⁴ The same is true of (ii) Article 3 of the Labor Standards Act, on grounds that employment statuses are not inherently irreversible,¹⁵ or that the factors are not unrelated to labor.¹⁶ With regard to (iii) Article 4 of the Labor Standards Act, similarly, while employment management based on separate courses that used to reinforce gender divisions before the enforcement of the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment (Equal Employment Opportunity Act) is deemed a violation of public policy,¹⁷ differential treatment that is not regarded as gender division or involves employment statuses or jobs that are advantageous to women tends not to be regarded as a violation of that provision.¹⁸

In scholarly theory, there have been robust claims that (vi) the principle of public policy, etc., includes the principle of “equal pay for equal work (or work of equal value).” However, no precedents can be found that directly acknowledge the existence, in itself, of a principle of equal pay for equal work (or work of equal value) with specific legal normativeness.¹⁹ Moreover, although room for redress under the public policy principle is recognized, there are hardly any examples of actual redress. One of the rare positive examples was the 1996 *Maruko Keihoki* case,²⁰ in which, although the existence of “a principle of equal pay for equal work (or work of equal value)” was deemed not to be recognized as “a general legal norm governing labor relationships,” redress was ultimately granted. This was because the significant wage disparity (more than 20%) between core employees and long-serving temporary employees who could be regarded as being virtually identical to core employees was judged to violate public policy on employers’ discretion, in that “the concept of equal treatment” as the basis of this principle could be an important factor for consideration when judging the illegality of wage disparity. In the *Wings Kyoto* case, meanwhile, redress was ultimately denied, but while similarly denying the existence of a principle of equal pay for equal work (or work of equal value) as a general legal norm, room for the establishment of “violation of public policy based on the concept of equilibrium” was recognized in pronounced wage disparity for equal work (or work of equal value).²¹

Since the enactment of non-regular equality laws, the focus of the problem has shifted to the application of (v) specific provisions of non-regular equality laws, and examples of both negative and positive rulings on redress have been seen.²²

To summarize the foregoing briefly, disregarding the existence of (v) specific legislation that clearly prohibits discriminatory treatment between employment statuses as discussed below, the tendency of judicial

precedents is that, if there is no such legislation, the existence of a principle of equal pay for equal work (or work of equal value) is of course not recognized as a specific legal norm. There is, however, room for pronounced wage disparity in cases of equal work (or work of equal value) to be deemed a violation of public policy.

2. Statutory law

The scope of recent non-regular equality laws targets wage discrimination against non-regular workers. Conceptually, it is based on the phrase “a balance with ordinary workers” provided in Article 3 paragraph 1 of the 1993 Part-Time Workers Act. For legislation that has specific and coercive legal normativeness, however, we must look elsewhere—for example, Article 8 of the Part-Time Workers Act, which prohibits unreasonable disparity in the treatment of part-time workers compared to ordinary workers, or Article 9 of that Act, which prohibits discriminatory treatment of part-time workers who should be seen as identical to ordinary workers. Another example is Article 20 of the Labor Contract Act, which prohibits unreasonable disparity in the treatment of fixed-term contract workers compared to those on open-ended contracts.

These provisions—for example, Article 8 of the Part-Time Workers Act and Article 20 of the Labor Contract Act—prohibit unreasonable differences in working conditions (differential treatment) between non-regular and regular workers. That is, they prohibit “(unreasonable) differential treatment” of certain workers “by reason of being non-regular workers,” and prohibit the nexus between a specific factor (“non-regular workers”) and discriminatory treatment (“unreasonable differences in working conditions”).²³ In this point, they have the same logical structure as many other anti-discrimination provisions,²⁴ and could be seen as a kind of anti-discrimination rule in the broad sense.

These non-regular equality laws are slightly different in character from typical anti-discrimination provisions. That is, the various provisions of non-regular equality laws such as Article 8 of the Part-Time Workers Act and Article 20 of the Labor Contract Act, at least in their wording, do not require literally the “same” treatment of non-regular and regular workers in all working conditions; these provisions do not directly prohibit advantageous treatment of non-regular workers (they are one-sided and only partially prohibit discrimination), according to the official interpretation.²⁵ Moreover, because they only prohibit “unreasonable” differences in “working conditions,” discrimination when hiring is also outside their scope;²⁶ they allow room for permitting differences in working conditions based on any number of reasonable circumstances, such as differences in job duties, as long as they are considered reasonable grounds. These characteristics show that the various provisions mentioned above have a rather loose regulatory content compared to the prohibition of sexual discrimination that targets both hiring and placement, and has strict exceptions (or does not have expressly stated statutory exceptions), for example. Incidentally, this trend not only affects Japan but is also seen in regulations prohibiting discrimination against non-regular workers in the legal systems of other countries.²⁷

3. Scholarly theory

Many theories on the equal or balanced treatment of regular and non-regular workers (mainly part-time or fixed-term workers) had been accumulating since before the enactment of these non-regular equality laws, and there have also been some excellent studies since the non-regular equality laws were enacted.²⁸ Some take a negative stance on the existence of a legal principle concerning equal treatment between non-regular and regular workers (as long as no specific law exists),²⁹ while others are more positive. Even in the latter case, there have been numerous assertions on the grounds for such a principle, including the principle of equal pay for equal work (or work of equal value) or a relaxed principle of equal pay for equal work,³⁰ the principle of equal pay for equal obligatory labor,³¹ the “notion of equilibrium,”³² and the principle of equality (the obligation to treat equally),³³ among others.³⁴

III. Analysis of the anti-discrimination principle and employment status discrimination

In the following, I will first examine, of elements that affect the content of the anti-discrimination principle, (i) the power relationship between the parties involved, as a trigger for intervention by extrinsic law and (ii) the nature of anti-discrimination factors that affect the method of intervention when such intervention by the law is recognized. I would then like to consider perspectives for regulation on employment statuses based on the anti-discrimination principle.

1. Power relationships between parties (triggering legal intervention in private autonomy)³⁵

Unlike relationships between governments and private individuals, which are unidirectional relationships between “decider” and “decided,” it is an unspoken assumption in relationships between private individuals that the parties are equal; the consent of the parties is basically respected when creating rights and obligations borne by them (this is known as private autonomy). Even in relationships between private individuals, however, a degree of correction by the law is naturally required when there is an actual imbalance in the power relationship between the parties that cannot be disregarded. In a labor (contractual) relationship, similarly, corrections are made through regulation by labor law whenever there is an imbalance in the power relationship between the parties, and prohibiting discrimination in employment is one method of such correction. Of course, in relationships between private individuals, unlike public law relationships, there is the possibility of adjustment through markets (i.e. the free choice of the parties involved) even if there is an imbalance, and there could also therefore be differences in the range and content of prohibiting discrimination.³⁶ Even in labor relationships, if the market is functioning perfectly, workers can theoretically use the labor market to protect themselves from unreasonable discrimination by employers, and anti-discrimination provisions should not be necessary. Of course, the actual market (and the society behind it) cannot be perfect, but as the necessity and content of prohibiting discrimination will differ depending on whether or not any adjustment by the market can be expected,³⁷ the possibility of adjustment by that market will also differ depending on the very nature of the anti-discrimination factor in question. Therefore, the range and content of employment status discrimination will also be affected by the nature of the anti-discrimination factor, i.e. employment statuses, which form one aspect in the possibility of adjustment by the market (see 2 below).

2. The nature of “protected classes” (anti-discrimination factors)

As prohibiting discrimination means prohibiting “nexus” (“connections”) between certain “anti-discrimination factors” (protected classes) and “discriminatory treatment” (differential treatment or disadvantageous treatment), the nature of anti-discrimination factors also affects the content of the anti-discrimination principle, in terms of the possibility of coordinating the parties’ free volition as mentioned above. From this perspective, two particularly important distinctions are whether anti-discrimination factors (i) are not matters of choice, or the free choice of which is being guaranteed, or (ii) affect the content of contracts.³⁸

(1) Anti-discrimination related to human rights and policy

(a) Factors that cannot be chosen or in which choice is guaranteed (Anti-discrimination related to human rights)

When prohibiting discrimination in factors that cannot be chosen or in which choice (the freedom of choice) is strongly guaranteed under the Constitution, due to their very nature, exceptions in which discrimination is justified are narrow and strictly limited.

For example, let us consider the non-choosable factors of gender and race. Although this is only a hypothetical example, the “tendency” is that, when taking up employment in a certain job, most people

will probably not automatically think therefore that discrimination based on gender or race in that job “can be permitted because it is reasonable,” even if it is “statistically” judged to have bias or tendencies based on gender or race. This is because, even if there might be, statistically speaking, a degree of variation in the tendency toward job affinity due to differences in race or gender, the “individual” concerned should only ever be judged as an “individual” who cannot choose this factor for himself or herself and cannot even escape from it. In other words, the individual should not be denied opportunities due to circumstances beyond his or her control (race or gender), and should not be placed at a disadvantage on these grounds. For example, even if there were a degree of statistical variation between men and women in language ability or muscle strength (though only a hypothetical situation), a female individual with superior muscle strength as an individual, or a male individual with superior language ability, should not suffer discrimination when taking up a job that required muscle strength or language ability, respectively. If discrimination were permitted, it would be in cases when the individual’s gender or race itself decisively affected the job duties in question, such as when those job duties could only be performed by a person of a certain gender or race; in the case of sexual discrimination, for example, an exception would be a shrine maiden.³⁹ These strict exceptions to anti-discrimination laws are known as *bona fide* occupational qualifications (BFOQs). Another permitted exception to anti-discrimination is legitimate positive action permitted in order to meet strong policy requests, but this will not be discussed here.⁴⁰

Meanwhile, discrimination based on factors where choice is strongly guaranteed, such as beliefs and religion, has a character equivalent to that of discrimination based on factors where there is no choice.⁴¹ Although these factors are not inherently unchangeable, they lie at the core of the individual’s existence, and choice is guaranteed under the Constitution. With regard to these, too, individuals should not suffer discrimination on grounds of a mere statistical or trend-related variation, etc.

In other words, as regards anti-discrimination factors that are unchangeable and cannot be chosen (gender, race) or are changeable but choice is guaranteed (beliefs, etc.), the reasonableness of discrimination (or of exceptions to anti-discrimination) is strictly judged within very narrow parameters under *bona fide* occupational qualifications. Moreover, this type of anti-discrimination works from both sides, as a rule (i.e. not only disadvantageous treatment to a certain protected class but also advantageous differential treatment to that class is prohibited, as long as that treatment is based on those factors). This is because, in factors that are unchangeable for “individuals” belonging to any demographic, or factors in which choice is guaranteed to “individuals,” there is no ranking of priority or precedence in the position that they should be judged as individuals and respected as individuals, without prejudice or bias. In relation to these unchangeable factors or factors in which choice is guaranteed, the “right” of individuals to be protected from discrimination should be recognized because they are individuals, or in other words due to “the very fact that they are human beings.” For the time being, therefore, I will use the term “anti-discrimination related to human rights” when referring to anti-discrimination in cases such as these.

(b) Factors that are choosable but in which choice is not guaranteed (Anti-discrimination related to policy)

In contrast to factors based purely on considerations of human rights, anti-discrimination provisions concerning factors that are changeable (choosable) depending on the individual’s free volition, and are not directly guaranteed by the Constitution, have a stronger tone of recognition in view of the policy-based considerations of promoting or protecting choice in that factor.⁴² Given that individuals are able to choose these factors, justification of discrimination (unlike in the case of *bona fide* occupational qualifications) is recognized relatively loosely, as long as the disparity is judged reasonable in light of the gist and purpose of the respective anti-discrimination rule. Moreover, one-sided prohibition is tolerated because the anti-discrimination factors are outside the direct scope of guarantees under the Constitution and because policy-related considerations are acceptable (or, even if the prohibition is two-sided, reasonableness may be judged more loosely for one of the sides). In the following, I shall call anti-discrimination based on this kind of factor “anti-discrimination related to policy,” as it has a strong policy-related nature of treating,

protecting and promoting (or conversely suppressing) groups with specific factors as groups, rather than being sought directly from the angle of protecting the human rights of individuals.

(2) Impact on job duties, etc.

If the employer is reasonable and there is a factor that impacts job duties, etc. (i.e. rights and obligations under a labor contract), the employee in question should be treated differently in accordance with the level of impact. On the other hand, if there is a factor that is completely unrelated (or has no impact) the employee should be treated in the same way as when that factor does not occur, without considering the factor itself.⁴³ That is, in a labor contract, treating “equal people equally but unequal people unequally in accordance with the degree of inequality” is the normal (reasonable) “right treatment,” in terms of the impact on job duties, etc. This means that, in the anti-discrimination principle, whether there is a link between anti-discrimination factors and a given treatment (discrimination) — in other words, whether a treatment seen as problematic was applied by reason of an anti-discrimination factor—is judged based on whether that treatment is “the right treatment” in accordance with the impact of the anti-discrimination factors on job duties, etc. If there is no impact, this “right treatment” would be the same treatment as when there is no anti-discrimination factor; if there is an impact, conversely, it would be differential treatment in proportion to the impact. This judgment is normally made through a comparative judgment with a comparison subject (comparator) who is in the same or a similar situation but differs in terms of anti-discrimination factors.

It should be noted that the policy aspects and human rights aspects of prohibiting discrimination are not necessarily linked to whether or not anti-discrimination factors affect job duties, etc. Policy-related characteristics often impact job duties, etc., while human rights characteristics often have no such impact. However, there could be cases in which anti-discrimination factors with a purpose based in human rights might sometimes affect job duties, etc. (e.g. typically pregnancy and disability, and even gender, religion, etc. for jobs with *bona fide* occupational qualifications), or conversely cases in which even those with a policy-based purport do not directly affect job duties, etc. (e.g. whistleblowing).

“Job duties, etc.” basically refers to the rights and obligations set down in a labor contract. While a labor contract is a contract in which ordered labor (the performance of job duties) is exchanged for wages, there are also various incidental obligations, such as an obligation to consider safety. Therefore, not only differential treatment corresponding to an impact on the performance of job duties as the main obligation under a labor contract (e.g. a worker’s ability to perform job duties, or the obligation to perform contractual job duties in the broad sense), but also differential treatment corresponding to an impact on the incidental obligations under a labor contract (e.g. providing reasonable accommodation in accordance with a worker’s vulnerability, such as pregnancy or disability, that impacts the obligation to consider safety) would be permitted as being reasonable.

When an anti-discrimination factor does not affect job duties and this can be substantiated through comparison with a subject in the same situation, the right treatment may be specified in detail, meaning that the same treatment as the “right treatment” should be applied (here, I will call this “the principle of same treatment”). In this case, it should be possible to recognize this “right treatment” as a form of redress.⁴⁴

On the other hand, if an anti-discrimination factor does affect job duties, the treatment should be in equilibrium with the impact on job duties, etc. (I will call this the “principle of balanced treatment”). In this case, since the comparison subject is a person who is (not the same but) similar, yet is in a different situation, there are often no clear standards for judging the proportionality of the degree of differential treatment. In that case, the “balance” will often be judged by applying social norms. With regard to redress, similarly, the right treatment cannot be specified in detail, and can only be recognized in compensation for damages, etc. On the other hand, when there are clear standards for judging the balance between that impact and the degree of differential treatment (e.g. the “no work, no pay” principle), treatment should

be applied on this basis even if there is an impact.⁴⁵ Since this is a case in which the right treatment can be specified in detail, and it is judged in terms of “whether or not it is the same” as the right treatment, it can essentially be seen as one aspect of the principle of same treatment. Moreover, it is thought that anti-discrimination related to human rights should be judged more strictly than anti-discrimination related to policy, especially if there are clear standards, but even if there are not.⁴⁶

3. Anti-discrimination principle on employment statuses

The characteristics of legal provisions in non-regular equality laws highlighted in II 2 reflect the impact made by the nature of (i) power relationships between the parties and (ii) anti-discrimination factors, as discussed above.

(1) Power relationships between the parties (opportunities for legal intervention in private autonomy)

When a flexible labor market exists, the need for protection based on the anti-discrimination principle is relatively low. This is because, if workers can change jobs flexibly, employers who resort to unreasonable discrimination will ultimately suffer disadvantage due to the costs associated with their preference for this unreasonable discrimination, and will be weeded out. From this perspective, the need for protection under the anti-discrimination law, with regard to the distinction between employment statuses when their content is decided by the free volition of the parties concerned, would indeed appear at first sight to be low in the case of contracts concluded on the labor market.

The problem, however, is that there is a very wide gulf between the so-called external and internal labor markets in Japan.⁴⁷ In the latter, job duties and treatment are decided unilaterally based on the strong personnel-managing authority of Japanese companies, meaning that opportunities for adjustment by the free volition of the two parties are weak. In the case of non-regular workers, moreover, part-time or fixed-term workers in Japanese companies do not only perform limited job duties under part-time or fixed-term (temporary) contracts as purely non-regular workers, as presumed by their contracts. In reality, they may be given overtime work and do the same work as full-time employees (so-called “quasi part-timers”); or they may work as essentially open-ended contract workers via repeated contract renewals (which I shall call “quasi fixed-term contract workers”), or else have become core workers and work without limitation on job duties, etc. (I shall call these “quasi non-regular workers”). Of the above, “quasi fixed-term contract workers” accumulate company-specific skills and knowledge that are hard to evaluate on the external labor market (and which are only properly evaluated by their own company) by repeatedly renewing fixed-term contracts, even if their treatment on the external labor market was decided appropriately at the point of initial hiring (often involving pay based on work evaluation). The situation could arise whereby companies do not evaluate based on abilities, and only pay wages based on the original external labor market. This is in spite of the fact that, because companies employ workers on the assumption of company-specific skills and knowledge, a situation has thereby arisen in which it would be reasonable for the treatment to be the same as that of core employees on the internal labor market (in terms not of job duties but of ability, or in other words ability-based pay). In such situations, quasi fixed-term contract workers are in a kind of monopoly market.

For “quasi part-timers,” similarly, wages are decided on the assumption of part-time labor premised upon routine work, but in reality, the situation could arise whereby workers and others who have family responsibilities are engaged in long-term and core labor, the same as that of regular workers, based on their supposed ability to perform non-routine tasks. On the disparity between purely regular workers (core employees) and pure non-regular workers (non-core employees), correction by the external labor market can be expected to a degree. However, while the external labor market has some power to correct unfair discrimination against these quasi part-timers, quasi fixed-term contract workers and other quasi non-regular workers (i.e. non-regular workers who are treated as non-core employees even though their

actual working situation is that of core employees), this power is weak. From that viewpoint, on decisions that are essentially unilateral in internal labor markets with regard to these quasi non-regular workers, at least, opportunities for correction by the law are thought more likely to be permissible than in the case of a non-regular worker with a typical, non-core employee-like work style, based on general provisions (consisting of violation of public policy under Article 90 of the Civil Code, or abuse of rights under Article 1 paragraph 3 of the Civil Code). This would be the case even if special anti-discrimination provisions were not enacted to oppose the exercise of personnel authority, labor command authority and others going beyond the framework of limitation of contractual job duties, etc.⁴⁸

On the other hand, the need for legal correction in the case of decisions on the treatment of typical, non-core employee-type non-regular workers is relatively low, and this correction should probably be achieved by enacting laws. Of course, even if the employment reality of a non-regular worker is purely that of a “non-core employee,” it could come under the scope of the principle of prohibition of indirect discrimination (part-time labor, etc.) if the allocation of family responsibility and occupational responsibility is heavily weighted toward one gender as a result of social discrimination.

(2) Study of the character of anti-discrimination factors

(a) Aspects of policy-based character

The employment conditions (employment statuses) of full-time or part-time, fixed-term or open-ended contract, and directly or indirectly employed are not unchangeable and inescapable; if decided by an agreement (labor contract) between the parties, prohibiting employment status discrimination therefore has a strong policy-based character. Of course, although they are changeable and not directly guaranteed under the Constitution, these conditions could affect the content of prohibiting discrimination if they indirectly have a human-rights-based character.

In anti-discrimination related to policy, prohibition of discrimination is often one-sided, and justification of discrimination as an exception is judged not by *bona fide* occupational qualifications but by the proportionality principle; when making a judgment on the proportionality principle, policy-related factors might also be considered. Anti-discrimination provisions in Japan’s non-regular equality laws (in particular, Article 8 of the Part-Time Workers Act and Article 20 of the Labor Contract Act) purport to protect non-regular workers unilaterally in terms of administrative interpretation. Elements in judging the reasonableness of disparity are broad and flexible, in that consideration of “other factors” is permitted besides the content of the work, the level of responsibility associated with this work (the content of job duties), and the scope of change in the content and assignment of said job duties. These characteristics are generally consistent with those of prohibiting discrimination based on policy. Moreover, although the one-sidedness of prohibition in the various provisions is debatable,⁴⁹ even if the prohibition is two-sided, an asymmetry could possibly be recognized due to the impact of the policy objective of protecting non-regular workers. Namely, reasonableness could be affirmed more leniently for disparity that is advantageous to non-regular workers than for that which is disadvantageous.

Situations in which employment status discrimination affects anti-discrimination factors based on human rights have been pointed out, such as in (i) the low changeability of employment statuses and (ii) discrimination against the gender that bears family responsibility. With regard to (i), as mentioned in (1) above, the need for correction by the law must be high, even if it cannot be seen in the same light as human-rights-based discrimination. For this is a situation in which non-core employees who have accumulated company-specific skills are in a kind of monopoly market created by that company; it is difficult for them to change their own employment status **in that company** through their own volition alone.⁵⁰ Meanwhile, item (ii) above refers particularly to part-time labor. Nevertheless, when an imbalance in burdens of family responsibility or work-related responsibility vis-à-vis a specific gender is recognized, there is room to apply the principle of indirect discrimination (Article 7 of the Equal Employment Opportunity Act).

Reasonableness would then be judged relatively strictly when applying anti-discrimination provisions.

(b) Aspects of the impact on job duties, etc.

In connection with employment status discrimination, part-time workers and fixed-term contract workers differ from regular workers in the flexibility of working hours for the former and the continuity of employment contracts for the latter. A feature shared by both types is that they work as non-core employees, and the scope of change in their job duties and place of work differ from those of typical (core employee-type) regular workers. These are differences that affect the scope of obligations under a labor contract, particularly the main obligation, i.e. the ability and obligation to perform job duties; differential treatment in wages and others should be permitted in proportion to this. If the only difference between non-regular and regular workers lay merely in aspects such as working hours and the contract term, it might be possible to make a clear judgment on the reasonableness of treatment by applying the time proportionality principle or duration proportionality principle, for example. Behind the difference in treatment, however, lie differences in the actual working situation, such as the flexibility of working hours and the possibility of reassignment to diverse job duties and places of employment. These are difficult to compare quantitatively, and the reasonableness of treatment often has to be judged by applying the very abstract notion of “balance.”

Another problem in Japan is that there is no uniform or dominant principle for deciding wages common to all employment statuses; there is often a lack of standards for judging the proportionality between differences in obligations under labor contracts and the degree of differential treatment in terms of wages.

Traditionally, core employees of Japanese companies often receive wages commensurate with the assessment of their ability to perform their job duties (ability-based pay), while non-core employees, on the other hand, often receive wages commensurate with job duties (pay based on work evaluation). Regular workers bear an obligation to work in a broad diversity of job duties without limitation on job duties, place of employment, working hours, etc., on the premise of long-term continuous employment. If they are required to have broad-ranging work ability commensurate with this (known as the “membership type”),⁵¹ it is reasonable for them to receive wages that reflect the broadness of their ability to perform job duties and work obligations or responsibility (ability-based pay), rather than wages for **those** job duties which they happen to be currently performing (pay based on work evaluation).

If, on the other hand, they are contracted to work only for limited working hours, limited short periods and in limited job duties and places of employment (called the “job type”),⁵² then contractually, it is reasonable that they should receive wages on the premise of work in those limited job duties, given that employers cannot exercise such a flexible commanding authority toward those workers. (The same is true even if their actual ability to respond to broad-ranging demands such as diverse job duties, diverse places of employment and long working hours is the same as that of core employees.)

It is very difficult to judge the unreasonableness of wage disparity between “typical” core employees and “typical” non-core employees, or the “equality (or equality of value)” of their respective work, since they are based on these different but reasonable wage decision principles of ability-based pay and pay based on work evaluation.⁵³ Anti-discrimination provisions concerning non-regular workers (for example, Article 8 of the Part-Time Workers Act and Article 20 of the Labor Contract Act) are highly abstract, and specific judgments are difficult to predict. This results from the fact that a single provision is broadly targeted to include processing of cases based on broad and completely different wage decision principles (in which there is little possibility of comparison).

Next, I will make a comparative judgment of the reasonableness of differential treatment in the text of those provisions, based on the difference in actual working situations described above, considering each case separately.

Table 1 shows employment contract formats (based on company forecasts) on the horizontal axis and work situations on the vertical axis. As I understand it, A in the table represents people who are regular workers in terms of employment format, while also, in terms of their working situation, carrying a heavy

job responsibility befitting this and being required to meet broad-ranging obligations (typical, core employee-type regular workers). B in the table indicates people who receive relatively low contractual treatment as non-regular workers (pay based on work evaluation), but who in reality work as core employees (with long hours, long contract terms, diverse job duties, etc.) These are non-typical, core employee-type non-regular workers defined as “quasi part-timers,” “quasi fixed-term contract workers” and “quasi non-regular workers” above. C represents people who were hired as regular workers, but in reality (owing to a lack of ability, etc.) work as non-core employees with limited, light responsibility (non-core employee-type regular workers). D represents people who are contractually non-regular workers, and whose actual situation is that they are engaged in part-time or short-term work with limited job duties, etc., befitting this definition (typical, non-core employee-type non-regular workers).

Although the comparison subjects in Article 20 of the Labor Contract Act and Article 8 of the Part-Time Workers Act are very broad, when these provisions are seen in terms of the anti-discrimination principle and the existence or lack of discrimination is judged by a comparative judgment with the comparison subjects, the latter are people with the same or similar situations but who differ in anti-discrimination factors (comparison is not possible when the actual situations are too different). As a result, as seen below, cases in which the possibility of comparison is denied in a detailed judgment could exist even if the scope of the various provisions extends to them.

Table 1. Classification of workers based on contract format and actual working situation

Actual working situation	Form of employment (format)	
	Regular worker (open-ended contract, full-time) (prospect of long-term service, broad and flexible (unstable) responsibilities, ability-based pay)	Non-regular worker (= fixed-term contract, part-timer) (no prospect of long-term service, limited and stable responsibilities, pay based on work evaluation)
In reality, long-term service, long hours, broad and flexible work (core employee-type)	A: Core-type regular worker (typical core employee)	B: Core-type but non-regular worker (quasi part-timer, quasi fixed-term contract worker or other quasi non-core employee)
In reality, no long-term service, limited and stable work (non-core employee type)	C: Peripheral regular worker (quasi core employee?)	D: Peripheral non-regular worker (typical part-timer, fixed-term contract)

(i) Comparison between typical regular worker A and typical non-regular worker D

If D, a purely non-regular worker in both contract format and actual working situation, as described above, is compared with typical core employee A, the disparity in treatment between A and D is linked with the difference between them. Specifically, A in reality bears the obligation to fulfil broad-ranging job responsibilities flexibly, while D does not. The question of how much value to place in this broad-ranging flexibility differs from person to person, and each person’s preference should be adjusted in the market; this is not something that can be easily judged by a court of law. In that case, it would seem that the disparity in question often cannot be judged to clearly lack balance or be unreasonable, excluding treatment unrelated to job responsibility (e.g. salaries paid uniformly because they are employees, regardless of the degree of contractual obligation or the size of their contribution).

(ii) Comparison between typical regular worker A and quasi non-regular worker B

As stated in 3 (1) above, the focus in cases of employment status discrimination is not on discrimination against typical non-regular workers but on discrimination against quasi non-regular workers. Quasi non-regular workers are those who receive pay based on work evaluation, for example on the contractual premise that their working hours, contract term and job duties will be limited, yet in reality are expected to work in the same way as core employees, complying with long hours, long contract terms and diverse job

duties. These workers should be permitted to seek equal or balanced treatment compared to comparison subjects under the same situation (typical regular worker A).

Article 9 of the Part-Time Workers Act (and its forerunner, the amended Article 8 of 2007) provides for the prohibition of discrimination against part-time workers who can be deemed equivalent to (or are more or less in the same situation as) ordinary workers. When it comes to wages, this provision is indeed thought to prohibit differential treatment in the method of wage decision, i.e. between pay based on work evaluation and ability-based pay, and to demand that the treatment of these workers be decided using the same method of wage decision as core employees (in many cases, ability-based pay). Moreover, even if B is deemed “equivalent,” there must be many cases in which a comparison subject in a similar situation (a situation capable of comparison) can be found in A, and in some cases in C. Therefore, non-regular equality laws are expected to provide an opportunity for improved treatment of this worker B to be demanded of companies, even if noncritical interpretation problems seem to be left in the Part-Time Workers Act.⁵⁴

(iii) Comparison between non-core employee-type regular worker C and typical non-regular worker D

Finally, I will discuss non-core employee-type regular worker C. This is a worker who, though planning to remain in long-term employment and hired as a regular worker contractually bound to bear the obligation to work in broad-ranging and diverse job duties without limitation on duties, place of employment, working hours, etc., in reality is unable to acquire sufficient ability to perform the job duties and cannot comply with employment in these broad-ranging, diverse job duties. Pressure to revise the treatment for worker C is very likely to arise, under employment status anti-discrimination provisions (Article 20 of the Labor Contract Act, etc.), in that the treatment is too high when judging the reasonableness compared to D. As stated above, if treatment with pay based on work evaluation is deemed reasonable for those working as non-core employees with limited job responsibility, it would be reasonable for a company either to apply pay based on work evaluation to C and reduce the treatment to be closer to D, rather than apply ability-based pay to D and increase D’s treatment or make C’s actual working situation heavier and bring it closer to A.⁵⁵ Of course, judicial precedents place priority on the contract format; they are negative on recognizing the ability to perform job duties and the limitation of contractual obligations based on the actual situation after the conclusion of the contract,⁵⁶ while attempts to downgrade professional qualifications are also subject to rigorous checks.⁵⁷ From the companies’ point of view, therefore, they might have no option but to tend toward revising treatment as a whole by introducing results-based pay, or expanding reassignments or relocating C, rather than the measure of simply revising (lowering) C’s pay.

To summarize the above, in a comparative judgment of anti-discrimination provisions related to employment status, wage disparity between A and D is, in many cases, easy to judge as reasonable (or not comparable) disparity, meaning that the main trend in redress is via the labor market. On the other hand, wage disparity and other differences between A and B and between C and D could be within the scope of employment status anti-discrimination provisions. This creates pressure not only to improve B’s treatment but also to lower that of C. In other words, at the same time as promoting a relaxation of wage disparity between employment categories, prohibiting discrimination based on employment status is also thought in reality to promote an expansion of wage disparity between core employee-type and non-core employee-type workers.

IV. Conclusion

On the equal or balanced treatment of regular and non-regular workers, there is a conflict between whether it should only be recognized once a law has been enacted, or whether it should be recognized as a general legal principle without any law being enacted. As discussed in this paper, if the law is assumed to intervene extrinsically in private autonomy in relationships between private individuals (i.e. the volition of the parties) when there is a pronounced imbalance in the power relationship between the parties and it is difficult for the market to adjust this imbalance, there could be room for intervention by the law to be recognized depending on the situation (flexibility) of the market surrounding non-regular workers. That is, there could

be room for recognizing justifiable intervention based on general provisions, etc., without waiting for legislation in the case of non-regular workers who are, in reality, indistinguishable from core employees (i.e. whose employment status exists in name only, but who in reality have a core employee-type actual working situation).

On the other hand, even if intervention by general provisions or legislation were recognized, differences could arise in the content of anti-discrimination, based on differences in the purport of anti-discrimination—specifically, between factors based on human rights, such as gender or beliefs, and factors based on policy, such as employment status (whether prohibition is one- or two-sided, and whether the standards for judging exceptions to prohibition are strict or lenient). Similarly, in terms of the difference in the impact of anti-discrimination factors on job duties, etc., it is often hard to judge whether there has been discrimination against non-regular workers, because their employment status affects their job duties and because there are differences in their actual working situations. Comparative judgment with comparison subjects (regular workers) suggests the possibility that anti-discrimination provisions in non-regular equality laws, though helping to correct disparity between regular workers and non-regular workers whose actual working format is that of the core employee-type, may even promote a downward revision of treatment for regular workers who actually work in a non-regular capacity.

If I may add, the study in this paper also suggests the importance of legal measures other than anti-discrimination provisions as a direct principle for correcting disparity in the form of prohibiting discrimination. In terms of discrimination based on employment status as a choosable factor, measures that would enable the parties to choose employment status flexibly (increased flexibility of the market) would probably be effective in correcting the problem. Regulations designed to “regularize” non-regular workers under existing law (Article 18 of the Labor Contract Act, Article 13 of the Part-Time Workers Act, Article 40-6 of the Worker Dispatching Act, etc.) present one means of addressing this. The opposite direction, namely the “de-regularization” of regular workers, does also exist, particularly when seen from the corporate viewpoint. For example, regular workers can be temporarily converted to fixed-term contracts to cover cases of pre- and postnatal leave, childcare leave, and long-term family care leave, or to part-time employment to cover cases of reduced hour measures and exemption from overtime work, etc. In both cases, regular workers are temporarily permitted to become non-regular to suit their needs in certain life stages, etc. The importance of the former measure (regularization) is self-explanatory, while the latter measure (temporary de-regularization) is commonly cited in the context of criticizing the generosity of protection for regular workers. However, if we consider that they both facilitate flexible movements and choices of actual working situations (the work style of the core employee-type and the non-core employee-type, respectively), we may also positively appraise these measures, in that enhancing them will help to increase the flexibility of movement between employment statuses and level out disparity over the long term.

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Notes

- 1 In some countries, “employee” and “worker” are legally differentiated (for example, in the UK, “employee” tends to mean those who work under an employment contract, whereas “worker” often has the nuance of a self-employed worker). In this paper, however, I will not strictly differentiate those two words. Unless otherwise specified, either “worker” or “employee” shall mean a worker under an employment contract, and these terms are interchangeably used in this article. While apologizing for any confusion because of this usage, I would like to highlight the difference between similar but not identical notions, namely “regular” and “core,” as well as “non-regular” and “non-core.”
- 2 Under existing law, the terms “ordinary workers” and “workers other than ordinary workers” are also found (Act Concerning the Promotion of Measures to Secure, Treatment in Accordance with Workers’ Job Duties). I will not use these terms in this paper, however, since there are numerous examples in which the term “ordinary workers” (regardless of

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- whether fixed-term or open-ended contract) is solely used in the context of persons who are not part-time workers (Article 2 of Part-time Workers Act, and Article 39(3) of Labor Standards Act).
- 3 In other words, the term “core employees” refers to those with other elements besides the three requirements of “regular workers” mentioned above (full-time, open-ended contract, direct hiring), namely the possibility of extensive changes in their working hours, job content and place of employment. “Full (-duty) employee” might be more suitable term to call them.
 - 4 See Statistics Bureau, Ministry of Internal Affairs and Communications, “Labour Force Survey Historical Data” <http://www.stat.go.jp/data/roudou/longtime/03roudou.htm>.
 - 5 Soichi Ota, Yuji Genda and Ayako Kondo, 2007, *Tokenai hyōga: Sedai kōka no tenbō* [The Never Ending Ice-age: A Review of Cohort Effects in Japan]. *The Japanese Journal of Labour Studies* 49, No. 12: pp.4-16.
 - 6 Act No. 128 of December 5, 2007 (for original texts and translation of this Act, see <http://www.japaneselawtranslation.go.jp/law/detail/?id=2578&vm=04&re=02>).
 - 7 Act No. 76 of June 18, 1993 (for original texts and translation of this Act, see <http://www.japaneselawtranslation.go.jp/law/detail/?id=84&vm=04&re=02>).
 - 8 Act No. 88 of July 5, 1985 (for original texts and translation of this Act, see <http://www.japaneselawtranslation.go.jp/law/detail/?id=75&vm=&re=02>).
 - 9 Owing to lack of space and relevant knowledge, worker dispatch will be treated as outside the scope of study by this paper. It will hopefully be dealt with on another occasion.
 - 10 For original texts and translation of Article 13 and 14 of the Constitution of Japan, see: http://www.japaneselawtranslation.go.jp/law/detail_main?id=174.
 - 11 For original texts and translation, see <http://www.japaneselawtranslation.go.jp/law/detail/?id=2236&vm=04&re=01>.
 - 12 Article 7 of the International Covenant on Economic, Social and Cultural Rights and Article 11 of the Convention on the Elimination of All Forms of Discrimination Against Women are often referred to.
 - 13 Article 90 of the Civil Code (Act No. 89 of April 27, 1896) states “A juristic act with any purpose which is against public policy is void.” Article 1 paragraph 3, which is often referred to in this context, also states “No abuse of rights is permitted.” (for original texts and translation, see: <http://www.japaneselawtranslation.go.jp/law/detail/?id=2057&vm=04&re=02>).
 - 14 The *Wings Kyoto* case, Osaka High Court (Jul. 16, 2009), 1001 *Rohan* 77, Judgment in the 1st Instance, Kyoto District Court (Jul. 9, 2008), 973 *Rohan* 52. The *Naha City School Temporary Cook* case, Fukuoka High Court Naha Branch (Jan. 16, 2003), 855 *Rohan* (Digest) 93 (First Instance, Naha District Court (Oct. 17, 2001), 834 *Rohan* (Digest) 89, etc.). Similar interpretations are often made in sexual discrimination cases.
 - 15 The *Wings Kyoto* case, *supra* note 14, the *Maruko Keihoki* case, Nagano District Court, Ueda Branch (Mar. 15, 1996), 690 *Rohan* 32, and the *Teikura Niyaku* case, Tokyo High Court (Dec. 13, 1973), 731 *Hanji* 95.
 - 16 The *Harima Shipyard* case, Hiroshima District Court, Kure Branch (Jun. 15, 1949), 4 *Rominshu* 189.
 - 17 For example, the *Nomura Securities* (Gender Discrimination) case, Tokyo District Court (Feb. 20, 2002), 822 *Rohan* 13. The *Okaya & Co., Ltd.* case, Nagoya District Court (Dec. 22, 2004), 888 *Rohan* 28, etc.
 - 18 The *Maruko Keihoki* case, *supra* note 15, The *Toyo Suisan* case, Yokohama District Court, Kawasaki Branch (Dec. 27, 2002), 847 *Rohan* 58.
 - 19 The *Osaka Hatsushiba Gakuen* case, Osaka District Court, Sakai Branch (May 26, 2006), 954 *Rohan* 60 (First Instance), Osaka High Court (Sept. 27, 2007) (Appeal Trial), The *Naha City School Temporary Cook* case, *supra* note 14, The *Nippon Mail Transportation* case, Osaka District Court (May 22, 2002), 830 *Rohan* 22.
 - 20 The *Maruko Keihoki* case, *supra* note 15.
 - 21 The *Wings Kyoto* case, *supra* note 14.
 - 22 As examples of positive rulings on redress, the *Niyaku Corporation* case, Oita District Court (Dec. 10, 2013), 1090 *Rohan* 44, the *Hamakyorex* case, Tokyo High Court (Jul. 26 2016), 1143 *Rohan* 5 (Appeal Trial), the *Metro Commerce* case, Tokyo District Court (Mar. 23 2017), 1154 *Rohan* 5, the *Yamato Transport* case, Sendai District Court (Mar. 30 2017) 1158 *Rohan* 16, etc. As negative examples, the *Hoterasu* (Japan Legal Support Center) case, Nara District Court (Jul. 29, 2014), Dai-Ichi Hoki DB28223521, the *Nagasawa Unyu* case, Tokyo High Court (Nov. 2, 2016), 1144 *Rohan* 16 (Appeal Trial), etc.
 - 23 In academic theory, the scope of these provisions is sometimes construed broadly to mean that they require no cause and effect relationship between the various employment forms and differential treatment. The official interpretation, however, purports to provide for unreasonably differential treatment based on the employment form (on the Act on Improvement, etc. of Employment Management for Part-time Workers, Article 8: July 24, 2014 *Kihatsu* (a notice issued by the Director of the Labor Standards Inspection Office), 0724 No.2 / *Shokuhatsu* 0724 No.5 / *Nōhatsu* 0724 No.1 / *Kōjihatsu* 0724 No. 1 “On the enforcement of a law to amend part of the Act on Improvement, etc. of Employment Management for Part-Time Workers” No. 3-3-(2); and on the Labor Contract Act, Article 20: August 10, 2012 *Kihatsu* 0810 No. 2 “On the enforcement of the Labor Contract Act” No.5-6-(2)-a). In my own opinion, it would seem undesirable, in terms of litigation cost, to go as far as using these provisions to contest the rationality of disparity in treatment that has no connection (cause and effect relationship) with differences in employment form, or in other words, based on completely unrelated factors. This is because it would invite a confusion of arguments and would moreover excessively broaden the range of these provisions.

- 24 The basic structure of anti-discrimination provisions (provisions prohibiting disadvantageous treatment) is a connection (“by reason of”) between anti-discrimination factors (over a broad range including nationality, beliefs, social status, gender, ante- and postnatal leave-taking, and whistleblowing) and “discriminatory treatment” (including disadvantageous treatment). On the concept of anti-discrimination provisions, see Koichi Tominaga, “*Sabetsu kinshi hōri no kihonteki gainen ni kansuru shiron: Seisabetsu kinshi o kihonteki moderu to shite*” [An essay on the basic outline of the anti-discrimination principle: Prohibition of sexual discrimination as a basic model]. *Journal of Labor Law*, No.126, p.116.
- 25 On the 2007 Amended Act on Improvement, etc. of Employment Management for Part-time Workers Article 8 (current Article 9), see Shinichi Takasaki, 2008, *Komentāru pāto taimu rōdō hō* [Commentary on the part-time workers act]. Tokyo: Rodo Chosakai, p.229.
- 26 Conditions for hiring are not considered as “working conditions.” See *Mitsubishi Jushi* case, Supreme Court, Grand Bench (Dec. 12, 1973), 27 *Rominshu* 1536.
- 27 See JILPT, 2011, “Koyō keitai ni yoru kintō shogū ni tsuite no kenkyūkai hōkokusho” [Study group report on equal treatment based on employment forms]. [Study Group on Equal Treatment Based on Employment Forms (chaired by Takashi Araki, Professor at the University of Tokyo), www.jil.go.jp/press/documents/20110714_02.pdf, etc.
- 28 On the development of theories, details can be found in Yuichiro Mizumachi, 1994, *Hitenkeigata koyō o meguru hō riron: Rinjikō / pāto taimu rōdōsha o megutte* [Law theory concerning atypical employment: Temporary laborers and part-time workers], Quarterly Labor Law No.171, 114; Masatoshi Ohki, 2011, *Hitenkei rōdōsha no kintō taigū o meguru hō riron* [Law theory concerning equal treatment of atypical workers], Quarterly Labor Law, No.234. 223; *id.* 2014, *Kintō kinkō shogū* [Equal or balanced treatment]; Shinya Ouchi, ed. 2014, *Yūki rōdō keiyaku no hōri to seisaku* [Doctrine and policy of fixed-term labor contracts], Tokyo: Kobundo p.74 ff.
- 29 Kazuo Sugeno and Yasuo Suwa, 1998, *Pāto taimu rōdō to kintō taigū gensoku* [Part-time labor and the principle of equal treatment], in *Yamaguchi Toshio sensei koki kinen: Gendai yōroppa no tenbō* [Perspectives on contemporary European law (Toshio Yamaguchi 70th Birthday Commemorative Papers)], edited by Ichiro Kitamura. Tokyo: University of Tokyo Press, pp.113-134.
- 30 Mutsuko Asakura, 1996, *Pāto taimu rōdō to kintō taigū gensoku (gekan)* [Part-time labor and the principle of equal treatment (Part II)], 1387 *Rojun* 38.
- 31 Yuichiro Mizumachi, 1997, *Pāto taimu rōdō no hōritsu seisaku* [Legislative policy on part-time labor]. Tokyo: Yuhikaku.
- 32 See Michio Tsuchida, 1999, *Pāto taimu rōdō to ‘kinkō no rinen’* [Part-time work and the ‘idea of balance’]. *Minsho Zasshi* 119, No. 4-5, p.543.
- 33 Katsutoshi Kezuka, 2010, *Rōdō hō ni okeru sabetsu kinshi to byōdō toriatsukai* [Anti-discrimination and equal treatment in labor law], in *Rōdōsha jinkaku ken no kenkyū gekan* [Studies on the personal rights of workers Part II, (Kunishige Sumida 70th Birthday Commemorative Papers)], eds. Shozo Yamada and Yasuo Ishii. Tokyo: Shinzansha, p.3.
- 34 For an outline of these theories, see Oki, *supra* note 28.
- 35 For a detailed study on justification (lawfulness) of intervention by laws prohibiting employment discrimination in private autonomy, see Shinya Ouchi ed., FY2008 Labor Research Center Commissioned Research Report, Tokyo, *Koyō byōdō hōsei no hikaku hō teki kenkyū* [Comparative law research on employment equality legislation], Labor Research Center. This paper owes much to the suggestions of this research report.
- 36 For example, Article 14 of the Constitution, which provides for a general principle of equality, does not apply directly between private individuals, and is merely taken into account when interpreting general provisions, etc. in civil laws. Thus, even in a labor relationship, guarantees of the principle of equality are very weak in cases when hiring can be adjusted by the market (The *Mitsubishi Jushi* case, Supreme Court, Grand Bench (Dec. 12, 1973), 27 *Rominshu* 1536). Even after hiring, when adjustment by the market will not be so effective as hiring, guarantees of equality are thought to be looser than those of a public law relationship.
- 37 In typical examples, a general principle of equality exists between governments and individuals as relationships between the unilateral decider and the decided, in the sense that the government has to act reasonably without regard to the nature of the case (the anti-discrimination factors cited in Article 14 of the Constitution are construed as an illustrative list). In relationships between private individuals, on the other hand, the general principle of equality and equal treatment does not normally exist in this sense. The principle under labor contracts is also only partial and the content is relative (for example, the list of anti-discrimination factors in Article 3 of the Labor Standards Act is taken to be a definitive list).
- 38 For more detail on the following discussion, also see Hitomi Nagano, Tamako Hasegawa and Koichi Tominaga, eds., 2016, *Shōsetsu shōgaisha koyō sokushin hō* [Detailed commentary on the Employment of People with Disabilities Promotion Act]. Tokyo: Kobundo. 170 ff.
- 39 Though not specified, the official interpretation also recognizes exceptions to sexual discrimination based on this kind of reasoning (Ministry of Health, Labour and Welfare Notice No. 614 of 2006, No. 2-14 (2)).
- 40 Positive action is thought to entail a combination of multiple justifications (purposes). See Koichi Tominaga, 2013, *Pojitibu akushon no mokuteki / konkyo no saikentō ni kansuru ichi shiron* [A tentative discussion on a reappraisal of the purpose and justification of positive action], in *Kankyō henka no naka deno Rōdō seisaku no yakuwari to shuhō* [Roles and methods of labor policy amid environmental change], ed. Takashi Araki, FY2012 Labor Research Center

Commissioned Research Report. Tokyo: Labor Research Center, p.138.

- 41 However, there could still be room for studying whether guarantees are at the same level (have the same content) as those for race and gender. In practical law, a difference also exists in the level of guarantees in relation to anti-discrimination provisions based on the same human rights (e.g. whether or not hiring discrimination can be prohibited).
- 42 In this regard, of course, a stance of emphasizing opportunities of a human rights nature (such as the principle of respect for personal rights in Article 13 of the Constitution) is also shown. As a representative example, see Keiko Ogata, 2011, *Koyō keitai kan ni okeru kintō taigū* [Equal treatment in employment forms], *Journal of Labor Law*, No.117, 32, and others.
- 43 Reasonable employers will, when making unilateral decisions, not take account of circumstances outside job duties (workers' private domains), unless these circumstances have an impact on obligations under the labor contract (performance of job duties), or disturb the order inside the company. Of course, in situations where both labor and management are equal (e.g. when hiring), the employer does not need to be completely reasonable, but in situations where the employer unilaterally imposes disadvantage on the other party (e.g. when disciplining), the employer must be reasonable. E.g. *Kansai Electric Power* case, Supreme Court (Sept. 8, 1983), 415 *Rohan* 29 [discipline]; the *All Nippon Airways* case, Tokyo District Court (Feb. 15, 1999), 760 *Rohan* 46 [suspension]; the *Tanken Seal Seiko* case, Tokyo High Court (Feb. 20, 1991), 592 *Rohan* 77 (Supreme Court (Sept. 19, 1991), 1443 *Rokeisoku* 27)) [hiring], the *Ogawa Kensetsu* case, Tokyo District Court (Nov. 19, 1982), 397 *Rohan* 30 [side-work].
- 44 The *Shiba Shinkin Bank* case, Tokyo District Court (Nov. 27, 1996), 704 *Rohan* 21.
- 45 The *Toho Gakuen* case, Supreme Court, First Petty Bench (Dec. 4, 2003), 862 *Rohan* 14 (a judgment on whether or not there was a violation of public policy under the principle of "no work, no pay").
- 46 The *Hiroshima Chuo Hoken Seikatsu Kyodo Kumiai* case, Supreme Court, First Petty Bench (Oct. 23, 2014), 1100 *Rohan* 5 (a strict judgment on whether or not there was a violation of Article 9 paragraph 3 of the Equal Opportunity Act, in connection with demotion on grounds of a conversion to light duty).
- 47 In Japan, employees (in particular, core employees) are typically hired without specifying particular jobs, positions, or places of work, so it is assumed that employers have legal rights to set or change employees' positions or places of work. Since employers can unilaterally decide and legally change employees' status such as job titles, positions and places to work without any renewals of employment contracts, Japanese companies can simply order employees to legally realize such changes. Therefore, even though I have used the term "internal labor market(s)" here, I doubt that there are any "markets" inside Japanese companies, because there are no free-volition-based dealings between sellers (employees) and buyers (employers).
- 48 One of the rare examples of redress, the *Maruko Keihoki* case, *supra* note 15, is a case pertaining to quasi part-time and quasi fixed-term employment.
- 49 In my view, one-sided protection seems to be stronger in nature, partly because unfairly equal treatment (in many cases, meaning that part-time workers are treated just as advantageously as regular workers) is outside the scope of these provisions.
- 50 I construe discrimination against these "quasi non-core employees" as being more strongly characterized by redress from abuse of command and personnel authority, rather than wage discrimination, in that they are burdened with a heavy labor obligation not commensurate with their wages.
- 51 On the "membership type" and "job type" concepts, see Keiichiro Hamaguchi, *Wakamono to Rōdō: 'Nyūsha' no shikumi kara tokihogusu* [Young people and labor: Unraveling from the mechanism of 'entering a company']. Tokyo: Chuo Koron Shinsha, 2013.
- 52 *Supra* note 51.
- 53 On this point, in countries where job duties and others are restricted for both regular and non-regular workers and job-based pay is the norm, there is a common wage decision principle of job-based pay, and this makes it relatively easy to judge the reasonableness of wage discrimination (job-based pay tables are commonly applied).
- 54 In relation to part-time workers, Articles 9 and 10 of the Part-Time Workers Act could be seen as special legislation (on wages) as opposed to the general legislation of Article 8, in terms of the structure of its phrasing. Nevertheless, a problem in interpretation remains as to whether the direct scope of Article 8 should be seen as applying to wage disparity between regular workers and part-time workers who are not deemed equivalent to them, given that Article 10 only stipulates an obligation to make efforts. The official interpretation is assumed to be that it does apply to them (*supra* note 23) Enforcement Notice (4) (7)), but this is not very clear (the same applies to (6)).
- 55 The argument could be made that C differs from B and D in the strict evaluation and others when hiring, and thus that they lack comparability. However, it may be that the actual working situation is given more emphasis than evaluations when hiring, which amount to no more than future prospects.
- 56 The *Nissan Motor Co. Murayama Plant* case, Supreme Court, First Petty Bench (Dec. 7, 1996), 554 *Rohan* 6.
- 57 The *Arc Securities* (Provisional Ruling) case, Tokyo District Court (Dec. 11, 1996), 711 *Rohan* 57.

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Fixed-Term Contract Employees and Intra-Firm Wage Gaps

Focusing on the Reasons Why Companies Use Them



Koji Takahashi

While the system of long-term employment forms the backbone of Japan's employment society, this system benefits open-ended contract employees, such as "regular employees." In contrast, the employment situation of fixed-term contract employees is insecure, and their wage levels are also low. Of all fixed-term contract employees, the problems faced by full-time fixed-term contract employees, in particular, are thought to be serious. This paper has therefore used employer-employee matching data to analyze (i) the size of the intra-firm wage gap between regular employees and full-time fixed-term contract employees, and (ii) factors that affect this, while comparing with the situation of part-time fixed-term contract employees. As a result, in the case of part-time fixed-term contract employees, although there was the problem that wage levels were low in absolute terms, differences in the content of duties compared to regular employees were generally reflected in differences in the wages paid compared to regular employees. In the case of full-time fixed-term contract employees, on the other hand, wage levels were relatively high but differences in the content of duties compared to regular employees did not clearly affect differences in wages compared to regular employees. It is probable that some of them do the same kinds of work as regular employees, but the difference in their respective wages is disproportionately large.

- I. Introduction
- II. The situation of use and employment of fixed-term contract employees
- III. Data, variables and analytical models
- IV. Actual situations and causes of the Intra-firm wage gap
- V. Discussion and conclusions

I. Introduction

1. The wage gap between regular and fixed-term contract employees

While the system of long-term employment forms the backbone of Japan's employment society (Sugeno 2004), this system benefits workers who have entered labor contracts with no fixed contract period ("open-ended contract employees"), such as "regular employees." By contrast, those who have entered labor contracts with fixed contract period ("fixed-term contract employees") tend to face not only insecure employment, but also low wages. Given this situation, the 2012 amendment of the Labor Contracts Act introduced rules on the wage gap between open-ended and fixed-term contract employees. Recent survey results, however, suggest that companies have not yet done enough to address this issue.

Of all fixed-term contract employees, the problems faced by full-time fixed-term contract employees, in particular, are thought to be serious. This paper analyzes (i) the size of the intra-firm wage gap between regular employees and full-time fixed-term contract employees, and (ii) factors that affect this, while comparing with the situation of part-time fixed-term contract employees. The aim in doing so is to clarify the current situation and challenges facing the wage management of fixed-term contract employees, and in particular that of full-time fixed-term contract employees.¹

After the financial crisis in autumn 2008, many fixed-term contract employees had their employment terminated and lost their jobs. Such events attracted attention of general public when reported in the media, and helped to trigger the introduction of a “from fixed-term to open-ended conversion rule” in the 2012 amendment of the Labor Contracts Act (Article 18). Many fixed-term contract employees are expected to convert to open-ended contracts under this rule in April 2018.²

Table 1. International comparison of the wage gap between open-ended and fixed-term contract employees

	(a) Open-ended contract employees			(b) Fixed-term contract employees			100×(b)/(a)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
UK	19.14	21.51	16.73	15.59	15.91	15.32	81.5	74.0	91.6
France	17.92	19.27	16.33	14.63	16.06	13.76	81.6	83.3	84.3
Germany	19.01	21.28	16.35	13.76	14.67	12.95	72.4	68.9	79.2
Italy	15.91	16.42	15.27	12.92	12.85	12.98	81.2	78.3	85.0
Japan (yen)	1,829	2,042	1,460	1,191	1,355	1,096	65.1	66.3	75.1

Sources: Data for the UK, France, Germany and Italy are taken from Eurostat (<http://ec.europa.eu/eurostat>). Those for Japan are from the Ministry of Health, Labour and Welfare (MHLW) “Basic Survey on Wage Structure.”

Note: For the European countries, the average 2014 wages for “unlimited duration” and “limited duration (except apprentice and trainee)” are shown (per hour, euro). For Japan, the average 2016 wages for “open-ended contract employees” and “fixed-term contract employees” (contractual wages converted to hourly wage, yen) are shown.

The disadvantage suffered by fixed-term contract employees in Japanese companies is not limited to the insecurity of employment alone. Table 1 shows the wage gap between open-ended and fixed-term contract employees in western European countries and Japan. Taking the wages of open-ended contract employees as 100, those of fixed-term contract employees in Japan are 65.1, lower than in the European countries. Given this situation, the 2012 amendment of the Labor Contracts Act (Article 20) also prohibited unreasonable differences in working conditions between open-ended and fixed-term contract employees.

Of course, these figures compare average values for wages of open-ended and fixed-term contract employees in the labor market as a whole. The fact that these figures are low is not a problem in itself. Article 20 of the Labor Contracts Act stipulates that, if the working conditions of fixed-term contract employees differ from “those of open-ended contract employees working for the same employer,” the difference is not to be found unreasonable, considering the content of duties of the workers, the extent of changes in the content of duties and work locations, and other circumstances. The issue addressed here is merely whether or not the intra-firm wage gap is reasonable.

In that case, what sort of problems arise in connection with intra-firm wage gaps between open-ended contract employees (or regular employees) and fixed-term contract employees? History of legislations and previous studies suggest that the two types of fixed-term contract employees — i.e. part-time and full-time fixed-term contract employees — are differently situated.

In Japan, rules on the wage gap between employment forms were first set down in the Part-Time Workers Act, and its 2007 amendment was particularly important in this respect. The amendment prohibited differential treatment in terms of employment conditions between ordinary workers and part-time workers who are equivalent to ordinary workers, and provided that steps should be taken, even for

part-time workers who are not necessarily equivalent to ordinary workers, to balance their treatment with that of ordinary workers.³ As for fixed-term contract employees who are not part-time workers (or in other words, full-time fixed-term contract employees), Part-Time Workers Act was not applied directly,⁴ although they are more often engaged in higher-level duties than part-time fixed-term contract employees.⁵ Partly because of this situation, full-time fixed-term contract employees are more prone to regard a wage gap compared to regular employees in their workplace as unreasonable than part-time fixed-term contract employees (Takahashi 2012).

Eventually, thanks to the Labor Contracts Act amendment mentioned above, rules on the wage gap between open-ended and fixed-term contract employees were stipulated. For full-time fixed-term contract employees, this was the first time that rules on the wage gap compared to regular employees had been established by law. As it stands, however, companies have not made enough progress in addressing what should be done about the wage gap between these two types of employee.

This situation is reflected in the surveys conducted by the Japan Institute for Labour Policy and Training (JILPT) in 2013 and 2015.⁶ The results of these surveys reveal that the number of companies taking steps to clarify their policy on responding to the “from fixed-term to open-ended conversion rule” introduced by the amendment of Labor Contracts Act increased significantly in the two years from 2013 to 2015. But on the other main point of the amendment — i.e. the rule prohibiting unreasonable differences in working conditions between open-ended and fixed-term contract employees — the proportion of companies responding that they have “Already made adjustments” or are “Considering the possibility of adjustment in future” increased only slightly, from 10.6% to 14.8%.

What is required, therefore, is to ascertain the actual situations of the intra-firm wage gap between open-ended and fixed-term contract employees, particularly the gap between regular employees and full-time fixed-term contract employees. In the following, existing research on (i) the intra-firm wage gap between employment forms, and (ii) the factors that affect it will be reviewed, and the tasks for this paper will be specified.

2. Previous studies

(1) The intra-firm wage gap between employment forms

Generally, the MHLW “Basic Survey on Wage Structure” is often used when analyzing wage gaps. There, however, the distinction between employment forms such as “regular or non-regular” and “open-ended or fixed-term” was only introduced in 2008; until 2007, the only distinction was “full-time or part-time.” There are many constraints in the survey, moreover, such as a shortage of information on occupations and an absence of data on the educational level of part-time workers.

When analyzing wage gaps between employment forms, therefore, data from other questionnaire surveys have been used. Although various data and analytical models are used, the wage gap between regular and part-time employees was addressed by Nagase (1994, 1997)⁷ and Hori (2012, 2013),⁸ and the wage gap between regular and non-regular employees other than part-time employees was estimated by Asao (2010). All of these confirm the existence of wage gaps between employment forms that cannot be completely explained by the attributes of individual workers or companies.

However, these existing research studies do not analyze wage gaps between employment forms within the same company or business establishment. Regarding this point, Takahashi (2016) estimated that an intra-firm wage gap of 25.7% between regular and non-regular employees exists, after controlling gender, age, academic background, occupation and length of service, based on the special tabulation in the MHLW “General Survey on Diversified Types of Employment” (2010).⁹ Takahashi (2016), on the other hand, treated non-regular employees as a single group, and could not identify the wage gap between regular employees and full-time fixed-term contract employees.

Therefore, the task for this paper will be, first, to divide non-regular employees into part-time and

full-time fixed-term contract employees, and then to estimate the intra-firm wage gap (i) between regular employees and part-time fixed-term contract employees and that (ii) between regular employees and full-time fixed-term contract employees.

(2) Factors affecting the intra-firm wage gap

Other than the explanatory variables dealt in the previous studies above, the most important factor affecting the intra-firm wage gap between employment forms is the content of duties. Both the Part-Time Workers Act and the Labor Contracts Act use the phrase “content of duties” and provide that this must be taken into account when deciding wages.

One possible parameter for measuring differences in the content of duties between employment forms is whether they are core duties, on the one hand, or routine or unimportant duties on the other. Non-regular employees are generally assigned routine or unimportant duties inside companies,¹⁰ but as the ratio of non-regular employees increases, some companies are starting to assign core duties to non-regular employees (Takeishi 2002). When assigning routine or unimportant duties to non-regular employees, the intra-firm wage gap between regular and non-regular employees is naturally expected to be large, but when assigning core duties it should be smaller.

Another possible parameter for measuring differences in the content of duties between employment forms is whether the work is of a specialist nature or not. Sato (ed.) (2008) points out that full-time fixed-term contract employees include both a “general duties type” taking care of the more routine-type work previously undertaken by regular employees, and a “specialist duties type” taking care of specific work requiring specialist knowledge or skill. In the employer questionnaire of JILPT “Fact-finding survey on diversified types of employment” (2011) used as data in this paper, too, the most commonly cited reason for using full-time fixed-term contract employees was “To perform specialist work.” When non-regular employees are used for specialist work, they are paid more highly due to the rarity of their skills, and the intra-firm wage gap between regular and non-regular employees is therefore expected to be smaller.

Apart from differences in the content of duties, according to the compensation wage hypothesis in economics, wage levels should be set higher for work in which employment is insecure (Rosen 1986).¹¹ Because non-regular employees (and particularly fixed-term contract employees) enjoy less security of employment than regular employees, one could argue that their wages should be set higher to compensate. Of course, they are not likely to be paid higher wages than regular employees purely because of the insecurity of their employment. But it might be possible that the wage gap compared to regular employees is smaller when employment insecurity is large.

The reasons for using and policy of using non-regular employees could be cited as indicators of differences in the content of duties between regular and non-regular employees inside companies and differences in the insecurity of employment. Takahashi (2013) shows that hourly wages of fixed-term contract employees differ depending on the reason for using them.¹² Ariga, Kambayashi and Sano (2008) have also demonstrated how a policy of using non-regular employees affects the length of service of non-regular employees.¹³ However, these studies show the relationship between reasons for using or the policy of using non-regular employees and their working conditions, but not the relationship between these reasons or policy and the size of the wage gap between regular and non-regular employees. To summarize, after estimating the intra-firm wage gaps between regular employees and part-time fixed-term contract employees and between regular employees and full-time fixed-term contract employees, this paper will attempt to clarify how the size of these wage gaps is affected by the respective reasons for using non-regular employees.

3. Composition of this paper

The composition of this paper is as follows. In Section II, government statistics will be used to

overview the use and working situation of part-time and full-time fixed-term contract employees. In Section III, the data, variables and analytical models used in this paper will be explained. In Section IV, the size of the wage gap facing full-time fixed-term contract employees will be analyzed, along with the factors that affect it, in comparison with the situation of part-time fixed-term contract employees. In Section V, finally, the current situation and challenges facing the wage management of fixed-term contract employees (and particularly that of full-time fixed-term contract employees) will be summarized.

II. The situation of use and employment of fixed-term contract employees

This Section will overview the situation of use and employment of regular employees (in section 2, 3, and 4, abbreviated to “Regular”), part-time fixed-term contract employees (“Part-fixed”), and full-time fixed-term contract employees (“Full-fixed”). Although these three employment forms are precisely categorized in the MHLW “Basic Survey on Wage Structure,” information on academic background and occupations is limited in that survey. Moreover, it gives no precise information on workers in companies with fewer than 10 employees or business establishments with fewer than five. Therefore, while the “Basic Survey on Wage Structure” will be used when dealing with distributions of gender, age group and industry, the Ministry of Internal Affairs and Communications (MIC) “Employment Status Survey” will be used as an alternative when looking into the distribution of academic background, occupations and size of enterprise. Categories of employment forms in that survey are based on the name described in places of employment, but generally “regular staffs” will be regarded as corresponding to Regular in this paper, “part-time workers” and “*arbeit* (temporary workers)” to Part-fixed, and “contract employees” and “entrusted employees” to Full-fixed.

1. Companies using different types of employee

What sort of companies use Regular, Part-fixed, and Full-fixed, respectively?

Judging from the industry distribution by employment form in the upper section of Table 2, Regular are found most often in “Manufacturing,” “Medical, health care and welfare” and “Wholesale and retail trade.” On the other hand, Part-fixed are overwhelmingly numerous in “Wholesale and retail trade,” followed by “Accommodations, eating and drinking services” and “Medical, health care and welfare.” The distribution for Full-fixed is close to that for Regular as a whole, although companies in “Services, n.e.c.” are relatively numerous there.

Looking at the distribution of company size by employment forms in the lower section of Table 2, we find that “part-time workers and *arbeit* (temporary workers)” (correspond to Part-fixed) are more widely distributed in small enterprises compared to “regular staffs and employees,” and that “contract employees and entrusted employees” (Full-fixed) are more numerous in large corporations and public bodies.

A general characteristic is that Part-fixed are distributed more heavily in “Wholesale and retail trade” and “Accommodations, eating and drinking services,” and Full-fixed in large corporations and public bodies. What this suggests is that Part-fixed are distributed in sectors where wage levels of Regular are low, and Full-fixed in sectors where they are high.¹⁴

2. Individual attributes and worker attributes

Next, let us look at individual and worker attributes. The upper section of Table 3 shows the distribution of gender and age groups by employment form. The male ratio is 68.7% for Regular, 25.7% for Part-fixed, and 49.6% for Full-fixed. Compared to Part-fixed, therefore, Full-fixed are closer to Regular. As for the age distribution, the younger age brackets of 19 and under and 20-24 are more common among Part-fixed than among Regular, while Full-fixed include many older workers in the 60-64 bracket.

The lower section of Table 3 shows the distribution of academic background and occupations by employment form. In the distribution of academic background, the ratio of university graduates or higher

Table 2. Distribution of industries and size of enterprise by employment form (by columns)

(%)

Industry	Regular	Part-fixed	Full-fixed
Mining and quarrying of stone and gravel	0.1	0.0	0.0
Construction	7.1	0.6	3.4
Manufacturing	24.3	6.7	20.1
Electricity, gas, heat supply and water	0.8	0.1	0.2
Information and communications	5.6	0.8	3.2
Transport and postal activities	7.5	4.8	6.6
Wholesale and retail trade	15.0	31.4	13.8
Finance and insurance	4.8	2.4	2.8
Real estate and goods rental and leasing	1.3	1.9	1.4
Scientific research, professional and technical services	3.8	0.9	2.8
Accommodations, eating and drinking services	1.9	14.4	2.9
Living-related and personal services and amusement services	1.6	4.7	2.7
Education, learning support	2.8	4.8	2.2
Medical, health care and welfare	16.8	16.3	13.7
Compound services	1.3	1.3	3.5
Services, n.e.c.	5.3	9.0	20.7

	Regular staff or employees	Part-time workers, <i>arbeit</i> (temporary workers)	Contract employees, entrusted employees
4 or fewer employees	5.3	6.7	1.2
5-9 employees	5.8	9.1	2.4
10-19 employees	6.1	10.4	3.5
20-29 employees	3.8	5.6	2.8
30-49 employees	4.9	6.0	3.9
50-99 employees	6.9	7.7	7.1
100-299 employees	10.0	10.0	12.6
300-499 employees	4.7	4.1	6.0
500-999 employees	5.6	4.8	6.8
1,000 or more employees	21.9	19.5	24.8
Government agencies, etc.	11.7	3.4	13.2
Other corporations or groups	13.5	12.8	15.9

Sources: MHLW, "Basic Survey on Wage Structure," 2016; MIC, "Employment Status Survey," 2012.

Note: Industry distribution is based on the "Basic Survey on Wage Structure." There, full-time workers classified as "regular staffs and employees" who are on open-ended labor contracts are called Regular here, part-time workers other than "regular employees" who are on fixed-term labor contracts are called Part-fixed, and full-time workers other than "regular employees" who are on fixed-term labor contracts are called Full-fixed. The same applies to Table 3. The distribution of company size is based on the "Employment Status Survey."

is 36.6% for "regular staffs and employees" but only 9.6% for "part-time workers and *arbeit* (temporary workers)" (Part-fixed), and 26.8% for "contract employees and entrusted employees" (Full-fixed). In the distribution of occupations, "regular staffs and employees" are most commonly clerical workers, professional and/or engineering workers, and manufacturing process workers in that order, while for "part-time workers and *arbeit* (temporary workers)" the order is service workers, sales workers, and clerical workers. For "contract employees and entrusted employees," the order is the same as for "regular staffs and employees" — namely, clerical workers, professional and /or engineering workers, and manufacturing process workers.

Table 3. Distribution of gender, age groups, academic background and occupations by employment forms (by columns) (%)

Gender and age group	Regular	Part-fixed	Full-fixed
Male	68.7	25.7	49.6
Female	31.3	74.3	50.4
Age 19 and under	1.0	7.6	0.5
Ages 20-24	7.8	10.7	6.1
Ages 25-29	12.0	5.2	10.0
Ages 30-34	12.4	5.7	10.1
Ages 35-39	13.3	7.1	9.8
Ages 40-44	15.3	10.3	10.8
Ages 45-49	13.8	11.0	10.0
Ages 50-54	11.3	10.1	8.9
Ages 55-59	9.2	9.3	8.5
Ages 60-64	2.8	10.5	17.8
Ages 65-69	1.0	9.0	6.3
Age 70 and over	0.3	3.4	1.1
Academic background / Occupation	Regular staff or employees	Part-time workers, <i>arbeit</i> (temporary workers)	Contract employees, entrusted employees
Primary school or junior high school	5.1	12.0	8.6
Senior high school, former secondary school	41.3	50.2	46.9
Professional training college	8.8	6.7	6.6
Junior college, college of technology	8.0	11.9	10.7
University	32.6	9.2	24.7
Graduate school	4.0	0.4	2.1
Still in education	0.2	9.5	0.5
Administrative and managerial workers	0.6	0.0	0.3
Professional and/or engineering workers	20.5	7.3	15.6
Clerical workers	23.4	15.4	26.8
Sales workers	12.9	16.9	9.8
Service workers	7.4	24.4	11.1
Security workers	2.6	1.0	2.9
Agricultural, forestry and fishery workers	1.0	1.3	0.8
Manufacturing process workers	16.0	11.8	12.4
Transport and machine operation workers	4.9	1.8	5.7
Construction and mining workers	4.6	1.1	2.7
Carrying, cleaning, packaging, and related workers	3.5	14.5	8.4
Workers not classified by occupation	2.6	4.6	3.5

Sources: MHLW, "Basic Survey on Wage Structure," 2016; MIC, "Employment Status Survey," 2012.

Note: Gender and age group distributions are based on the "Basic Survey on Wage Structure," and academic background and occupation distributions on the "Employment Status Survey."

Judging from this, if we take Regular as the standard, Part-fixed tend to have a higher ratio of females, workers with lower academic background, service workers and sales workers, while the individual attributes and worker attributes of Full-fixed are expected to be closer to those of Regular, compared to Part-fixed.

III. Data, variables and analytical models

1. Data

Individual questionnaire data from the “Fact-finding survey on diversified employment types” conducted by JILPT in August 2010 were used for the analysis.¹⁵ The survey targets were the personnel divisions of private establishments with 10 or more employees, and the employees working for those establishments. The establishments were selected through stratified sampling from the corporate database owned by Teikoku Databank Ltd., based on numbers of establishments by industry and size of enterprise in the “Establishment and Enterprise Census of Japan.”

The survey consisted of an employer questionnaire and an employee questionnaire. The employer questionnaire was distributed to 10,000 establishments, yielding 1,610 valid responses (valid response rate 16.1%). The employee questionnaire was distributed to 10 employees per business, with valid responses from 11,010 employees (valid response rate 11.0%). Of the collected employee questionnaires, those of 9,710 employees could be matched with the employer questionnaires.

2. Variables

Three employment forms were analyzed — Regular, Part-fixed and Full-fixed. Regular refers to full-time, open-ended contract workers identified as “regular staff or employees” in their place of work according to the employee questionnaire.¹⁶ Meanwhile, of all workers called “part-time workers,” “*arbeit* (temporary workers),” “contract employees” or “entrusted employees” in their workplaces, those working part-time on fixed-term contracts are referred to as Part-fixed, and those working full-time on fixed-term contract as Full-fixed.

The explained variable is wage. Specifically, a logarithmically transformed value of the contractual hourly wage calculated from each worker’s contractual earnings amount and working hours was used.^{17 18}

As explanatory variables, (i) the employment forms of Regular, Part-fixed and Full-fixed, (ii) reasons given by establishments for using part-time and full-time fixed-term contract employees, and (iii) interaction terms between employment forms and reasons for using them were input. In the employer questionnaire, reasons for using each employment form were to be selected from 13 options based on multiple responses. Here, however, “to allow regular employees to specialize in important work” are classed as “routine unimportant work,” “to perform specialist work” as “specialist work,” and “to adjust workforce according to changes in business conditions” or “to meet temporary or seasonal changes in demand” as “variable work,” based on existing research.

As other control variables besides these, the gender, age, years in education, occupation, length of service, and position given in the employee questionnaire were input.

3. Analytical models

For the analysis, different statistical models were used: Models (i) (ii) (iii) and (iv), Model (v), and Model (vi).

For Models (i) (ii) (iii) and (iv), OLS (ordinary least squares) was used. Although Models (i) (ii) and (iii) and Model (iv) are based on different samples for analysis, the statistical models themselves are the same.

For Model (v) and Model (vi), the hierarchical linear model (HLM) was used.¹⁹ Although HLM is used for various purposes, it will be explained in line with the purpose adopted here. Namely, it has the advantage that, when personal data (employee data) exist within group data (establishment data) as a nested structure, the impact of variables at group level on variables at personal level can be properly controlled, and the impact of variables at group level on relationships between variables at personal level can also be properly estimated.²⁰

In Model (v), the random intercept model (one type of HLM) was used. Unlike normal linear regression analysis, the random intercept model incorporates probability variables normally distributed in intercepts. Specifically, it is expressed by Eq. (1).²¹

$$(1) \text{ Ln Contractual hourly wage} = \beta_0 + \beta X + r$$

$$\beta_0 = \gamma_{00} + u_0$$

Here, X is the personal level explanatory variable, r the personal level error term, and u_0 the establishment level error term (on the supposition of normal distribution). By using this model, differences in wage level in each establishment (the so-called “unobserved heterogeneity in each establishment”) can be properly controlled, and disparity thought to arise within the same establishment can be estimated.

For Model (vi), another type of HLM was used — the random intercept & random slope model. The random intercept & random slope model incorporates probability variables with normal distribution not only in intercepts, but also in the coefficients of specific explanatory variables. Its basic form is expressed in Eq. (2), while the model actually used in Model (vi) is expressed in Eq. (3).

$$(2) \text{ Ln Contractual hourly wage} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + r$$

$$\beta_0 = \gamma_{00} + u_0$$

$$\beta_1 = \gamma_{10} + u_1$$

$$(3) \text{ Ln Contractual hourly wage} = \beta_0 + \beta_1 \text{ employment form dummy} + \beta_2 X_2 + r$$

$$\beta_0 = \gamma_{00} + \gamma_{01} \text{ reason for use dummy} + u_0$$

$$\beta_1 = \gamma_{10} + \gamma_{11} \text{ reason for use dummy} + u_1$$

Here, X_1 is the personal level explanatory variable for the employment form dummy, X_2 the personal level explanatory variable other than for the employment form dummy, r the personal level error term, u_0 the establishment level error term for intercepts (on the supposition of normal distribution), and u_1 the establishment level error term for employment form dummy slopes (on the supposition of normal distribution). Based on the hypothesis that the impact of the employment form dummy on wages is different for each establishment, using this model made it possible to properly estimate how that impact differs depending on the reason for using employment forms in each establishment.

IV. Actual situations and causes of the intra-firm wage gap

So, what are the actual situations and causes of the intra-firm wage gap between Regular and Full-fixed? And how do they differ from those between Regular and Part-fixed?

1. Aspects that can be explained by individual attributes and worker attributes

First, the average contractual hourly wages of Regular, Part-fixed and Full-fixed were confirmed. Table 4 reveals that these were 1,732 yen, 1,039 yen, and 1,071 yen respectively, showing a higher average for Full-fixed than for Part-fixed. Compared with amounts obtained from the same year’s “Basic Survey on Wage Structure,” however, Regular and Full-fixed are slightly lower and those of Part-fixed are slightly higher. Caution is therefore required on this point.

Table 4. Average contractual hourly wage

	Data for analysis			"Basic Survey on Wage Structure" Average in 2010 (yen)
	Average (yen)	S.D.	N	
Regular	1,732	918.2	3744	1,896
Part-fixed	1,039	497.9	729	1,001
Full-fixed	1,071	420.4	1216	1,257

Table 5. Coefficients of wage functions (OLS)

Explained variable = Ln (contractual hourly wage)	Model (i)		Model (ii)		Model (iii)	
	B	Standard error	B	Standard error	B	Standard error
(Regular)						
Part-fixed	-0.4886	0.0153 **	-0.3991	0.0150 **	-0.2182	0.0151 **
Full-fixed	-0.4439	0.0125 **	-0.3470	0.0119 **	-0.1843	0.0121 **
Male			0.1964	0.0100 **	0.1615	0.0101 **
Age			0.0440	0.0035 **	0.0284	0.0033 **
Age squared			-0.0004	0.0000 **	-0.0003	0.0000 **
Years in education			0.0441	0.0025 **	0.0376	0.0024 **
Professional and/or engineering work					0.0856	0.0114 **
Administrative and managerial work (Clerical work)					0.0922	0.0274 **
Sales work					-0.0933	0.0183 **
Skilled work, manufacturing process work					-0.0539	0.0154 **
Transport and communications work					-0.1240	0.0295 **
Security work					-0.2156	0.0401 **
Agricultural, forestry and fishery work					-0.1680	0.0791 *
Services work					-0.0310	0.0186
Others					-0.0510	0.0189 **
Length of service					0.1412	0.0079 **
(No position)						
Site foreman					0.0527	0.0185 **
Senior and chief clerk class					0.0858	0.0131 **
Section manager class					0.2466	0.0261 **
Department manager class					0.3835	0.0395 **
Constant	7.3773	0.0062	5.5714	0.0749	5.9456	0.0709
N		5689		5689		5689
F value		947.98 **		648.68 **		304.51 **
Adjusted R squared		0.2498		0.4059		0.5163

Notes: 1. In (): Reference groups.
 2. **: $p < 0.01$, *: $p < 0.05$.

Models (i) (ii) and (iii) in Table 5 show coefficients of wage functions based on OLS using the employee questionnaire data. In Model (i), only the employment form is input as an explanatory variable, while the male dummy, age, age squared, and years in education are added in Model (ii) and occupation, length of service, and position in Model (iii).

The size of the wage gap between Regular and Part-fixed, on the one hand, and between Regular and Full-fixed, on the other, was calculated from the coefficients of the Part-fixed dummy and the Full-fixed dummy. In Model (i) the gap was 38.7% and 35.8%, respectively, in Model (ii) 32.9% and 29.3%, and in Model (iii) 19.6% and 16.8%.²² In all models, the wage gap is larger between Regular and Part-fixed. Moreover, because the absolute value of the coefficient decreases from Model (i) to Model (iii) in both the Part-fixed and Full-fixed dummy, we find that the wage gap between regular employees and fixed-term contract employees is to some extent explained by individual attributes and worker attributes.

2. Analysis targeting only establishments that use the employees in question

Incidentally, because the analysis of Models (i) (ii) and (iii) is based on the employee questionnaire data only, regular employees of establishments that do not use fixed-term contract employees have been included in the targets for analysis. In Model (iv), therefore, the analysis targeted only Regular and Part-fixed of establishments that use part-time workers when estimating the wage gap between Regular and Part-fixed.²³ Again, the analysis targeted only Regular and Full-fixed of establishments that use Full-fixed when estimating the wage gap between Regular and Full-fixed. In all cases, questionnaire responses matched with the employer questionnaire responses were used. As a result, in Model (iv) the coefficient of the Part-fixed dummy was -0.2010 (18.2%) and that of the Full-fixed dummy was -0.2037 (18.4%).

Comparing Model (iii) and Model (iv), we see that the coefficient of the Part-fixed dummy has a

Table 5. Coefficients of wage functions (OLS) (continued)

Explained variable = Ln (contractual hourly wage) Analysis targets =	Model (iv)			
	Regular + Part-fixed		Regular + Full-fixed	
	B	Standard error	B	Standard error
(Regular)				
Part-fixed	-0.2010	0.0189 **		
Full-fixed			-0.2037	0.0171 **
Male	0.1353	0.0149 **	0.1566	0.0150 **
Age	0.0293	0.0050 **	0.0296	0.0050 **
Age squared	-0.0004	0.0001 **	-0.0003	0.0001 **
Years in education	0.0420	0.0037 **	0.0365	0.0038 **
Professional and/or engineering work	0.0955	0.0163 **	0.0898	0.0186 **
Administrative and managerial work (Clerical work)	0.1051	0.0362 **	0.1339	0.0430 **
Sales work	-0.0555	0.0275 *	-0.0120	0.0330
Skilled work, manufacturing process work	-0.0596	0.0264 *	-0.0142	0.0245
Transport and communications work	-0.0529	0.0533	-0.1468	0.0429 **
Security work	-0.2200	0.0676 **	-0.1872	0.0561 **
Agricultural, forestry and fishery work	0.0678	0.1180	-0.1630	0.1607
Services work	-0.0448	0.0264	-0.0779	0.0328 *
Others	-0.0415	0.0303	-0.0380	0.0312
Length of service	0.1706	0.0118 **	0.1391	0.0128 **
(No position)				
Site foreman	0.0111	0.0275	0.0784	0.0295 **
Senior and chief clerk class	0.1087	0.0185 **	0.0676	0.0205 **
Section manager class	0.2101	0.0352 **	0.1910	0.0406 **
Department manager class	0.3198	0.0554 **	0.3505	0.0637 **
Constant	5.8591	0.1086	5.9479	0.1090
N		2323 **		1895
F value		142.44 **		123.12 **
Adjusted R squared		0.5365		0.5506

Notes: 1. In (): Reference groups.

2. **: $p < 0.01$, *: $p < 0.05$.

smaller absolute value, while that of the Full-fixed dummy is larger. The implication of this is that, by limiting the analysis to establishments that use Part-fixed, the wage gap between Regular and Part-fixed becomes smaller (or in other words, Part-fixed are used more frequently in establishments where the wage levels of Regular are lower). Conversely, by limiting it to establishments that use Full-fixed, the wage gap between Regular and Full-fixed becomes larger (or in other words, Full-fixed are used more frequently in establishments where the wage levels of Regular are higher). These findings are consistent with the facts, as seen in Section II above, that Part-fixed are more commonly distributed in “Accommodations, eating and drinking services” and other sectors where the wage levels of Regular are lower, and Full-fixed in large corporations and other sectors where the wage levels of Regular are higher.

3. Intra-firm wage gaps and factors that affect them

Model (v) in Table 6 shows the results of estimation using HLM (random intercept model). As in the case of Model (iv), separate results are produced for “Regular and Part-fixed only” and for “Regular and Full-fixed only.” But here, wage gaps thought to arise inside the same establishment are indicated after controlling differences in the wage level for each establishment (the so-called “unobserved heterogeneity in each establishment”). Specifically, the wage gap between Regular and Part-fixed is shown to be -0.2112 (19.0%), while that between Regular and Full-fixed is -0.2039 (18.4%). From this, we know that, inside the same establishment, the wage gap between employment forms that still remains even after controlling individual attributes and worker attributes is almost the same between Regular and Part-fixed, and between Regular and Full-fixed.

Table 6. Coefficients of wage functions (HLM)

Explained variable = Ln (contractual hourly wage)	Model (v) (random intercept model)				Model (vi) (random intercept & random slope model)			
	Regular + Part-fixed		Regular + Full-fixed		Regular + Part-fixed		Regular + Full-fixed	
	B	Standard error	B	Standard error	B	Standard error	B	Standard error
(Regular)								
Part-fixed	-0.2112	0.0188 **			-0.2096	0.0241 **		
Full-fixed			-0.2039	0.0164 **			-0.2388	0.0259 **
Male	0.1244	0.0145 **	0.1547	0.0141 **	0.1215	0.0144 **	0.1512	0.0137 **
Age	0.0266	0.0048 **	0.0284	0.0047 **	0.0273	0.0048 **	0.0275	0.0046 **
Age squared	-0.0003	0.0001 **	-0.0003	0.0001 **	-0.0003	0.0001 **	-0.0003	0.0001 **
Years in education	0.0367	0.0036 **	0.0261	0.0037 **	0.0358	0.0036 **	0.0245	0.0036 **
Professional and/or engineering work	0.1045	0.0169 **	0.0854	0.0189 **	0.1031	0.0170 **	0.0752	0.0186 **
Administrative and managerial work (Clerical work)	0.0985	0.0345 **	0.1296	0.0388 **	0.0982	0.0341 **	0.1219	0.0371 **
Sales work	-0.0406	0.0281	0.0141	0.0322	-0.0331	0.0281	0.0056	0.0317
Skilled work, manufacturing process work	-0.0489	0.0277	-0.0340	0.0260	-0.0488	0.0277	-0.0256	0.0267
Transport and communications work	-0.0180	0.0543	-0.0848	0.0444	-0.0207	0.0539	-0.0898	0.0442 *
Security work	-0.1520	0.0746 *	-0.1277	0.0571 *	-0.1465	0.0746 *	-0.1222	0.0572 *
Agricultural, forestry and fishery work	0.0264	0.1302	-0.0698	0.1436	0.0376	0.1301	-0.0551	0.1450
Services work	-0.0364	0.0272	-0.0463	0.0333	-0.0403	0.0274	-0.0581	0.0340
Others	-0.0444	0.0295	-0.0191	0.0286	-0.0462	0.0298	-0.0102	0.0286
Length of service	0.1564	0.0116 **	0.1272	0.0123 **	0.1504	0.0116 **	0.1256	0.0121 **
(No position)								
Site foreman	0.0116	0.0263	0.0667	0.0268 *	0.0112	0.0261	0.0645	0.0262 *
Senior and chief clerk class	0.1244	0.0178 **	0.0980	0.0189 **	0.1270	0.0177 **	0.1001	0.0183 **
Section manager class	0.2271	0.0336 **	0.2119	0.0372 **	0.2293	0.0332 **	0.2159	0.0356 **
Department manager class	0.3442	0.0527 **	0.3564	0.0574 **	0.3431	0.0521 **	0.3656	0.0547 **
Routine unimportant work					0.0622	0.0209 **	0.0724	0.0263 **
Part-fixed x Routine unimportant work					-0.0864	0.0371 *		
Full-fixed x Routine unimportant work							-0.0321	0.0390
Specialist work					-0.0339	0.0198	0.0294	0.0204
Part-fixed x Specialist work					0.0902	0.0348 *		
Full-fixed x Specialist work							0.0423	0.0328
Variable work					-0.0122	0.0163	-0.0637	0.0206 **
Part-fixed x Variable work					-0.0441	0.0301		
Full-fixed x Variable work							0.0761	0.0308 *
Constant	5.9776	0.1052	6.0992	0.1028	5.9757	0.1046	6.1249	0.1010
N		2323		1895		2323		1895
Groups		794		531		794		531
X squared		2568.27 **		2514.07 **		2528.24 **		2266.35 **

Notes: 1. In (): Reference groups.
 2. **: $p < 0.01$, *: $p < 0.05$.
 3. In Model (vi), random effects have been input into the Part-fixed dummy and Full-fixed dummy.
 4. "Routine unimportant work," "specialist work" and "variable work" express the reasons for using Part-fixed in the case of "Regular + Part-fixed" and the reasons for using Full-fixed in the case of "Regular + Full-fixed."

In Model (vi), information on reasons for using Part-fixed and/or Full-fixed was extracted from the employer questionnaire data, and HLM (random intercept & random slope model) was used to analyze how this leads to differences in wage levels and wage gaps between employment forms. Three major findings were produced as a result.²⁴

First, the coefficient of "routine unimportant work" is positively significant for both "Regular + Part-fixed" and "Regular + Full-fixed." Using non-regular employees and thus allowing regular employees to specialize in important work could raise the productivity of the company as a whole. On the other hand, the coefficient for "variable work" is negatively significant for "Regular + Full-fixed." Although no significant results could be found in "Regular + Part-fixed," the negative coefficients are thought to show that wage levels as a whole are low in companies where the work volume fluctuates with seasons or economic cycles.

Second, from the interaction terms between Part-fixed and the reasons for using them, the wage gap between Regular and Part-fixed would appear to be larger when Part-fixed are used for routine unimportant work and smaller when used for specialist work. Conversely, no such result appears in the wage gap between Regular and Full-fixed.

Third, from the interaction terms between Full-fixed and the reasons for using them, the wage gap between Regular and Full-fixed would appear to be smaller when Full-fixed are used for variable work. Again, no such result appears in the wage gap between Regular and Part-fixed.

V. Discussion and conclusions

In this paper, (i) the size of the intra-firm wage gap between regular employees and full-time fixed-term contract employees, and (ii) factors affecting this gap have been analyzed through a comparison with the situation of part-time fixed-term contract employees. From the results of these analyses, the current situation and challenges facing the wage management of fixed-term contract employees, and particularly of full-time fixed-term contract employees, may be summarized as follows.

First, wage levels of full-time fixed-term contract employees are slightly higher than those of part-time fixed-term contract employees. This finding also appears when controlling individual and worker attributes and estimating wage functions.

Second, on the other hand, full-time fixed-term contract employees tend to be used more than part-time fixed-term contract employees in companies where the wage levels of regular employees are high. That is, the wage management of full-time fixed-term contract employees is undertaken in companies where wages are relatively high. Partly because of this, the size of the intra-firm wage gap between regular employees and full-time fixed-term contract employees was calculated to be about the same as that between regular employees and part-time fixed-term contract employees.

Third, there was a different logic behind wage gaps arising between regular employees and part-time fixed-term contract employees and those arising between regular employees and full-time fixed-term contract employees. Specifically, the former of these is smaller when part-time fixed-term contract employees are used for specialist work but larger when for routine or unimportant duties. This is the logic of wage determination compatible with the gist of the Part-Time Workers Act and Labor Contracts Act. Conversely, the latter wage gap is unrelated to the type of work assigned to full-time fixed-term contract employees, but tends to be smaller if their employment is insecure. This situation is similar to that the compensation wage hypothesis in economics assumes.

The current situation outlined above suggests that, though both are classed as fixed-term contract employees, the issues involved in wage management are different for part-time and full-time fixed-term contract employees, respectively. In the case of part-time fixed-term contract employees, differences in the content of duties compared to regular employees are generally reflected in differences in the wages paid compared to regular employees, despite the problem that wage levels are low in absolute terms. In the case of full-time fixed-term contract employees, on the other hand, wage levels are relatively high but differences in the content of duties compared to regular employees do not clearly affect differences in wages compared to regular employees. To put it another way, it is probable that some of them do the same kinds of work as regular employees, but the difference in their respective wages is disproportionately large. Clarifying the logic of wage determination for full-time fixed-term contract employees and verifying whether this logic is accepted by them remains an important research task.

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Notes

1. In this paper, workers who are called “regular staff or employees” in their places of work and are on full-time open-ended contracts will be referred to as “regular employees (or abbreviated to Regular).” By contrast, those who are not

called “regular staff or employees” in their places of work will be referred to as “non-regular employees.” Of these non-regular employees, moreover, those who are on part-time fixed-term contracts will be called “part-time fixed-term contract employees (or abbreviated to Part-fixed),” and those on full-time fixed-term contracts will be referred to as “full-time fixed-term contract employees (or abbreviated to Full-fixed).” Logically speaking, eight different patterns could be created by combining these three conditions, i.e. whether known as “regular staff or employees” or not, whether full-time or part-time, and whether on an open-ended contract or fixed-term contract. Due to the practical approach adopted in this paper, however, attention will be focused on just three types — “regular employees” based on the definition above, “part-time fixed-term contract employees” (non-regular employees), and “full-time fixed-term contract employees” (non-regular employees).

2. Under the “from fixed-term to open-ended conversion rule,” workers who have repeatedly renewed fixed-term labor contracts with the same employer (company) and have worked there for more than five years in total may, upon request, convert to open-ended labor contracts. The rule came into force in April 2013, thus many conversions to open-ended contracts are expected to occur in April 2018.
3. See Sugeno (2012: 246-249). Although the interpretation of the concept of “ordinary workers” in that law is complicated, for the time being it should be understood as referring to “regular employees” in this paper.
4. It does not mean that no protecting hand was extended to them. The Amended Part-time Labor Guidelines (October 1, 2007) stated that, although they do not fall under the category of part-time workers as provided in the Part-Time Workers Act, the gist of the Part-Time Workers Act should be taken into account.
5. See the examples of Bookshop F and Department Store D in JILPT (2010).
6. “Survey on the utilization of older workers and employees on fixed-term contracts after the amendment of the Labor Contracts Act” in 2013 and “Survey on the response to the amended Labor Contracts Act and special cases, and the utilization of diverse regular employees” in 2015. For details of these surveys, see JILPT (2014, 2015).
7. Nagase (1997) not only analyzes the size of the wage gap between regular and part-time employees after controlling a number of variables, but also examines how far the wage gap between the two is explained by variables such as education and occupation.
8. Hori (2012) also conducts analysis using an endogenous switching regression model under the dual labor market hypothesis, showing that the probability of part-time employees belonging to a secondary labor market is very high.
9. Employer-employee matching data are used to estimate a wage function after controlling the fixed effect of the establishment.
10. As reasons given for using part-time workers (multiple responses) in the MHLW “General Survey on Part-time Workers” (2011), the most common was “Because they are cheaper (rationalization of labor costs)” (48.6%), followed by “Because the job content is simple” (36.5%).
11. Rosen (1986), a survey paper on compensation wages, gives a variety of economic situations in which compensation wages occur (or factors behind their occurrence), including (i) hazardous and polluted working environments, (ii) differences between cities and between regions in terms of climate, crime rate, pollution, overcrowding and other conditions, (iii) shift work and rigid working hours, the risk of layoffs and unemployment, and (iv) differences in remuneration systems, including holidays, pensions, and other employee welfare. Of these, this paper will only focus on the insecurity of employment corresponding to “risk of layoffs and unemployment.” As research dealing with compensation wages due to insecurity of employment in Japan, see Morikawa (2010) and Tsuru, Kume, Otake and Okudaira (2013).
12. For example, wages are shown to be higher when the reason is “To perform specialist work,” but lower when it is “To allow regular employees to specialize in important work.”
13. Specifically, though not the main argument of that paper, the average length of service of non-regular employees is shown to be longer in establishments that have a more active personnel policy of using non-regular employees.
14. According to the MHLW “Basic Survey on Wage Structure” (2016), the average wages (contractual hourly wage) of Regular, Full-fixed and Part-fixed in the totals for industry and size of enterprise are 1,960 yen, 1,318 yen and 1,065 yen, respectively, while the size of enterprise totals for “Accommodations, eating and drinking services” are 1,509 yen, 1,115 yen and 958 yen, and the industry totals for “1,000 or more employees” are 2,372 yen, 1,372 yen and 1,049 yen.
15. For more detail on the survey, see JILPT (2011).
16. For convenience, “full-time” was taken to mean 35 or more scheduled working hours per week, and “part-time” 34 hours or fewer.
17. Contractual hourly wages were worked out as follows. Firstly, for those receiving an “hourly wage,” the hourly wage amount was used as it was. Secondly, for those receiving a “daily wage,” the daily wage amount was multiplied by weekly working days, and this was then divided by weekly scheduled working hours. Thirdly, for those receiving a “weekly wage,” the weekly wage amount was divided by weekly scheduled working hours. Fourthly, for those receiving a “monthly wage,” the monthly wage amount was divided by four times the weekly scheduled working hours. Fifthly, those receiving an “annual salary” were removed from the analysis. The reason for this was that the annual salary amount could have included a portion equivalent to a bonus.

18. Those who replied that their weekly scheduled working hours were 8 hours or fewer were also removed from the analysis. This is because they might have misunderstood the question to mean “working hours per day” when replying.
19. Besides HLM, this is also known as the multilevel model or the mixed model, among others.
20. For details, see Raudenbush & Bryk (2002).
21. On the mathematical notation of HLM, see Tsutsui and Fuwa (2008). The same applies to Eqs. (3) and (4).
22. In the Part-fixed dummy in Model (i), for example, the calculation produces $1 - \exp(-0.4886) = 0.386 = 38.6\%$.
23. To be precise, when establishments reply that they utilize part-time workers, they include cases where part-time open-ended contract employees are utilized. Hereinafter, however, we ignore the minor exceptional cases for the sake of simplicity.
24. Since the analysis only targets a small number of employees (about three for every establishment), due care should be taken when interpreting the random intercept & random slope model. Nevertheless, there was no change in the three major findings (discussed below) even when the same estimate as this was attempted in the random intercept model.

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Why Do the Japanese Work Long Hours?

Sociological Perspectives on Long Working Hours in Japan



Hiroshi Ono

For some time now, shorter working hours have been at the core of efforts to improve work conditions in Japan. The government has passed legislation and policy measures, and corporations have modified compensation and incentive schemes to help employees strike better work-life balance. Yet, working hours (among regular full-time workers) in Japan have remained virtually unchanged since the 1990s. In this paper, I argue that the true causes of long working hours lie not in the “observable” barriers such as public policy and law, but rather are embedded in “unobservable” or “unmeasurable” attributes such as social norms and work conventions. Understanding this problem better requires an approach that accounts for both economic principles (focusing on rewards and incentives) and sociological perspectives, which pay closer attention to the social-institutional context. I argue that long working hours in Japan stem from the institutional complementarities of the Japanese employment system and the cultural particularities underlying it. In the analysis, I discuss the role of the input-driven society, work conventions that rely on signaling, internal labor market structure, group consciousness and hierarchy, ambiguous job functions, and the traditional gender division of labor. I close by proposing measures to reduce working hours that follow from my analysis.

- I. Introduction
- II. Why long workdays are a problem
- III. What causes long workdays?
- IV. Conclusion

I. Introduction

Why are working hours still so long in Japan? Shortening the workday is the number one priority of Japan’s policy aimed at “reforming work-styles.” The assertion that the Japanese work too much is nothing new. Ways to change the corporate culture of overwork have been discussed for several decades with attempts to do so made at the level of policy and legislation. But working hours have not decreased at all. Regular employees in Japan still work more than 2,000 hours per year, a level more or less unchanged since the 1990s (Ministry of Health, Labour and Welfare 2015). The subject attracted attention from abroad, and in the process, the expression “*karōshi*” (death caused by overwork) as the most extreme manifestation of this, has somehow become established as a phenomenon symbolic of Japan. So far, repeated revisions in Japanese law and policy have been made by amending the Labor Standards Act and regulating working hours, but the impact has been minimal.

Sociological perspective

Personnel economics (Lazear 2000; Prendergast 1999) focuses on the impact of remuneration and incentives on workers' behavior. With the economics-based approach, however, the emphasis is on monetary incentives, and the context in which workers find themselves is not taken into account. The economics approach aims for a universal model devoid of context, and therefore tends to reach the somewhat generalized conclusion, for example, that the overtime problem would be resolved if the compensation scheme commonly in place within American organizations were imported directly into Japan. A number of issues, though, cannot be explained by monetary incentives and economic rationality alone. For example, some companies have introduced salary structures that include overtime pay, as a way of discouraging employees who work specifically to earn overtime pay. However, working hours have not decreased at all in many of these companies (in some cases, working hours have even increased). From a comparative perspective, the ineffectiveness of these measures could be explained to a certain extent by differences between countries' tax systems, as pointed out by Prescott (2004). However, it would be overly simplistic and unconvincing to suggest that working hours in Japan could be reduced if (for example) the marginal tax rate were raised to European levels, without taking account of the cultural and contextual characteristics of the countries in question.

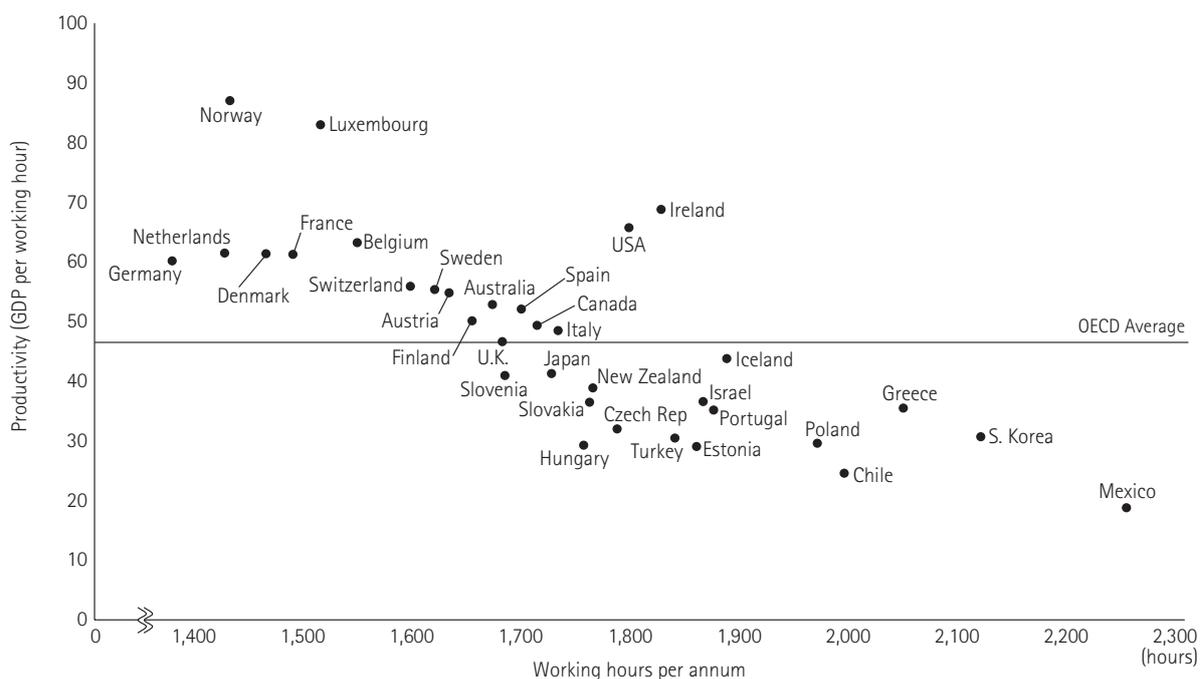
The problem of long working hours in Japan will not be corrected through monetary incentives or by changing the legal system alone; the problem is more deeply rooted. In statistical terms, even if we estimate working hours by including observable (or measurable) characteristics such as reward structures or tax systems, the model would have little explanatory power and its implications would be limited. The main reason why the working hours issue has escaped the policy remedies is that its cause is not observable.

In this paper, I argue that the essence of the long workday problem resides in a complex location, embedded in social norms and employment practices that elude measurement. Effectively tackling the problem requires both an economic approach accounting for the underlying incentive structures, *and* a sociological approach understanding the social-institutional context of the Japanese workplace.

II. Why long workdays are a problem

From the perspective of human resources, long workdays are a problem because:

1. *Long workdays produce waste and inefficient allocation of human capital.* Both at the firm and macro-economic levels, Japan is less productive than the OECD average. Return on equity (ROE), one indicator of corporate performance and profitability, is far lower than their counterparts' in Europe and in the U.S.¹ meaning that they are using capital less efficiently than their Western counterparts do. As a result, how to improve the productive use of capital is a major concern currently in Japanese corporate governance. If the concept of capital is understood broadly to include human capital, the same discussion applies. Figure 1 shows the relationship between working hours and productivity (expressed as GDP/ working hours) in OECD countries. The correlation between the two is -0.78, and is statistically significant ($p < 0.001$). Japan's labor productivity is lower than the OECD average; in other words, the output does not measure up to the input of these long working hours. At the macro-level, the inefficient use and allocation of human capital is a major concern for industry. Somewhere in the context of Japanese work culture, there is a built-in inefficiency. A central and pressing question for Japan is how we can raise the productivity of our human capital.
2. *Long workdays make it harder for people to balance work with private life.* People are multi-dimensional beings who seek to develop in a range of areas, and to live not only as workers but also as family members, caregivers, and more. Given that time is a limited resource, allocating too much time to work would lead to a loss of leisure. Particularly in recent years, overwork has prevented workers from achieving a work-life balance, and the "crowding out" effect of work on marriage, family life and caregiving is a serious concern. The problem of long working hours is closely linked to that of declining fertility (Ikeda 2010).



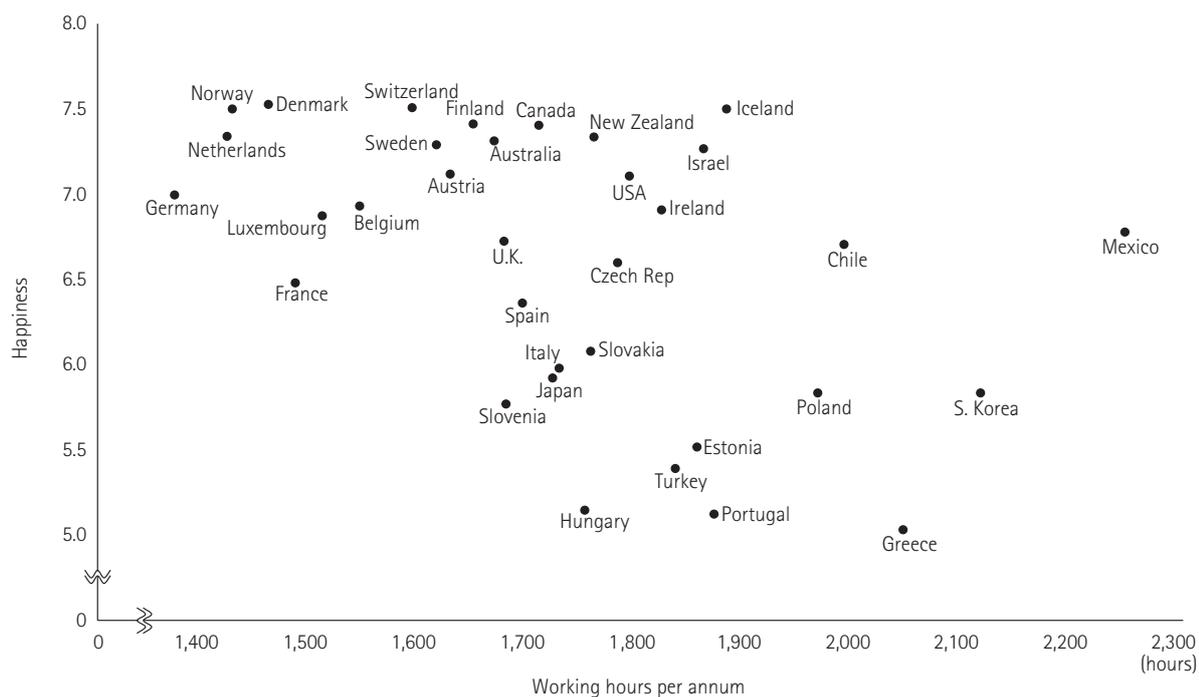
Source: OECD statistics, stats.oecd.org, 2015.

Figure 1. Relationship between working hours and productivity

3. *Long working hours impedes the advancement of diversity.* A main assumption underlying Japanese-style employment practices was a traditional division of labor between the sexes whereby market work became a male domain while family and nonmarket work was left to women (a point we return to below). In a man-centered corporate culture, long workdays became the norm and an indicator of loyalty and commitment to the company. With women's greater participation in market work, however, this old division of labor between men and women is becoming untenable. Work practices premised on long workdays and overtime are increasingly problematic because they inhibit women's participation in the labor market.

Similarly, long workdays also marginalize foreign workers in the labor force. As globalization progresses and competition for human resources intensifies, superior talent will forgo employment in Japan if there is a significant disparity between the Japanese conventions and global norms. The result of one survey suggests that long working hours are the biggest reason why foreign students in Japan do not wish to enter Japanese companies.² In light of its looming labor shortage, Japan should be doing all it can to attract and retain the talent it is developing. Hence it is tragic that long working hours obstruct participation in the labor market by foreigners who receive their education in Japan and aspire to work in Japan. Correcting the Japanese workday to match global norms is a top priority if we are to attract and retain superior human capital.

4. *Long workdays can stifle innovation.* Research in psychology has shown that abundant ideas and creativity arise when there is a surfeit of time (Carson, Peterson and Higgins 2003). Innovation does not arise in an environment where people are hard at work for long hours. The lack of innovation in Japanese companies is regarded as problematic, but a relaxed work style in which there is time to stand back and think, rather than being singularly devoted to work, may itself provide a solution to this problem.



Source: Data for total annual working hours are from 2015 OECD statistics, and for happiness indicators are from *World Happiness Report 2015*.

Figure 2. Relationship between total annual working hours and happiness

5. *Long working hours have a negative impact on health and wellbeing.* Continuously working long hours has been shown to cause both physical and mental stress on a significant scale, and to be detrimental to health (Ogura 2007; Yamamoto and Kuroda 2014). There is also evidence of a negative correlation between long working hours and subjective wellbeing. In their study of happiness among German workers, for example, Pouwels, Siegers and Vlasblom (2008) found that (1) more working hours leads to higher income, and (2) higher income increases happiness, but that because (3) longer working hours have the effect of reducing happiness, ultimately (2) is offset by (3).

Macro-level data also reveal a negative correlation between total annual working hours and happiness. Based on data from the 2015 *World Happiness Report* and OECD working hour data from the same year, the correlation coefficient between the two was -0.45, which was statistically significant ($p < 0.01$). Figure 2 illustrates this relationship. What is first noticeable is that Scandinavian countries like Norway and Denmark have both short working hours and high levels of happiness. By contrast, happiness levels are relatively low in South Korea and Greece, where annual working hours exceed 2,000. If we exclude exceptional cases like Mexico, where working hours are long but happiness is high, we can generally confirm a negative correlation.

III. What causes long workdays?

The Japanese employment system is best described as a cluster (or bundling) of complementary institutions whereby its essential parts, such as lifetime employment, seniority wages, job rotation and internal promotion, are bundled together. This complex system has an economic rationality, and an equilibrium is maintained through their complementary and reinforcing relationship (Aoki 1988). Here, I will examine long working hours as a by-product of the complementary nature of Japanese-style employment practices and the cultural characteristics underlying these.

1. Japan's input-oriented society

If “output = input × productivity,” input is represented by some unit of labor, such as the number of workers and working hours. Output may be raised by increasing input, productivity, or both. Until now, output has been raised by increasing working hours, i.e., by increasing input. By now, however, it is becoming difficult to increase working hours longer than they currently are, and if anything there is pressure to decrease working hours. The recent trend is to advocate “a shift from quantity to quality of work” — a transition of the focus of work from input to productivity.

Long workdays are a symbol of an input-oriented society. Under seniority-based pay, one of the pillars of the Japanese employment system, wages rise automatically in accordance with years of service. Rather than output and performance, this system rewards input in the form of commitment and loyalty to the company. In fact, research by Kato, Kawaguchi and Owan (2013) using internal company data has demonstrated a positive correlation between the number of working hours and the probability of promotion. In research by Ono (2007) using the dataset *Working Persons 2000* (Recruit Works Institute), regular employees in Japanese companies most frequently cited working hours and years of service when answering the question “What are the main factors that increase or decrease your pay (monthly salary)?” By contrast, the most common responses by regular employees working for foreign companies (in Japan) were individual ability, performance, and outcomes. Clearly, the former responses are input-oriented, while the latter are focused on output and productivity.

Another reason why the input-oriented wage system took root is that input (in the form of working hours and years of service) is easier to observe than is output. As explained in Lazear (1986), “piece rate” or performance-based pay is a remuneration system in which output and pay are synchronized. On the other hand, “salary” refers to a remuneration system in which an amount is paid in accordance with effort or other input, and is not directly linked to output. Lazear (1986) further explains that (fixed) salaries are more often observed when output is difficult to measure, and results-based pay when the output is easy to measure. So, pay levels based on input for white-collar professionals whose output isn't easily measured, as in Japan's “*salari-man*” (salaried worker), is consistent with Lazear's theory.

Recent years have seen a shift from seniority-based to merit-based pay systems, particularly among large corporations. Most companies have introduced a hybrid system combining seniority-based and merit-based pay systems in one form or another, and wage structures based on seniority alone are becoming the minority.³ The biggest factor slowing full introduction of merit-based systems in Japan is the problem that “their evaluation standards lack objectivity and fairness.”⁴ Under a results-oriented system, outcomes have to be shown using quantified, objective indicators, rather than the vague input of “working hard.” Companies are still developing ways to establish better evaluation metrics for salaried workers.

2. More signaling, less human capital

Human capital theory informs us that workers invest in human capital to raise their own productivity. This neo-classical theory assumes complete and symmetric information: In the labor market, individual workers are aware of their own market value and demand a market wage that matches the value of their human capital.

If workers invest in themselves, they acquire general skills, but if a company invests in workers, they acquire firm-specific skills. A characteristic of Japanese workers is their preponderance of firm-specific skills. Compared to general skills, firm-specific skills are less marketable and less portable. A higher share of firm-specific human capital (relative to general human capital) leads to lower worker mobility and at the aggregate level, a labor market characterized by less fluidity. At the same time, because firm-specific skills are “embedded” in companies, their market value is unknown (in theory, the market value of firm-specific skills is zero). The low fluidity of Japan's labor market is due largely to workers' lack of understanding of their own market value. Many Japanese workers simply “do not know how to change jobs” (Ono and

Rebick 2003).

Even if individual workers had an accurate sense of their own market value, Japan's labor market would not necessarily operate according to economic theory. To inform others of our own market value, we need to sell (or market) ourselves directly and provide information appealing to employers. But the Japanese have an aversion to direct communication and self-promotion, and tend to be unduly modest when describing their own merits and strengths. Instead, they adopt a passive attitude and tacitly assume that others will know their merits. In other words, the labor market posited by human capital theory, in which workers compete against each other for better working conditions based on their market worth, may be a setting that is too direct for the typical Japanese worker.

When information between workers and companies is incomplete or asymmetrical, there is a stronger tendency to use signals corresponding to productivity rather than human capital. A classic example is the use of educational credentials in the job market. A stronger educational credential acts as a stronger signal for higher productivity than does a weaker credential, and therefore weighs heavily for Japanese companies when hiring. This less direct channel for conveying one's merits may be better suited to the Japanese character.

If an evaluation system is based on input, there is an incentive to increase input. In workplace environments where signaling is important, workers try to strengthen signals that show how much effort they are making, rather than increasing their own productivity. In particular, "*ganbaru*" or "working hard" has been called a behavioral trait symbolic of the Japanese (Amanuma 1987). Steger (2003) explains that the Japanese have an abnormal obsession with "*ganbaru*," and that rather than achieving results through effort, the act of exerting effort in itself is highly prized. This reinforces the tendency to judge a poor outcome as arising not from a lack of ability but from a lack of effort, meaning that workers immerse themselves exclusively in their work (or are expected to do so) until they achieve the desired results. The appearance of sacrificing leisure time to devote themselves to their work without giving up is taken to symbolize "self-sacrifice," and is understood as a signal indicating loyalty to the company and motivation to work (Nemoto 2013; Tsuru 2010). Moreover, a corporate culture that emphasizes teamwork, as Japan does, also makes it difficult to measure individual contributions with precision, and increases the dependence on signals.

There is plenty of evidence that signals of input are valued in the Japanese work environment. As stated above, the fact that working hours and years of service are more highly valued than individual ability, performance, or output is proof of this. Much of this evidence comes from awareness surveys. In the "Individual and Company Surveys on Work-life Balance" conducted by the Cabinet Office in 2014, for example, workers were asked about their impression of "people who work overtime," from the perspective of superiors and coworkers. The most common responses indicated "positive impressions" exemplified by "people who work hard" or "people with a strong sense of responsibility," far exceeding the "negative impressions" of "people who work too slowly" or "people who want to earn overtime pay." As this clearly shows, the social notion that overtime = working hard = virtue is still strongly rooted in the Japanese psyche.

An interesting factor inhibiting the reduction of overtime may be a concern that overtime is seen as a positive signal, while returning home on time is seen as a negative signal. Similarly, the conspicuously low rate of taking paid leave and (men's) childcare leave in Japan probably has arisen because taking time off *in itself* is seen as a negative signal, regardless of how (or whether) taking time off affects outcomes.

The company version of the Cabinet Office survey mentioned above also included a question about workers who go home on time. Specifically, when asked about the personnel evaluation of workers who "hardly ever work overtime or come to work on days off, but finish their work on time and go home," 74% of companies responded that this is "not taken into consideration in personnel evaluation."

In other words, there is a wide discrepancy between workers and companies in their perceptions on

working hours and evaluation. Since workers assume that input is valued, there is little incentive to reduce working hours. Conversely, companies deny the input-based approach and take the position that working hours and personnel evaluation are unrelated (however, this position is sometimes contradictory, as will be discussed in section 6 “Gender division of labor” below). And as long as workers continue to value overtime as a virtue, the gulf between workers and companies will remain unbridged and the problem of long working hours will not be resolved.

A theme related to signaling is also found in the research by Steger (2003) on “dozing” (*inemuri*). The sight of the Diet members openly dozing off during live TV broadcasts is a phenomenon unique to Japan. Why is dozing so tolerated in Japan, not only in the Diet but also in public transportation, classrooms, and meetings? Steger explains that in a country that values “*ganbaru*” and “working hard,” dozing is regarded as proof that a person is tired from working too hard. In other words, dozing is a signal of loyalty and diligence, and is regarded as an act that is not necessarily detrimental. Dozing is a by-product of the input-orientation that values effort; this must result from a unique behavioral trait of the Japanese, i.e. a combination of “*ganbaru* = working hard” with “*amae* = presuming the indulgence and dependence of others.” But while dozing certainly could act as a signal conveying commitment, it obviously also has a negative impact on productivity. In a corporate culture where productivity is prioritized and *amae* or self-indulgence is seen as a weakness, dozing will not be tolerated. It will be seen as lacking attention and seriousness, and could easily be construed as a negative signal.

The sight of people immersed in their work may be pleasing to employers, but if the employees work to the point of sleep deprivation, their productivity per hour will decrease due to diminishing marginal product. In an international comparison of sleeping hours (2009 OECD data), the countries with the fewest hours were South Korea (7 hours 49 minutes) and Japan (7 hours 50 minutes). This was a whole hour less than France, the country with the longest sleeping hours (8 hours 50 minutes). On the other hand, productivity is by no means high in Japan and South Korea; that of France is higher (Figure 1) (interestingly, France is also higher than Japan and South Korea in terms of happiness — see Figure 2). While there is no strong correlation between hours of sleep and productivity, Japan’s productivity (during the day) might rise if hours of sleep (at night) could be increased. It might even be effective to introduce scheduled time for dozing, as some companies are doing.

3. Group awareness and hierarchical relationships

In Japan, many employees worry about the atmosphere in the workplace even after finishing their work, or are reluctant to go home because their boss is still in the office. One downside of Japanese society is that group awareness can be overly dominant and hierarchical relationships too rigid. The custom of “*tsukiai zangyo*” (collective overtime), whereby going home on time makes people feel badly vis-à-vis their coworkers could be a uniquely Japanese phenomenon.

In a labor market where results and productivity are evaluated properly, there is no value in emitting signals that indicate effort or working hard. In European and American labor markets, where the introduction of results-based evaluation has a longer history, the perception of overtime as a virtue is much weaker; instead, there are strong incentives to finish work quickly and go home early. According to empirical research by Yamamoto and Kuroda (2014), in fact, Japanese employees returning from business assignment in Europe work significantly fewer hours than before their assignment overseas, even when changes in the volume of work and economic environment are controlled for. The authors explain this as the peer (or neighborhood) effect, whereby individuals adjust their behavior in response to their surroundings. In other words, Yamamoto and Kuroda established empirically the level to which Japanese workers are sensitive to the immediate work environment. The interview survey also reconfirmed that long working hours, perceived positively in Japan, are not valued highly in Europe. This very interesting finding reveals a blind spot in Japanese-style work practices, once exposed to the outside.

4. Internal labor market

In an internal labor market that assumes a long-term employment relationship, employees are trained and staffing needs filled internally, without the company depending on external sources. Employees rise through their organization internally in an upward spiral through job rotations in various divisions of the organization. Because employees' job descriptions are not clearly defined, they respond flexibly to these varied job assignments within the company.

The lack of clear boundaries between job descriptions also means that there is little specialization and division of labor within these companies. Rather than creating groups of experts in which individual workers specialize according to their comparative advantage, the internal labor market setup creates generalists who can handle a wide range of jobs. And because staffing needs are met internally as the need arises within the organization, the range of employees' responsibilities can expand without boundaries.

Education and training by Japanese companies is heavily weighted toward firm-specific rather than general skills, and is often conducted internally. The classic example of this is on-the-job training (OJT). OJT usually takes the form of a senior employee instructing a junior, meaning that at least two employees are tied up at any one time. In a 2005 survey by the Japan Management Association, the reasons given for the need to work overtime included "because I am training a junior employee" and "because I am in charge of instructing and training non-regular staff" (Sato 2008). Although researchers have not accurately ascertained the proportion of working hours allocated to training and guidance, the share is not negligible. Undoubtedly, this gradual swelling of work that is not directly related to core duties or functions is another contributor to long workdays.

5. Ambiguous job descriptions

Let's look closer at ambiguous job descriptions as a cause of long workdays, in their own right. The implicit nature of Japanese employment relationships is very different from the explicit nature of Western-style employment relationships. In an implicit contract, the job description and range of responsibilities are not clearly defined, and any directive from the company must be followed even if the tasks involved are not directly related to one's job. The examples are countless — the young employee sent out to reserve space for the cherry-blossom-viewing party in the springtime, university faculty assigned to proctor college entrance examinations, bilingual employees asked to accompany a superior as an interpreter, and so on. This practice is regarded as normal in Japan, but from the perspective of other cultures, it isn't.

In the Japan-Europe comparison mentioned above, Yamamoto and Kuroda (2014) assert that the practice of clearly defining job descriptions in European workplaces makes it difficult to assign locally-hired staff to unspecified tasks. In employment relationships governed by explicit contracts, workers can deny requests that fall outside their delineated responsibility. But in employment relationships governed by implicit contracts as in Japan, with its rigid hierarchical relationships and strong group consciousness, the dominant culture makes it hard for anyone to refuse when asked to perform a task, however irrelevant to one's core function.

Take schoolteachers as an example. According to a 2013 OECD survey, junior high school teachers in Japan worked 53.9 hours per week, far exceeding the OECD average of 38.3 hours. If we then look at the breakdown of working hours, time allocated to classroom teaching accounted for 33%, lower than the OECD average of 50%. In other words, a mere third of schoolteachers' labor is allocated to teaching, their main function, while two-thirds are devoted to other work. Yufu (2014) further shows that middle school teachers work more than two hours overtime every day, and that about 10% of them work at least 15 hours overtime per week. In her research, teachers list attending meetings, preparing materials, or leading extracurricular clubs on weekends as the main causes of overtime work.

6. Gender division of labor

A representative feature of Japanese-style employment practices is seniority-based pay, a compensation system originally premised upon “sustenance of a reasonable standard of living that includes workers’ families” (Ishizaka 1973). The original idea was that the salaries paid by companies were to support workers’ families, and the amounts were high enough for only one spouse to work. This led to a division of labor between the sexes whereby men devoted themselves to work and women to the home. As such, Japan’s postwar division of labor between the sexes and its employment practices are highly complementary and inseparable in nature; neither can be discussed in isolation from the other.

The economic boom era firmly set this division of labor into place. Social values supporting the division of labor became fixed, and the image of the man devoting all his energy to his work while the woman protected the home and raised the children became idealized and romanticized.

The traditional division of labor defines and distinguishes “masculinity” and “femininity.” Deviating from those predefined gender roles signifies status inconsistency, causing conflict with social perceptions. As argued by Taga (2011), the salaried worker as the standard model for the Japanese is not a model of “femininity,” but of “masculinity.” The general custom was that the wife worked only when the husband’s income alone might not be enough to sustain an “average” family life, and even then, only to an extent that would not get in the way of her home responsibilities (Taga 2011: 22). The related systemic features persist. Under today’s tax code, the wife forfeits her spousal deduction if her annual income exceeds a certain amount. This tax scheme reflects the social concept of “the wife working as long as there is no interference” (Taga 2011) and reinforces the traditional division of labor between the sexes.

In many countries, there is a certain asymmetry in the way society views long working hours by men as opposed to women. In Japanese society, where the image of immersing oneself in one’s work defines masculinity, and “working hard” and “not giving up” are regarded as virtues, men working long hours are acting consistently with expectations. Conversely, men finishing their work promptly and going home “earlier” is not consistent with the conventionally favorable image, and could make a negative impression on others. One hears anecdotes of men who could leave work on time, but say they “don’t want to go home.”⁵ Women, however, who put in long workdays are regarded as “working just as hard as men,” and this perspective shows that such behavior is not consistent with women’s traditional gender roles.

In the aforementioned research by Kato, Kawaguchi and Owan (2013) using internal company data, they confirm firstly that there is a positive correlation between working hours and the probability of promotion, and that there is a significant disparity between men and women in this correlation. Specifically, there is no gap between men and women at annual levels of working hours up to 2,200, but beyond this number, the probability of promotion for women significantly exceeds that of men, *ceteris paribus*. The authors explain that long working hours for women are more highly evaluated than those of men because they send stronger signals of commitment: the perception is that burdens of housework and parenting have not affected these women’s performance on the job.

Nemoto (2013) gives a detailed portrayal of the context of Japanese male-centered workplaces, based on interview surveys. Long working hours are seen as a sacrifice to the company, and women are criticized as disloyal if their time commitments are not on par with the men’s. Many women drop out because they cannot keep up with the time demands of the male-centered work culture. From interviews with female employees, on the other hand, Nemoto points out that the Japanese work culture offers women a way to “opt out.” Some female employees explain that, if anything, men’s careers are more constrained because men cannot opt out, and that they sympathize with men because most continue to work long hours until they retire.

Incidentally, evidence of gender asymmetry in long working hours has also been reported in Western countries. For example, Cha and Weeden (2014) revealed that 10% of the gender wage gap in the U.S. could be explained by the gender difference in rates of participation in long working hours. The rate for

women is inevitably lower, due to the weight of their housework burdens. In terms of career building, men have an advantage in that they can commit themselves fully to their work. In another study on dual earner households, Cha (2010) revealed that, while the wife's probability of quitting her job rises as the husband's working hours increase, the reverse does not hold true. Hewlett (2002) put the spotlight on gender asymmetry in elite formation in the US elite women in the U.S. have to choose between a career and their family at some point, but men can continue their careers without any particular constraint. Hewlett explains that, because women cannot commit themselves to their work to the extent that men can, sooner or later they drop out of the elite career track.

Liff and Ward (2001) focused on gender asymmetry in the promotion structure of UK banks. Long working hours have become the norm in banks, and promotion is determined by whether or not the employees can do them. Female employees who have responsibilities at home cannot keep up with the culture of long working hours and are therefore disadvantaged in terms of promotion. In banks where the custom of long working hours is very strong, women fear that even asking about the possibility of shorter working hours would be interpreted as a lack of commitment, and so choose to say nothing. Raising children means giving up their career track in these UK banks.

Research from Sweden by Albrecht et al. (1999) shows that workers who take childcare leave earn less than those who don't. They go on to show that this "childcare penalty" is larger for men than for women. The phenomenon of wages falling when a career is interrupted has conventionally been explained as a depreciation of human capital. However, the authors explain that the childcare penalty for men is due not to human capital depreciation but to signaling. In the labor market, male workers who take childcare leave are seen as being less committed to their work, while those who don't take leave are more strongly committed, the latter being rewarded with higher wages. This is very interesting research which exposes the fact that even in a gender egalitarian society such as Sweden, there is evidence of gender asymmetry leading to wage inequality.

Reducing long working hours is going to require a major realignment of the traditional gender division of labor. Having been sustained for so long, however, this division of labor will not change quickly. Taga (2011) describes the working environment of salaried workers more recently as "a clash between two conflicting forces, one pulling them in to work, the other pushing them out to their homes" (Taga 2011: 36). Masculinity used to be singularly defined around the concept of work, and the male identity was easy to understand; men were appreciated and enjoyed the praise of their family and peers as long as they worked hard. But men's sphere of responsibility is changing, and boundaries in the gender division of labor are being redefined.

Households with full-time housewives have decreased since 1980, and were overtaken by dual earner households in the 1990s; in 2014, they had fallen to a ratio of 38% of all Japanese households (Ministry of Health, Labour and Welfare statistics for 2015). As more women started to work outside the home, there was growing pressure on men to make a contribution at home. Meanwhile, the "principle of self-responsibility" symbolized by results-based evaluation has grown stronger, and salaried workers are now being expected to make bigger individual contributions to the company as well. What is new here is that salaried workers now face a conflict between work and home.

IV. Conclusion

In this paper, I have raised the problem of long working hours as a by-product of Japanese-style employment practices and cultural characteristics. The Japanese employment system was once seen as a source of national strength, but now their shortcomings are under scrutiny. The system is harshly criticized as an obsolete system, out of touch with the demands of today's changing labor market and demographics.

In 2015, there was a TV drama called *Shitamachi Rocketto* (Downtown Rocket). This was a dramatized story about a plan to develop rockets in a small factory, and it carried an interesting catchphrase: "The

story of a man who refused to give up his dream.” First, the fact that the story was about a man (not a woman) emphasizes the fact, as stated above, that work lies in the man’s domain, and that the image of a man thoroughly immersed in his work is still being romanticized. The image of a hardworking man who refuses to give up and valiantly continues to do his best appeals to Japanese national culture and values. A scenario in which he rationally takes stock of the situation and gives up his dream is inconceivable. And if he decided to work shorter hours and try to go home on time, he would not look very good. The values that support the popularity of this drama are closely linked to the reason why long workdays persist in Japan.

What lessons can help Japan shorten its workdays? One is to shift the input orientation to an output orientation, but that transition will require specific steps and measures. Let’s consider which could be effective in the Japanese context.

1. *Boosting productivity and eliminating wasteful practices should be top priorities.* In the Toyota-style production method, waste is defined as “actions and results that do not add value.” Toyota thoroughly researched its manufacturing processes and identified seven types of waste, including overproduction and excess inventory, which it then eliminated rigorously from its production. The Toyota method subsequently had a huge impact not only on the automotive industry, but also on operations management and production processes across industries, and attracted attention from all over the world. It should be possible to apply Toyota’s waste elimination approach to the work and employment practices. It is also worth discussing ways of incorporating artificial intelligence (AI) and robots, which are expected to make daily operations more efficient and improve productivity.

Undoubtedly, there are a lot of built-in inefficiencies in the work styles of Japanese people. In an interview-based study, Yamamoto and Kuroda (2014) were told by one interviewee that Japanese workers “work efficiently to do inefficient things.” Work styles that place form above substance, as in the insistence of formality when unnecessary, or in the circular requests for approval and consensus to sign off on particular decisions is taking time away from the core activities. Steger (2003) explains that one reason why dozing is accepted in meetings or during classes is because the Japanese believe presence is important, whether or not the presence is active or passive. This line of thinking must be challenged to eliminate waste and inefficiency.

Konosuke Matsushita made this famous pronouncement: “To work one hour more than others is noble. This is effort. This is diligence. But it is also noble to work one hour less than before, and yet to produce better results.” The Japanese have amply shown that they are diligent. But now they must show that they are also productive and can manage their time sensibly. Perhaps the focus could shift to rewarding people for producing the same or better results in a shorter time.

2. *Merit- or performance-based reward systems must be fully implemented.* The majority of companies today have introduced merit-pay in one form or another, but they are mostly combined with the seniority system, and it is unclear to what degree merit-based wage systems are actually functioning.

An ideal merit-based pay system is one in which an individual’s output and contribution are evaluated and rewarded fairly, objectively, and accurately. At present, it is hard to say that the system is operating well, as there is much dissatisfaction with the evaluation system. Because the evaluation is judged not on the number of hours worked but on result, input orientation will inevitably shift to output orientation. Along with this shift, signaling activities that indicate effort and loyalty will lose their value and incentives to increase productivity and produce outcomes will start to operate.

3. *Job descriptions must be clearly specified and specialization established.* A deeply rooted aspect of current work styles is that it is difficult to refuse work not directly related to one’s own. Jobs and areas of responsibility need to be clearly specified and job specialization created.

One possible measure is to produce work manuals. According to a 2013 survey by the Japanese Trade Union Confederation, the number one reason why workers were unable to take childcare leave when they wanted to was that “There is no one to substitute for me.” This has also been cited as a

major reason why overtime has not decreased, and is purely because work styles depend too much on individuals. If knowhow is embedded in people, they cannot entrust their work to others because they can't explain it properly. As Nonaka (1990) explained in his theory on knowledge creation, what is required is an externalization process whereby "implicit knowledge" is expressed formally, manifested as "formal knowledge" that can be recognized by anyone, and conveyed to third parties. Work environments should help people entrust their work to others, by recording knowledge and knowhow in manuals and sharing them.

Organizations enjoy high productivity when they respect specialization and comparative advantage, allowing individuals to specialize in work according to their talents and abilities. However, inefficiencies abound in organizations that assign even routine tasks unrelated to individuals' specializations. For example, by forcing their faculty — specialists whose core competency should lie in research — to spend two full working days to proctor entrance examinations, universities may economize on costs in the short term because they can avoid outsourcing. But the faculty losing those two days proctoring will have to make them up at some other time, and the opportunity costs are immeasurable.

To reduce working hours, we absolutely must clarify the boundaries of work responsibilities and duties and create systems in which workers can concentrate on their core competencies and therefore, contributions. Some middle schools are starting to reduce teachers' workload if tasks are not aligned with their main responsibilities. For sports, for example, hiring external coaches and experts releases teachers from extracurricular after-school and weekend activities.⁶

4. *Organizations must adopt a more top-down approach to shortening workdays.* The reason why subordinates are reluctant to leave while their boss is still in the office is that hierarchical relationships are woven into corporate culture. To break this cycle, bosses must themselves prioritize shorter working hours and offer an example to their subordinates. No reform can be expected of organizations where the bosses themselves always stay late.
5. *Improving performance sometimes depends on a paradoxical concept: Instead of working more, workers should place more distance from their work.* A healthier relationship to their work will help employees generate more creativity and innovation. Distancing oneself from a high-pressured environment and initiating a change of tone and pace can lead to richer ideas and more effective, original ways to solve complicated problems (Carson, Peterson and Higgins 2003).

The measures I describe above do not amount to totally dismantling the conventional Japanese-style employment practices. By no means should we conclude that an American-style labor market with a strong short-term orientation and high labor fluidity would suit Japan. I believe it is possible to preserve the advantages of Japan's approach while addressing the weaknesses. What is undeniable is that Japanese-style employment practices have been formed from the mutual complementarity of its institutions. Tackling the long workdays issue properly will disrupt the old equilibrium; there will be some instability until a new equilibrium settles. Features that have always been regarded as normal will no longer seem so, and this will be painful for individuals and organizations. The changes will be met first with organizational inertia, with considerable resistance from those who benefit most from the status quo.

Indeed, two factors that will complicate reform efforts are the "observable" formal barriers of legislation and financial incentives, and the "unobservable" informal barriers of social customs and cultural characteristics. Formal barriers are easily managed by revising or amending systems. But because informal barriers are unobservable, corrective measures are not easy to design. Informal barriers are more deeply rooted, and are invariably troublesome: Even when reform efforts remove the formal barriers, the problem digs stubbornly in because the informal barriers remain. For example, to reduce overtime, some companies have resorted to turning off the office lights and forcing

employees to leave the premises at pre-determined times. Measures like these may be convenient for management because they are easy to execute, but they are unpopular with employees.⁷ This discontent is understandable, as the company is merely transferring the problem from managers to employees, without trying to treat the cause of the problem. To remove informal barriers, though, the cause of the problem will have to be addressed after first “making the unobservable observable” through interview surveys, awareness surveys and the like.

Technological progress has shown that progress works first through hardware and infrastructure development, then through software development. In Japan, the “infrastructure” of work-life balance is gradually being built, and is now close to achieving parity with EU standards. But the rate of childcare leave by men is still less than 10% (as of December 2017). In other words, despite the changes made to the infrastructure, attitudes and awareness (particularly amongst men) have not moved.

It is not only in Japan that change is slow. Dahl, Løken and Mogstad (2014) explain that even in Norway, a country that boasts the world’s highest levels of childcare and work-life balance, it took a considerably long time for childcare leave-taking by fathers to become established. Over time, the leave provisions were amended a number of times. Under a system introduced in 1993, the government gave fathers one month’s paid leave if they took childcare leave. As a result, the leave-taking rate jumped to 35%, from 3% before the amendment. The rate continued to rise thereafter, reaching nearly 70% in 2006. The authors explain that the sudden increase in the diffusion rate was due to the peer effect. Specifically, they demonstrate that when the brothers or work colleagues of fathers eligible for childcare leave had themselves taken childcare leave, the leave-taking rate by those eligible fathers rose significantly. Norway has a culture of sensitivity to peer opinion, and workers seem to resist taking childcare leave if the leave-taking rate in their own workplace is low. However, the authors show that, as the leave-taking rate rose, hesitation diminished until eventually a critical mass emerged in which the whole setting became better disposed to men taking childcare leave.

This research is richly suggestive for Japan where workers are so deeply sensitive to their peers and to the surrounding environment. At the moment, with the childcare leave-taking rate standing at less than 10%, many eligible fathers initially may resist taking it. However, as the leave-taking rate rises until it reaches the tipping point, the diffusion rate is expected to increase in an S-shaped curve.⁸ The day may not be so distant when it becomes the norm for fathers to take childcare leave and the culture’s accepted definition of masculinity is revised.

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Notes

1. ROE in Japan is 5-6%, lower than in the USA (15%) and Germany (10%). *Kigyo tochi de dou kawaru* [What difference does corporate governance make?], Nihon Keizai Shimbun, July 23, 2015.
2. Data from the Japan Association for Promotion of Internationalization.
Source: Shinjin ryugakusei ga tsukitsukeru “Nippon? No.” [Criticism from new international students: “Japan? No?”], Nikkei Business Online, April 1, 2016.
3. According to the *2007 White Paper on the National Lifestyle*, 80% of large corporations had introduced performance-based wage systems. Data from 254 listed companies used by Kato and Kodama (2015) show that only a few percent had introduced performance-based wage system in the 1970s, but that it had spread to over 70% by 2012.
4. In a survey by the Nihon Keizai Shimbun, Inc., the response rate for “Dissatisfaction with personnel evaluation” was 40%, and the most commonly cited reasons for this were “The evaluation standards are not clear” and “Evaluation is based on the personal likes and dislikes of the evaluators.” *Jinji hyoka ni “Fuman” 40% “Kijun aimai” de fukoheikan* (“40%” dissatisfied with personnel evaluation; “Standards vague” and sense of inequality) Nihon Keizai Shimbun, March 3, 2015.
5. *Zangyo ga heranai no wa ie ni kaeritakunai kara* [Overtime does not decrease because they don’t want to go home], Nikkei Business Online, July 19, 2016.
6. NHK Ohayo Nihon Digest, *Kyoin no chojikan rodo kaizen ni mukete* [“Toward an improvement in teachers’ long working hours],

July 19, 2016. <http://www.nhk.or.jp/ohayou/digest/2016/07/0719.html>

7. From a survey of regular employees by the Cabinet Office (2014). The least popular response to “Initiatives you consider effective in reducing overtime” was “Enforced lights out in the office.”
8. On “critical mass” and “tipping point,” see, for example, Schelling (1988).

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Challenges for Workplace regarding the Autonomy of Working Hours

Perspective for the Prevention of Overwork



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This paper discusses issues of time management in Japanese companies. In particular, it reveals the fact that even workers who are employed under “discretionary working system,” having much freedom to decide their working hours as a formality, could become overworked as they are unable to control their daily work and hours as they would wish. The analysis shows that, firstly, when their specific work contents (volumes and deadlines) are decided (unilaterally) by a company or a manager, working hours could increase even though workers have freedom to decide their working hours. However, this is not the only case in which workers could become overworked. Even if workers have some autonomy in the relationship with their company or manager, it is difficult to prevent overwork caused by excessive attention to the client convenience when the detail of their work is determined by the relationship with clients. With a view to preventing overwork, appropriate work management is strongly required to prevent employees from succumbing to a situation in which they have scarce control over their working hours.

- I. Introduction
- II. Autonomy in relation to working hours: Previous research
- III. Focus and method of analysis
- IV. Analysis
- V. Conclusion

I. Introduction

This paper discusses issues of workplace management with regard to working hours. In particular, it examines situations in which even workers who are employed under “discretionary working system,” having much freedom to decide their working hours, could actually become overworked as they are unable to control their daily work and hours as they would wish, depending on the nature of the job and the workplace. Then, appropriate management for employees who are given working time autonomy as a formality will also be considered for the purpose of preventing overwork.

On the subject of working hours, reducing working hours remains an important policy issue. Previous research has discussed issues of working hours from the standpoint of workers’ health or work-family balance, etc., often appearing as a problem of long working hours. The characteristics of jobs and workplaces have also been discussed as factors lying behind long working hours, in addition to individual attributes.¹ Needless to say, a research concern over long working hours will continue to be important in

future, and reducing working hours is undoubtedly an important task in terms of labor policy as well.

It is worth noting, on the other hand, that if too much focus is placed on the “length” of working hours, certain other aspects tend to be overlooked. On this point, it has also identified problems that are not necessarily caused by the quantitative “length” of working hours. Problems such as “nonstandard” work schedules are an example of this, a characteristic of these problems affected by “when” the work is done. Specifically, as working styles involving evening and night work, weekend work and shift work have proliferated due to the increasingly service- and data-oriented nature of the economy, the adverse impact of these on family life and health has been studied.²

On this point, if workers can decide for themselves “when (or how) to work,” it may be great advantage even though working the same length of hours. The effects of this “self-decision” of working hours have been verified in many studies.³ On the other hand, it has also been pointed out that self-decision of working time sometimes makes it difficult to separate working time from non-working time, making it harder to be freed from work.⁴ To put it briefly, people who enjoy autonomy of working hours could fall into a state of “working whenever and wherever,” leading to the risk of overwork that eats into time for family life. Previous research regards overwork of IT engineers and other specialist technical professionals as particularly problematic, and states that these working styles, even if motivating, could carry “hazards” such as the risk of health impairment.⁵

Based on this kind of previous research, it is not enough to look simply at the length (quantity) of working hours when discussing the risk of overwork in self-decision of working hours. To be exact, consideration should also be given to the qualitative aspects of working hours, or the “significance of time,” in the sense of what kind of working hours (e.g. worker’s experience of working hours) they are. For example, even though working the same length of time, problems might be fewer if workers could clearly separate work and private life, according to their own convenience. Conversely, it would be a problem if a lack of control over time made it more difficult to secure time to be freed from work, causing a constant state of alertness. In other words, it would seem that the problem must lie in the very state of “overwork,” in which working hours could be controlled as one would wish. Based on this research concern, this paper will examine the overwork of people who are given working time autonomy as a formality, which is a state as they are unable to control their daily workload or time as they would wish.

II. Autonomy in relation to working hours: Previous research

In previous research, the key to securing substantial autonomy of daily working hours (i.e. when and how long to work) is seen to lie in the degree of discretion over work tasks. Even if there is outwardly autonomy of time, that autonomy will not function in a form that provides advantage to the worker if there is too little discretion over work tasks.

Task discretion refers to worker’s control over decisions related to their jobs.⁶ The relationship between this discretion and working hours would be a particular point of contention for workers who are given working time autonomy as a formality. This is because, when it is difficult for the employer to control or monitor the way the work is carried out, the actual working style will differ greatly depending on what sort of task discretion individual employees have.⁷

On this point, one would again draw attention to the studies that distinguish “discretion over work volume” from “discretion over work processes.”⁸ Specifically, in relation to white collar workers in Japan, it has been said as problematic that discretion over work volume is often poor, even if there is a certain degree of discretion over work processes. As a result, work targets decided by the company or manager are often at levels that could only be attained by working long hours; even if working hours are decided by the worker in a nominal sense, there may be cases in which there is no option but to work long hours. Previous research suggests that having discretion over the work volume in the relationship with the employer (company or manager) holds the key to securing workers’ control over their working hours.

So, will the problem go away as long as discretion can be secured in the relationship with the company or manager? In the previous study, certainly, workers' autonomy has often been conceptualized as lying diametrically opposed to strict (rigid) employment management. With the conspicuous progress of information and services in recent times, however, there are some phenomena that cannot be explained by that framework. For example, even if workers enjoy autonomy in the relationship with their company or manager, there may be cases whereby, in relationships with clients, they are unable to control the pace of daily work due to the demands of tight deadlines or unexpected work requests, which leads to overwork. One may think that the smaller the involvement of the company or manager in the work, the more freely the workers can control their working hours, but that may not necessarily be the case. Rather, the company or manager could serve to make working easier by properly monitoring and managing the work situation of individual employees, thus forming a certain brake (barrier) against "client convenience."⁹ The overwork characterized by these working styles formed around client convenience may be contemporary issues.

Thus, it will probably be necessary to focus on two elements that could limit workers' control of daily hours. That is, a lack of discretion over work volume in the relationship with the employer is one thing, and working styles too closely formed around client convenience is another. From the next section, some analytical hypotheses will first be presented, followed by analysis of data.

III. Focus and method of analysis

1. Focus of analysis

White collar workers, especially who have high level of expertise or skill, could relatively be free from employer's constant monitoring or control. On these workers, to be able to control "when and how to work" without succumbing to overwork, discretion over daily work tasks, particularly discretion over work volume, is said to be an important element. As examined in the previous section, however, it is not sufficient merely to examine the relationship with the company or manager. In this paper, the focus will be on how work contents (volumes and deadlines) are decided, and two hypothetical cases will be presented in which control of daily working hours does not go as originally hoped.

The first is a case in which there is little discretion over the work volume in the relationship with the company or manager, in that work contents that should be met are determined unilaterally by the company or manager. In this case, although the worker may decide the work processes for themselves, they are often saddled with quotas that cannot be met without working long hours, and they risk succumbing to a situation in which control of working hours becomes difficult.¹⁰ This could be seen as a case in which the problem lies in "a surfeit of management."

The other case is a contrasting one, in a sense. That is, although there is a high level of discretion over work in the relationship with the company or manager, the worker tends to fall into a working style of "working whenever and wherever" owing to an excessive requirement for immediate response to demands from clients; self-decision of working time merely ends up overwork. In this case, the problem becomes more acute, if anything, if there is too little attempt by the company or manager to monitor or manage the work process. This is a case where the problem lies "a deficiency of management."

Moreover, as stated above, "overwork" for people who are given working time autonomy as a formality has aspects that cannot be fully grasped in terms of the length of working hours. On this point, the analysis in this paper will focus on the degree to which this involves working at night or at weekends, working at home, work-related contact outside the workplace, etc., as elements that constitute the state of overwork in addition to the length of working hours. Overwork as felt by working people has occasionally been broached as a subject for discussion in previous research.¹¹ In those explanations, however, the argument has often put so much focus on the situations such as work-life balance for women in the childrearing phase, the heavy workload on dual-income households¹² that they are relatively poor in implications for the nature of work and workplace management.¹³ The aim in this paper is to focus on how work contents are

decided, and to analyze cases in which control of working hours is limited and there is a risk of succumbing to overwork. Specifically, these are cases where decisions are made unilaterally by the employer, as well as cases where workers are expected to respond immediately to clients' demands, despite having a high level of task discretion in their relationship with the managers.

2. Method of analysis

The data used for analysis are taken from the “Survey on discretionary work and other working hour systems” (office survey and employee survey, 2013), but mainly from the employee survey.¹⁴ The analysis will be aimed at non-management workers employed under a discretionary working system.¹⁵

Discretionary working systems are applied whenever it is necessary, due to the nature of the work in question, to largely entrust the method of performing the work to the discretion of workers who are engaged in the work. The workers in question are then regarded as having worked a fixed number of hours agreed in advance between labor and management, regardless of the actual hours worked. There are two types of this system — the “discretionary working system for professional work” and the “discretionary working system for planning work” — depending on the type of work it applies to.¹⁶

Within the purport of discretionary working systems, workers employed under such systems could be said to be those who apply a high degree of discretion to the progression of their work (the method of work performance and the allocation of time), in a relationship with their employers. Even for these workers, however, the degree of control over daily work volumes and working hours will differ depending on the nature of the work and workplace. In the analysis below, factors that constrain daily time control which may lead to overwork will be examined, and appropriate ways of managing these employees will be considered.

IV. Analysis

1. How work contents are decided: the nature of work and workplace

First, let us start by confirming the types in which work contents assigned to workers (i.e. “what must be done by when”) are decided¹⁷ (Table 1). For workers employed under discretionary working systems, cases in which the company or manager has (unilateral) authority to decide, such as those “decided by the company or manager,” are relatively rare. Cases in which these are “decided by myself in consultation with the manager” are numerous among planning-type workers. In other cases, although the worker has the freedom to decide, they are ultimately “decided by myself in consultation with the clients” or “decided by myself in consultation with other team members” rather than being decided alone. These cases are particularly common among professional workers employed under discretionary working systems.¹⁸ Caution is required in connection with the workload decisions of specialist professionals, in that there are occasionally cases in which the relationship with clients also has to be taken into account, even if there is autonomy in the relationship with the workplace.

These types of deciding work contents are strongly linked to the degree to which managers are involved in (or instruct) the content of the work. If we look at the levels of work instruction by managers for the different types of deciding work contents¹⁹ (Table 2), “instructions only on basic matters concerning work objectives, etc.” accounts for the majority in every case. But when work contents are decided by the company or manager, some are given “instructions on the specific content of work,” which means that the work progression is not infrequently accompanied by specific instructions from managers. Against this, the ratio of “no instructions” from managers is relatively high when work contents are “decided by myself alone” or “decided by myself in consultation with the clients.” In other words, when work contents are decided in the relationship with clients, it is quite common for no work instructions at all to be received from managers, and in a sense, these workers are enjoying work autonomy in their relationship with managers and the workplace.

Table 1. Types of deciding work contents – by applied working hour system (‰)

	Decided by the company or manager	Decided by the manager based on my own opinion	Decided by myself in consultation with the manager	Decided by myself in consultation with the client	Decided by myself in consultation with other team members	Decided by myself alone	N
Discretionary working system for professional work	17.5	22.0	28.7	12.8	14.7	4.3	(1,436)
Discretionary working system for planning work	16.5	24.1	48.0	2.2	7.7	1.5	(588)
Normal working hour system	27.0	22.5	34.9	3.2	9.2	3.3	(1,469)

Note: Total of each row 100%.

Table 2. Degree of work instruction by managers – by types of deciding work contents (volumes and deadlines) (Workers under a discretionary working system) (‰)

	No instructions	Instructions only on basic matters concerning work objectives, etc.	Instructions on the specific content of work	N
Decided by the company or manager	7.2	66.7	26.1	(348)
Decided by the manager based on my own opinion	3.7	70.7	25.5	(458)
Decided by myself in consultation with the manager	6.3	78.2	15.4	(694)
Decided by myself in consultation with the client	23.9	65.0	11.2	(197)
Decided by myself in consultation with other team members	9.8	78.5	11.7	(256)
Decided by myself alone	40.8	54.9	4.2	(71)

Note: Total of each row 100%.

2. Working styles and working hours

Next, let us see how working styles differ depending on how work contents are decided. The first is differences in the nature of the work (Table 3). When work contents are decided by the company or manager, responses of “the range and targets of the work are clear,” “I can change the pace and process of the work” and “I can do a lot of the work on my own” are less common, suggesting that the worker has relatively little leeway for discretion. Other characteristics of this kind of work are that “the work volume is heavy” and “deadline and delivery times are tight.” On the other hand, when workers decide the work content themselves in consultation with clients, discretion over work is higher than when the company or manager has the authority to decide work contents. However, as well as the characteristics that “there are many demands from clients,” this kind of work also produces responses that “the work volume is heavy” and “deadline and delivery times are tight.”²⁰

Next, working hours and degree of overwork will be considered. As stated above, when examining workloads of workers who are given working time autonomy as a formality, it is not enough to look only at the length of working hours. This is because workers sometimes find it difficult to be freed from work not only because working hours are longer but also because of other aspects that cannot be measured with the length of time alone. Judging from Table 4,²¹ monthly actual working hours are longest when work contents are “decided by the company or manager.” The frequency of night work, weekend work, work-related contact outside working hours is particularly high when the work content is decided in consultation with clients.²² Finally, in terms of the degree of overwork (subjective measure), workers tend to be in a state of overwork when continuing this working style, in the sense that they have scarce control of working hours.²³

Table 3. Nature of the work (score) – by types of deciding work contents (volumes and deadlines)
(Workers under a discretionary working system) (point(s))

	The range and targets of the work are clear	I can change the pace and sequence of the work	I can do a lot of the work on my own	There are many demands from clients	The work volume is heavy	Deadline and delivery times are tight	N
Decided by the company or manager	3.05	2.72	2.76	2.54	2.93	3.16	(348)
Decided by the manager based on my own opinion	3.21	3.07	2.83	2.43	2.85	3.01	(458)
Decided by myself in consultation with the manager	3.30	3.28	2.87	2.43	2.71	2.87	(694)
Decided by myself in consultation with the client	3.14	3.09	2.86	3.18	3.01	3.32	(197)
Decided by myself in consultation with other team members	3.24	3.28	2.88	2.41	2.77	2.90	(256)
Decided by myself alone	2.97	3.72	3.49	2.11	2.76	2.72	(71)

Note: The survey used a 4-point system from "Applies" to "Does not apply," but the format adopted here is based on a comparison of points (i.e. "Applies" = 4 points, "Does not apply" = 1 point).

Table 4. Working styles and working hours – by types of deciding work contents (volumes and deadlines)
(Workers under a discretionary working system) (hours, point(s))

	Monthly actual working hours (average)	Frequency of night work (score)	Frequency of weekend work (score)	Frequency of working at home (score)	Frequency of work-related contact outside working hours (score)	Degree of overwork (score)	N
Decided by the company or manager	204.94	2.23	2.57	1.95	2.36	8.76	(348)
Decided by the manager based on my own opinion	200.65	2.16	2.48	1.89	2.26	8.37	(458)
Decided by myself in consultation with the manager	197.67	1.99	2.39	1.91	2.36	8.13	(694)
Decided by myself in consultation with the client	201.27	2.42	2.71	1.88	2.54	8.86	(197)
Decided by myself in consultation with other team members	198.70	2.07	2.52	2.02	2.40	8.24	(256)
Decided by myself alone	200.07	1.92	2.82	2.82	2.96	8.39	(71)

Note: The frequency of night work, weekend work, working at home, and work-related contact outside working hours was scored on a 4-point scale from "Often" to "Never," these being converted to scores in the same way as in Table 3. Indicators for degree of overwork (subjective measure) were scored on the respective frequency of "Find it difficult to divide up my daily work," "Feel pressurized by time" and "Cannot find enough time to do things for myself or my family because of my work" (4-point scale), and the total of the three was used (3-12 points). Reliability coefficient (Cronbach α) = 0.741.

3. The problem of overwork and management

How, then, are these working styles problematic? As seen above, the autonomous working styles of specialist professionals and others may well come with a sense of greater motivation, but they also carry "hazards" along with the risk of health impairment. According to Table 5,²⁴ job satisfaction among workers employed under discretionary working system appears to be slightly higher than among those under normal working hour system. Nevertheless, the section on "anxiety over continuing the same working style" in the same Table reveals that many of these workers feel anxiety, particularly those in professional work.

If we see this in terms of how work contents are decided, the problem becomes clearer. Judging from Table 6, where the scope is limited to workers employed under a discretionary working system, there is

strong anxiety over continuing the same working style when the company or manager has the authority to decide work contents, and also when work is carried out in a relationship with clients. For workers who are given working time autonomy as a formality, the problem of overwork is recognized by workers themselves as “a hazard of continuing that working style.”

Finally, what would be an appropriate management aimed at preventing overwork? About the case that work contents are decided by the company or manager, optimization of the work volume is an obvious requirement. But if work contents are decided in a relationship with clients, where does the role of management lie? As seen in Table 2, work instructions by managers are relatively few in this case, and the individual worker undertakes the work autonomously in a relationship with their manager. However, the very fact that time management is difficult means that it should be an important role for manager to actively monitor the state of work progress — i.e. what sort of work their employees are undertaking, with what volumes and deadlines, and what working style they are using. To look at it from the opposite angle, if the employee’s situation is only passively monitored, one might expect the employee to be governed by the client convenience, unbeknown to the company or manager, leading to an increased risk of overwork. On this point, the analysis for this paper examined differences in working styles depending on the activeness of the company or manager in monitoring work progress of individual workers, limited to cases when the work content was “decided by myself in consultation with the clients” (Table 7).²⁵ The results show, not only are the actual hours worked longer when the “company or manager is passive about monitoring progress” than when these are “active,” but the degree of overwork is also higher and anxiety over continuing the same working style is stronger.²⁶

4. Quantitative analysis for actual working hours

Based on the examination so far, quantitative analysis with controlled variables will now be used to verify how, for people who are given working time autonomy as a formality, working styles differ depending on the type of deciding work contents, and in what sort of cases these people would become

Table 5. Job satisfaction and anxiety over continuation — by types of working hour system (%)

	Job satisfaction					Anxiety over continuing the same working style				N
	Satisfied	Somewhat satisfied	Neither	Somewhat dissatisfied	Dissatisfied	Often	Sometimes	Rarely	Never	
Discretionary working system for professional work	21.2	42.5	14.4	17.6	4.3	18.3	38.6	34.3	8.8	(1,436)
Discretionary working system for planning work	24.7	45.7	14.6	11.6	3.4	8.8	34.9	41.8	14.5	(588)
Normal working hour system	20.2	40.5	18.9	14.9	5.4	14.7	36.9	33.9	14.5	(1,469)

Note: Total of each row 100%.

Table 6. Anxiety over continuing the same working style — by types of deciding work contents (volumes and deadlines) (Workers under a discretionary working system) (%)

	Often	Sometimes	Rarely	Never	N
Decided by the company or manager	21.3	44.8	26.4	7.5	(348)
Decided by the manager based on my own opinion	17.2	36.5	36.2	10.0	(458)
Decided by myself in consultation with the manager	10.8	35.3	41.5	12.4	(694)
Decided by myself in consultation with the client	23.9	38.6	28.4	9.1	(197)
Decided by myself in consultation with other team members	12.9	36.3	41.0	9.8	(256)
Decided by myself alone	9.9	31.0	45.1	14.1	(71)

Note: Total of each row 100%.

Table 7. Difference in working styles depending on the activeness of company or manager in monitoring progress (Workers under a discretionary working system, with work contents "Decided by myself in consultation with the client") (hours, point(s))

	Monthly actual working hours (average)	Degree of overwork (score)	Anxiety over continuing the same working style (score)	N
Company or manager is active about monitoring progress	196.49	8.55	2.66	(96)
Company or manager is passive about monitoring progress	205.81	9.16	2.88	(101)

Note: Here, "Anxiety over continuing the same working style" was scored "Often" = 4 points, "Never" = 1 point, and the averages were compared.

overworked. First, determinant factors related to the length of working hours will be analyzed.

In terms of decisions on work contents, two cases with regard to overwork were stated earlier, where the situation of daily work volume imposed by manager is one thing, and "client convenient" time autonomy is another. In the latter case, it was suggested that problems are particularly prone to arise when managers do not sufficiently monitor the work progress. This point will now be examined.

The method of analysis was OLS (ordinary least squares) regression, using monthly actual working hours (logarithm) as explained variables. Explanatory variables were the worker's age, gender, whether there were children up to elementary school age, the academic background, employer's industry, regular employee scale of the business, job type, whether a titled position or not, years of service, income, and the types of deciding work contents. In addition to these, variables for "passiveness in monitoring progress by the company or manager" and interaction terms between "passiveness in monitoring progress" and "types of deciding work contents" were also input. This was due to a research concern that working styles could differ depending on the manager's activeness in monitoring the situation, particularly when the work involves a relationship with the clients.

The results are shown in Table 8. As well as differences in relation to age, gender, children or not, industry, job type, and job title or not, the coefficient value (B) is significantly positive when work contents are "decided by the company or manager." Furthermore, when they are both "decided by myself in consultation with the clients" and the "company or manager is passive about monitoring progress," working hours become longer. This would indicate that working hours tend to increase when decisions of daily work contents are made in this way.

5. Quantitative analysis for degree of overwork

Next, determinants of overwork will be examined. Although one indicator of overwork is the length of working hours, as noted above, it should be noticed that the problematic nature of situations in which a person who is given working time autonomy as a formality ends up "working whenever and wherever" cannot be characterized only by the length (number) of working hours alone. Based on this research concern, how overwork occurs depending on types of deciding work contents will now be verified.

The method of analysis was OLS regression, with "degree of overwork," used as the explained variable with a value between 3 and 12 (points). Control variables are same as in Table 8. The analysis first verified the direct impact of the way of deciding work contents (Model 1), then examined changes in the result after additionally inputting variables related to working styles and working hours (Model 2). This was based on the research concern that working styles and working hours differ according to how work contents are decided and how work progress is monitored, and that such working styles or working hours would directly forms the sense of overwork.

The results are shown in Table 9. Starting with the results of Model 1, females with children up to elementary school age have a higher likelihood of succumbing to overwork. Differences are also seen

Table 8. Quantitative analysis for actual working hours (logarithm) (OLS)

Targets of analysis	Workers under a discretionary working system (non-managerial posts)	
	B	Standard error
Constant	5.395	.026**
Age	-.004	.001**
Gender / Whether have children up to elementary school age (benchmark: male / no children)		
Male / children	-.026	.008**
Female / no children	-.034	.010**
Female / children	-.113	.026**
Academic background (benchmark: junior high or senior high school graduate)		
Vocational school / junior college / <i>kosen</i> graduate	.012	.014
University graduate	.006	.012
Graduate school graduate	.006	.014
Industry (benchmark: manufacturing)		
Information and communications	-.037	.010**
Finance, insurance, and real estate	.025	.017
Scientific research, professional and technical services	.008	.010
Education, learning support	.025	.018
Miscellaneous services	-.010	.012
Regular employee scale of business (benchmark: 300 employees or more)		
Fewer than 30 employees	.000	.011
30-99 employees	-.008	.010
100-299 employees	.000	.010
Job type (benchmark: clerical)		
Sales / marketing, services	.013	.014
Specialist professional	.030	.010**
Skilled work / labor	.060	.022**
Other	.081	.015**
With job title	.032	.007**
Years of service	.000	.001
Annual income (benchmark: less than 5 mln yen)		
5-6.99 mln yen	.001	.009
7-8.99 mln yen	.002	.011
9 mln yen or more	.018	.016
Types of deciding work contents (benchmark: Decided by myself in consultation with the manager)		
Decided by the company or manager	.037	.013**
Decided by the manager based on my own opinion	.017	.012
Decided by myself in consultation with the client	-.021	.017
Decided by myself in consultation with other team members	.003	.016
Decided by myself alone	.006	.026
Company or manager is passive about monitoring progress	-.011	.011
Interaction terms: passive about monitoring progress × Types of deciding work contents		
Decided by the company or manager	-.015	.019
Decided by the manager based on my own opinion	-.013	.017
Decided by myself in consultation with the client	.064	.023**
Decided by myself in consultation with other team members	-.004	.021
Decided by myself alone	.006	.036
F value		5.252**
Adjusted R ²		0.069
N		2,024

Note: ** Significant at the 1% level, * Significant at the 5% level.

Table 9. Quantitative analysis for degree of overwork (OLS)

Targets of analysis	Workers under a discretionary working system (non-managerial posts)				
	Model	Model 1		Model 2	
		B	Standard error	B	Standard error
Constant	8.173	.335**	2.595	.404**	
Age	-.025	.008**	-.005	.007	
Gender / Whether have children up to elementary school age (benchmark: male / no children)					
Male / children	.112	.105	.133	.093	
Female / no children	.198	.124	.348	.109**	
Female / children	1.059	.334**	1.330	.296**	
Academic background (benchmark: junior high school or senior high school graduate)					
Vocational school / junior college / <i>kosen</i> graduate	-.117	.186	-.078	.163	
University graduate	.141	.159	.062	.140	
Graduate school graduate	.166	.185	.091	.163	
Industry (benchmark: manufacturing)					
Information and communications	.042	.132	-.084	.118	
Finance, insurance, and real estate	.449	.222*	.446	.196*	
Scientific research, professional and technical services	.001	.126	-.179	.111	
Education, learning support	.193	.237	-.568	.215**	
Miscellaneous services	.311	.158*	.169	.139	
Regular employee scale of business (benchmark: 300 employees or more)					
Fewer than 30 employees	-.202	.142	-.205	.125	
30-99 employees	.149	.127	.060	.112	
100-299 employees	.022	.127	-.013	.112	
Job type (benchmark: clerical)					
Sales / marketing, services	.239	.187	-.081	.166	
Specialist professional	.431	.129**	.084	.114	
Skilled work / labor	.401	.285	-.161	.252	
Other	.781	.199**	-.073	.178	
With job title	.211	.093*	.027	.082	
Years of service	.001	.008	.005	.007	
Annual income (benchmark: less than 5 mln yen)					
5-6.9 mln yen	.273	.121*	.172	.107	
7-8.9 mln yen	.339	.147*	.213	.130	
9 mln yen or more	.199	.206	-.050	.182	
Types of deciding work contents (Benchmark: Decided by myself in consultation with the manager)					
Decided by the company or manager	.642	.167**	.489	.147**	
Decided by the manager based on my own opinion	.160	.160	.158	.141	
Decided by myself in consultation with the client	.357	.219	.334	.193	
Decided by myself in consultation with other team members	.042	.206	.134	.181	
Decided by myself alone	-.220	.331	-.390	.291	
Company or manager is passive about monitoring progress	-.016	.143	.137	.126	
Interaction terms: Passive about monitoring progress × Types of deciding work contents					
Decided by the company or manager	-.028	.248	-.165	.218	
Decided by the manager based on my own opinion	.125	.225	.004	.197	
Decided by myself in consultation with the client	.624	.301*	.306	.265	
Decided by myself in consultation with other team members	.007	.274	-.156	.241	
Decided by myself alone	.679	.466	.553	.409	
Monthly actual working hours			.016	.001**	
Frequency of night work			.388	.049**	
Frequency of weekend work			.183	.053**	
Frequency of working at home			.281	.046**	
Frequency of work-related contact outside working hours			.207	.049**	
F value		3.825**		19.335**	
Adjusted R ²		0.047		0.266	
N		2,024		2,024	

Note: ** Significant at the 1% level, * Significant at the 5% level.

in age, industry, job type, job title or not, and annual income. A particularly notable point is that there is a positive significance when work contents are “Decided by the company or manager,” and when they are “Decided by myself in consultation with the clients” and the “Company or manager is passive about monitoring progress.” This indicates a greater tendency toward overwork in this model of work decisions.

In Model 2, changes were examined after additionally inputting variables related to working hours and working styles. As a result, workers tend to feel overworked when the monthly actual working hours were longer or when the frequency of night work, weekend work, working at home, work-related contact outside working hours was higher. This indicates that, firstly, the length of working hours is not the only element that leads to “overwork,” as a state in which it is difficult to be freed from work. What should be noted in addition is that the coefficient value of interaction terms between “Decided by myself in consultation with the clients” and “Passive about monitoring progress,” which showed a statistically significant effect in Model 1, is close to 0, meaning that the statistical significance has disappeared. The results show that, when work decisions are made in this way, not only do working hours become long but the frequency of night work, weekend work and work-related contact outside working hours become also high, and this all forms (the sense of) “overwork.”²⁷

V. Conclusion

This paper has examined the working styles of people who are employed under discretionary working system, whose working hours under the system are decided autonomously in the relationship with the employer. It has also discussed the problem that, in some cases, they are unable to control their working hours as they would wish and they become overworked. The key points are summarized below.

First, when the work content is decided (unilaterally) by the company or manager, there is a risk that working hours will increase and overwork will occur. But it is not only in cases like this that workers become overworked. Even when they have much discretion over their work contents (volume and deadline) in their relationship with the company or manager, their working style could result in a state of overwork if they are required to respond immediately to the client convenience and their managers are passive about managing their progress.

Finally, let us consider the implications to be drawn from the results of analysis in this paper. When working hours are decided autonomously, the burden of the work volume sometimes becomes difficult to visualize in the form of overtime hours. For the purpose of preventing overwork, there is a strong need for appropriate work management so that employees do not succumb to a situation in which they could control their working hours. On this point, the first requirement should be to avoid setting work volumes that assume long working hours, and employees’ opinions should be taken into account when deciding the work content in order to optimize work volumes.

But this is not the only thing to be wary of. When the specific work contents (volume, deadline, etc.) are decided in a relationship with clients and the work progression is entrusted to individual employees, the risk is that it could become harder to stop “overwork” arising from excessive attention to the client convenience. Overwork of workers who are given working time autonomy as a formality is caused not only by companies or managers setting excessive quotas, but also in part by pressure from clients. Although discretionary working systems are often combined with performance-based evaluation, it should be noted that merely waiting for the ultimate performance (results) is not sufficient as management designed to prevent overwork among employees. This is particularly true when client response is entrusted to individual employees. The role of managing work assignments to individual employees through close monitoring progress is important, and moreover, forming a barrier to apply a brake on overwork caused by client convenience must also be required.

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Notes

1. Research on the relationship between job characteristics or individual characteristics and long working hours includes Ogura (2007), Yamamoto and Kuroda (2014) and JILPT (2005; 2011). For example, Ogura (2007) cites “a heavy workload” as the biggest reason why overtime occurs. From the angle of workplace management, Sato (2008) considers excessive workloads imposed on employees as a factor behind the increase in working hours. In this way, previous research has identified excessive workload as a problematic factor behind long overtime hours.
2. As problems caused by working at night and other times affecting family life, the impact on spousal and parent-child relations has been studied. See Presser (2003), Barnes et al. (2006), Craig and Powell (2011), etc.
3. In previous research, it has been argued that if workers can decide their own times of starting and finishing work, for example, it acts as a positive resource for work-life balance, such as by reducing conflicts between work and family life. See Jacobs and Gerson (2004), among others. Yamaguchi (2009) also verifies that deficiency of scheduling flexibility in the workplace has an impact on overwork (in which the actual working hours are longer than those preferred by the worker in question).
4. Schieman et al. (2009) argue that, for workers with high professional status such as those in high earning brackets, the boundary between work and non-work becomes blurred when there is control over the allocation of working hours, and this can easily lead to conflicts with family life. See also Schieman and Glavin (2008).
5. On the working styles of specialist professionals (IT engineers), Sharone (2004) argues that, since the self-management form that gives autonomy over working hours is operated under competitive principles, workers’ anxieties and competitive instincts are aroused and they throw themselves (voluntarily) into overwork. Similarly, Kunda (1992) depicts a situation in which engineers become addicted to work as a result of management that encourages self-management, and constantly sense the risk of “burnout.”
6. In the sociology of work, the focus in the concepts of autonomy of workers and discretion over work tasks has been on how the individual worker’s margin for performing work freely is constrained by employer’s labor control strategy. For example, problems have been seen in the situation whereby highly detailed management is imposed by the employer and the worker’s individual discretion is constrained, as typified by Taylorist labor management (“Scientific Management”). See Wood (1982), Gallie et al. (1998), Choi et al. (2008), etc.
7. Under a system of normal working hours, conversely, employees’ work burdens may be easy to see in the form of overtime hours, and partly because the hours themselves are managed and regulated, differences in overtime hours and other aspects of working styles due to the degree of discretion could be described as relatively small.
8. Imano (2001) makes a distinction, in the case of white collar labor, between discretion over work processes involved in “how to do the work” and discretion over work volume in “what work to do,” and asserts that it is important to have both of these in order to prevent overwork. Sato (1997) also cites the appropriate quality and quantity of work, appropriate deadlines, clear work targets, and the degree of discretion over work among the conditions for greater flexibility of working hour systems to function properly.
9. In a number of empirical studies in recent years, it has been argued that working styles formed around client convenience cause overwork. See Perlow (1999), Blair-Loy (2009), Moen et al. (2013), etc. Blair-Loy (2009), for example, argues in connection with the working styles of stockbrokers that employees in workplaces with flexible time arrangement, compared to those in workplaces where time management is rigid, tend to be caught up in responding to clients’ demands, and conflicts between work and family can easily occur.
10. Besides this, in cases where progress management is frequently carried out and many instructions are given by managers, real discretion over the progression of the work is limited and time control becomes difficult to achieve. This could also be called a problem of “surfeit of management.”
11. Previous research has taken the state of overwork as a subjective measure for discussion under the concepts of “time pressure,” “time squeeze,” “time famine” and “time bind” (e.g. Van der Lippe 2007, Schor 1992, Perlow 1999, Hochschild 1997). Rather than the length of time, these focus on the meaning of time for the person in question. Under the concept of “time famine,” for example, Perlow (1999) saw problems in the “perception that there are so many things to do and not enough time to do them” in the working styles of software engineers.
12. The “time squeeze” is of course related to the length of working hours (see Schor 1992). Besides this, it is also related to the increased family workload accompanying the increase in female workforce participation, the increase in dual-income households, and other factors (e.g. Jacobs and Gerson 2004). Hochschild (1997) also connects it with overwork accompanying women’s work in the childrearing phase and the balance between housework and childcare.
13. As part of this, Van der Lippe (2007) argues that a format in which workers are given autonomy and output is managed through tight deadlines causes time pressure for working people.
14. In these surveys, offices and the employees who work for them were asked about the degree to which discretionary

working and other systems are applied, their working styles, etc. For details of the surveys, see JILPT (2014a and 2014b). The surveys targeted 5,414 offices selected at random from those that were very likely to have introduced a discretionary working system (abbreviated as “MHLW sample” in the JILPT survey reports above). In the analysis for this paper, the working styles of workers employed under a discretionary working system who responded to the survey distributed via their employers were studied. For each business targeted by the surveys, the analysis examined up to two workers engaged in professional work and two engaged in planning work.

15. Whenever appropriate, the results of comparative analysis targeting workers employed under a “normal working hour system (max. 40 hours per week, 8 hours per day)” with the same conditions will be shown.
16. The “discretionary working system for professional work” applies to workers engaged in specifically designated work in which it is difficult for the employer to give specific instructions on the method of performing the work and decisions on the allocation of time, such as R&D technicians or IT engineers. The “discretionary working system for planning work” applies to white collar workers who perform planning, proposal drafting and other similar work at their own discretion in core divisions such as the head office of a company.
17. The data used here are the answers to “How are the targets, deadlines and content of your work normally decided?” (single response). The option “Other” has been removed from the analysis. The answers express how “what must be done by when” is decided for the respectively assigned work, and could be seen as an indicator for the type of deciding assigned work contents.
18. In these data, workers employed under a discretionary working system for professional work are broken down into the following types of work. “New product or new technology research and development work” (38.0%) and “IT system analysis or design work” (24.4%) are significantly numerous, followed by “Professorial research work at a university” (6.9%), “Designer work” (6.2%) and “Producer or director work” (5.3%). In terms of different methods of deciding work volumes and deadlines, meanwhile, a characteristic of “IT system analysis or design work,” “Article reporting or editing work,” “Designer work” and “System consultant work” is that the work volumes and deadlines are “Decided by myself in consultation with the clients” in around 20% of cases. The response “Decided by myself alone” has a very exceptional character in that it is weighted toward “Professorial research at a university.” Therefore, this working style will not be discussed here.
19. The data used here are the answers to “What sort of work instructions does your manager give?” The options are “1. No instructions,” “2. Instructions only on basic matters concerning work objectives, targets and deadlines, etc.,” “3. Instructions on the specific content of work,” “4. Specific instructions including means of performing the work and decisions on the allocation of time” and “5. Other.” Of these, 5 has been removed, and 3 has been combined with 4 to make three categories. In fact, partly due to the purpose of the legislation, very few workers covered by the discretionary working system come under option 4.
20. One-way analysis of variance revealed a statistically significant difference at the 1% level in all areas of the nature of the work shown in Table 3.
21. Monthly actual working hours were based on responses stating actual hours worked in the single month of October 2013 (answers of less than 140 hours and more than 320 hours were removed from the sample as outliers).
22. One-way analysis of variance revealed that the working styles and working hours shown in Table 4 have a statistically significant difference at the 5% level in connection with actual hours worked, and at the 1% level for other aspects. Even when these are “decided by myself alone,” moreover, the frequency of weekend work, working at home and work-related contact outside working hours is high, but as stated in Note 18 above, this working style will not be especially discussed here owing to the strongly exceptional nature of the respondents.
23. Though omitted from the figures, a state of overwork has a strong correlation with actual hours worked as well as the frequency of night work, weekend work, working at home, work-related contact outside working hours.
24. For job satisfaction, answers to the question “Which of the following best describes your satisfaction with your current work?” were used. For “anxiety over continuing the same working style,” the answers to “Do you ever feel anxious about whether you can continue this working style in future?” were used.
25. The business survey included the question, “How do managers or supervisors monitor progress in work of employees under a discretionary working system?” Answers of “We ask for regular reports” and “We ask for reports submitted a fixed time before the deadline for the work” to the question were taken as “Company or manager active about monitoring progress.” Answers of “We monitor it irregularly (e.g. when there is additional work, or as appropriate in response to the employee’s work attitude)” and “other” were taken as “Company or manager is passive about monitoring progress.”
26. One-way analysis of variance revealed a significant difference at the 5% level for actual hours worked and overwork, and at the 10% level for anxiety over continuing the same working style.
27. In contrast to this, when work contents are “decided by the company or manager,” there is a strongly direct impact on overwork even if working hours and working styles are controlled. This unilateral type of deciding work contents itself seem to place a psychological burden.

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Learning Histories and Careers

The Outcome of *Kosen* (National Colleges of Technology) Education



Masakazu Yano

Although research on “learning histories and careers” is an interesting theme that highlights links between educational and labor policy, it is an area in which much is still unknown. Based on the experience of analyzing a survey of graduates from national colleges of technology (*kosen*), which we conducted in 2015, I decided to propose research tasks connected with “learning histories and careers” through a series of questions. Here, I will introduce the results of analysis on the following four questions. First, I will measure the output of education in *kosen* colleges and consider factors that will improve this output. Next, I will focus on the knowledge and skills of active engineers, rather than knowledge and skills when graduating, and will examine how adult competence is formed. Third, I will verify the question of whether *kosen* education enriches careers after graduation, taking account of adult competence. Finally, I will pose the question of how to grasp the diversity of learning histories and careers.

- I. Introduction
- II. What are the factors that improve learning output upon graduation?
- III. How is adult competence in current occupations formed?
- IV. Does education enrich future careers?
- V. Conclusion: Diversity of learning histories and careers

I. Introduction

Japan’s institutes of tertiary education include a unique type of school not widely known to the public, called “national colleges of technology.” From here on, I will use the Japanese term *kosen* (abbreviated from *Koto senmon gakkō*) when referring to these colleges. Unlike the standard four-year university education system, which accepts senior high school graduates (aged 18), *kosen* colleges are institutes of tertiary education that accept junior high school graduates (aged 15). For the next five years until age 20, these students are trained in practical skills needed by society.

There are now 51 national *kosen* colleges across Japan. The first was established in 1962, and most of these colleges have a history of more than 50 years, and still, the overall number of *kosen* students is not that high. While around 90,000 students enter the engineering faculties of four-year universities every year, the total number entering *kosen* is only about 10,000, or a mere 1.6% of the 610,000 students entering university as a whole. Thus, *kosen* colleges have only a minor presence as institutes of tertiary education responsible for training engineers, and their existence is little known among junior high school students. In

fact, junior high school students who consider advancing to *kosen* tend to be rather unique individuals who have had a strong interest in technology since their childhood.

Though rarely a topic of general conversation, *kosen* colleges are held in high esteem by some specialists in engineering education and in sites of manufacturing, where value is placed on the strengths of their practical education oriented toward a curriculum of experiments and practical learning. Meanwhile, praise for *kosen* education seems to be increasing overseas rather than in Japan, and the Japanese abbreviation *kosen* is often used and understood internationally. Sir Howard Newby, one of the reviewers in an OECD team that came to review Japan's policy on tertiary education, had this to say on the subject: "*Kosen* education is wonderful. I was impressed. But I think the problem is that university and particularly graduate school education is weak."¹ In the review team's report, published in 2009, *kosen* colleges are again praised as being admired internationally and being high-quality, innovative institutes of tertiary education (OECD 2009).

Despite such high international acclaim, however, this type of school is not very well known domestically, and though praised for the high quality of education; there is no evidence to prove how a *kosen* education actually enriches graduates' careers. For *kosen* to develop further still, it is vital that they open a broad dialog with society and seek critique from a diverse range of stakeholders, rather than resting on praise from a narrow spectrum. To this end, it would be wise to start by clarifying the outcome of *kosen* education to date and to convey its output to society.

With this intention in mind, "*Kosen research*" was launched as part of the "Innovative Japan Project by *Kosen*" supported by the Program for Promoting Inter-University Collaborative Education of the Ministry of Education, Culture, Sports, Science and Technology. Existing research with the aim of "researching *kosen*" seems to have been limited to *Careers of kosen graduates and kosen education* (JIL 1998). Inspired by this research, we decided to broaden the scope of research subjects and empirically clarify the connection with graduates' learning histories and career formation. With the help of 13 *kosen* colleges across Japan, we carried out a graduate careers survey in 2015, receiving responses from around 3,400 respondents aged between the late 20s to under 60. The outcome of this joint research by seven researchers was reported in two symposia.²

The research study on "learning histories and careers" is an interesting theme that highlights links between educational and labor policy, and has become a focal point for discussion on educational reform. Although there is valuable existing research by economists and pedagogists (Matsushige, ed. 2004; Nakahara and Mizokami, eds. 2014), it is an area in which much is still unknown. Our *kosen* Research includes not only themes unique to *kosen* but also universal output common to tertiary education. If the outcome of *kosen* education that is so highly acclaimed at home and abroad could be used as a benchmark, the nature of universal problems currently afflicting tertiary education could be made clear.

With this in mind, I decided to propose research issues related to "learning histories and careers" through a series of questions. Here, I will introduce the results of analysis on the following four questions. First, I will measure the output of education in *kosen* colleges and consider factors that will improve this output. Next, I will focus on the knowledge and skills of active engineers, rather than knowledge and skills when graduating, and will examine how adult competence is formed. Third, I will verify whether *kosen* education enriches careers after graduation, taking account of adult competence. Finally, I will pose the question of how to grasp the diversity of learning histories and careers.

II. What are the factors that improve learning output upon graduation?

I would like to start by examining the output of education as the starting point of vocational careers. Although measuring output is in itself a major task, we focused on three types — "academic record," "school satisfaction" and "generic skills when graduating." On generic skills, we set indicators for universal skills that should be mastered as engineers in any specialist field, and asked to what degree the students

had mastered “skill in grasping the essence of a problem from an experiment,” “skill in creating things while thinking them out for yourself,” “skill in finding new ideas and solutions,” “cooperation skills” and “presentation skills” **when they graduated** from school (using a five-point scale from “sufficiently mastered” to “had not mastered at all”). In this paper, I will base my discussion on the assumption that the mean points of these five generic skills represent the qualities demanded of all engineers in common.

What I would first like to introduce is how the three types of output are determined. Educational output is determined through collaborative and mutual efforts between teacher and student, but because the circumstances on the teacher’s side could not be researched, I measured the effect of the student’s own effort and learning opportunities on output. For this, I used the following 18 variables.

1. Variables before entering *kosen*
“Liked machines, robots, electric appliances, etc. at junior high school” (response chosen from a four-point scale)
“Grades in the third year of junior high school” (five-point scale from “near the bottom” to “near the top”)
2. We asked how enthusiastic the students had been during their *kosen* days (on a four-point scale from “very enthusiastic” to “not at all enthusiastic”) with regard to the following eight areas.
“Lectures in specialized subjects” / “Experiments and practical learning in specialized subjects” / “Graduation research” / “General education subjects in humanities and social sciences” / “General education subjects in sciences” / “English learning” / “Factory practical learning and internships” / “After-school activities”
3. “How many of the specialized subjects were so enjoyable that they excited you?” (four-point scale from “none” to “more than half”).
4. Evaluation of *kosen* life (four-point scale from “very applicable” to “not at all applicable” on the following four topics)
“Received specific individual instruction” / “Life was carefree as there were no entrance exams to take” / “I was lucky to have good teachers” / “I was lucky to have good friends”
5. Frequency of reading books at school (mean frequency for the following five genres)
“Philosophy” / “History” / “Literary fiction” / “Specialist publications” / “Business”
6. Self-study hours per week (average for the five years)
7. Employment dummy variable (after graduation, enter employment = 1, continue studies = 0)

Table 1 shows the result when the three types of output are made dependent variables and multiple regression analysis is performed to see what impact the above 18 variables have. To avoid excessive complexity, only a standardized coefficient (standardized partial regression coefficient) is shown. The empty boxes represent variables that do not have a statistically significant impact (significance probability 5% or more [p value > 0.05]). One may conclude that the larger the value of the standardized coefficient, the greater the impact on the output (variables with a standardized coefficient greater than 0.048 have a p value of less than 1%).

As the Table 1 shows, the difference between the three types of output appears conspicuously in the size of the coefficients and the empty boxes, which is more interesting than was imagined. Let us first look at the academic record. Of the factors determining the academic record, the coefficients are largest for “enthusiastic about lectures in specialized subjects.” Students are not only enthusiastic about specialized subjects but also about “general education subjects in sciences,” “graduation research” and “English learning.”

Furthermore, while the figure for “self-learning and study hours” is high, this is unrelated to having “good teachers” or “good friends.” Students with a good academic record appear to be learning

Table 1. Differences in factors determining the three types of output (figures represent standardized coefficients)

		Academic record	School satisfaction	Generic skill upon graduating
Characteristics before entering <i>kosen</i>	Liked machines, robots, etc. at junior high school	-.055		.096
	Grades in the 3rd year of junior high school	.050		
	Enthusiastic about lectures in specialized subjects	.312		
	Enthusiastic about experiments and practical learning in specialized subjects			.169
	Enthusiastic about graduation research	.075		.100
	Enthusiastic about general education subjects in humanities and social sciences			-.048
	Enthusiastic about general education subjects in sciences	.161		.045
	Enthusiastic about English learning	.044		
	Enthusiastic about factory practical learning and internships	-.049		.106
Frequency of exciting subjects	Enthusiastic about club or circle activities, etc.		.104	.100
	Proportion of exciting specialized subjects		.079	.095
5-year education learning life	Received specific individual tuition		.046	.083
	Life was carefree as there were no entrance exams to take		.169	.044
	I was lucky to have good teachers		.129	.079
Frequency of reading books	I was lucky to have good friends		.317	.100
	Frequency of reading books at school (except manga)		-.057	.103
Pathway	Self-study hours at school	.105		
	Employment dummy (enter employment = 1 / continue studies = 0)	-.122		-.067
R2 adjusted for degrees of freedom		.336	.285	.323

autonomously and independently rather than through study based on instruction from a teacher. Combined with another characteristic, i.e. that there are many students who had good grades at junior high school and enter university after graduating, the learning style of students with excellent academic records comes into focus. Their characteristics are also very evident in the two variables with the minus sign. They did not like “machines, robots, etc., at junior high school” and were not very enthusiastic about “factory practical learning and internships” while enrolled at *kosen*. Rather than practical engineers, they could be called theorists.

Quite in contrast to these theorists, those with high levels of school satisfaction leave nothing but empty boxes, indicating no relation with their enthusiasm about the subjects taught. They are only enthusiastic about after-school activities. The largest coefficient is provided by “was lucky to have good friends,” and they seem to have enjoyed a “carefree life.” Nevertheless, a high level of satisfaction does not only arise from a life unrelated to study. There were many “exciting subjects” for these students, who feel lucky to have had “specific individual instruction” and “good teachers.” Moreover, satisfaction levels were not related to their characteristics before entering *kosen*, but were affected by opportunities and conditions after entering.

The third output, generic skill, differs greatly from both academic record and satisfaction levels. These students liked robots and machines at junior high school, were more enthusiastic about experiments, practical learning and graduation research than about lecture subjects, and were also enthusiastic about factory practical learning and internships. In other words, they were positive about aspects seen as the strengths of *kosen* education, and about key subjects for becoming practical engineers. Not only that, but many of them also liked after-school activities and reading books, had a wide range of interests, and felt lucky to have had “specific individual instruction,” “good teachers” and “good friends.” Nevertheless, they

appear to have had no interest in general education in humanities, which is flagged as negative. Although the values of the standardized coefficients are small, this suggests the need to consider ways of improving general education in *kosen*.

Students are diverse, with different characteristics before entering *kosen*, different learning interests, and different interests in the curriculum; they use the official curriculum of subjects and the hidden or unofficial curriculum in campus life depending on their respective interests. Although ways of dealing with learning opportunities will differ greatly from individual to individual, the three cases seen in Table 1 are not limited only to *kosen* but would appear to be iconic student types seen in any campus. Those with excellent academic records could be seen as studious theorists, while those with high satisfaction levels are the friendly type who value their human relationships and have a highly cooperative nature. Students with good generic skills, meanwhile, are the practical types who have a strong interest in experiments, practical learning and creating things in sites of manufacturing. Moreover, since the results show that these three types correspond to the three types of output, they are also proof that the diverse curriculum of *kosen* education definitely has a positive influence on students' learning output.

III. How is adult competence in current occupations formed?

Next, let us move away from output upon graduating and turn our focus on the **current** skills of graduates who are now working in the field. A decline in academic ability among young people is often raised as a hot topic in school education, but the academic ability (= practical ability) of working adults is rarely brought into question. A decline in the practical ability of working adults (referred to below as “adult competence”) should be a more serious social problem than that of academic ability among young people. Alternatively, even if academic ability in schools were to decrease, there would be no need to worry as long as adult competence did not fall.

Recently, there have been increasing calls for the basic skills that students should have mastered by the time they graduate from university, but it is strange that the industries making these calls do not question their own adult competence. This is a conundrum that has puzzled me for many years. The reason why adult competence is not questioned must be, more than anything, that it is difficult to measure. Recognizing the impossible, I deliberately set a bold question: “To what extent do you think you currently have mastery of the knowledge and skills shown below?” I set ten options for knowledge and skills, including “specialist knowledge on your main subject at school” and “knowledge on society and economy.” Here, however, I calculate the average points for how much the respondents think they have **current** mastery of the “five generic skills” introduced above, and will refer to these averages as adult competence for engineers.

I will now introduce one reply to the question of how this adult competence is formed. Table 2 shows

Table 2. Determinants of adult competence (current generic skill) (R^2 adjusted for degrees of freedom = 0.198)

Model	Non-standardized coefficient		Standardized coefficient	Significance probability
	B	Standard error	Beta	
(Constant)	1.497	.104		.000
<i>Kosen</i> grades / Year 4-5	.054	.009	.103	.000
<i>Kosen</i> life in general / Satisfaction	.218	.019	.198	.000
Years of work experience	.023	.006	.341	.000
Years of work experience ² / 100	-.053	.013	-.359	.000
Lifelong learning frequency points	.214	.033	.124	.000
Current reading frequency	.345	.036	.182	.000
Number of friends to consult (with)	.142	.013	.192	.000

the results of multiple regression analysis using adult competence as a dependent variable (based on a case in which generic skill upon graduating is removed from the explanatory variables, since the correlation coefficient between current generic skill and generic skill upon graduating is high).

Although the points shown in Table 2 are simple, they are very thought-provoking. First, academic record and satisfaction levels both help to improve adult competence. It may be self-explanatory that the academic record has a positive effect on adult competence as engineers. In Japan, however, the comment that the academic record during school years serves no purpose after graduation is often made in the media, and many students seem to believe it. If only for that, we need to focus on the fact that the academic record improves adult competence in working situations. Besides this, the large effect of satisfaction levels, perhaps even more than the academic record, is astonishing.

In addition to this analysis, satisfaction levels during school years have been shown to have a positive effect on various aspects of careers after graduation. School satisfaction is not the same as the evaluation when enjoying leisure visits to theme parks, for example, but is an indicator evaluating campus life as a whole over the five years. I think schools need to pay more heed to the importance of graduating with a sense of satisfaction.

Second, to improve generic skills in society, it clearly emerges that not only study during school years but also years of work experience and the frequency of lifelong learning and reading books are important as well. It is certain that years of experience in actual working situations increase the skills needed for work; this fact is reflected in the results in Table 2, suggesting the appropriateness of this measurement formula. The square of years of experience is negative because the effects of the number of years depict a parabola opening downward. Estimating the number of years when generic skills are largest only from the effects of years of experience (0.023) and the squared effect (0.053 / 100) gives a result of around 22 years. In other words, the prime working time is 22 years after graduating from *kosen*, or around age 42.

The formation of skills is affected not only by OJT based on work experience but also by learning outside work. This is evident in the effects of the frequency of lifelong learning and reading books. In addition to this, “The number of friends I can consult when I have problems at work” is another factor that increases skills as working adults. To use terms favored by sociologists, social capital is useful in forming human capital.

Tertiary education for raising the quality of engineers or for developing human resources who could enter society and be useful is often discussed. However, imposing excessive burdens and responsibilities on school education alone would merely serve to disrupt environment of education. Education during the years at *kosen* definitely has a positive effect on the skills of working engineers, while at the same time, the skills needed in the field are not acquired through knowledge and skills from school years alone. On the understanding that the true image of the much-praised *kosen* education appears in Tables 1 and 2, I think it will be productive to compare this with the output from other institutes of tertiary education, and to discuss the range of educational reform that schools can achieve.

IV. Does education enrich future careers?

In terms of system theory, the impact of educational system output on socio-economic systems outside education is called the outcome. As such, improving incomes through education is a pecuniary outcome of education, while job satisfaction, health and others are non-pecuniary outcomes. The reason why a drop in academic ability becomes a social topic must be that a decline in academic ability is thought to be accompanied by significant social impact. The skills of working engineers also represent one such outcome; these skills form parametric variables and have an impact on income and job satisfaction.

Considering educational outcomes at the level of individual lives, the question arises as to whether learning at school enriches future careers. Let me introduce two approaches related to this question. The first is to analyze behavior with focus on career path selection and vocational career; namely, what sort of

students enter the colleges, how they study, and where they find employment. These patterns of behavioral choices are directly linked to the social evaluation of *kosen* graduates.

My joint researcher Yoshitaka Hamanaka has published a valuable report on this point (Hamanaka 2016).³ In society, it seems to be generally thought that the social evaluation of *kosen* graduates is lower than it used to be. According to Hamanaka’s analysis comparing graduates by generation up to age 60, however, this kind of “*Kosen* demise theory” is not supported. As evidence for that, the report makes it clear that “The academic ability (junior high school 3rd year grades) of students entering *kosen* has hardly changed in 30 years,” “It is not true that the academic ability of those entering employment has decreased because the ones with excellent grades advance to university; in fact, hardly any change can be seen in the grade distribution of main course graduates entering employment” and “The employment rate in large corporations is as high as ever, and there is also no change in the proportion of 80% finding employment in technical professions,” among other findings.

The other approach focuses on the relationship between the evaluation of the current job and the learning history. Three types of job evaluation have been cited: (i) “annual income” as market evaluation, (ii) “job title” as organizational evaluation, and (iii) “job satisfaction” as individual evaluation. For finer detail, I would refer you to the report published on the Internet, but whatever analysis is applied, it is certain and beyond doubt that learning during school years enriches careers after graduation.

As an example that illustrates the relationship between education and careers, let me introduce the result of measurement of income functions based on the human capital theory. I will highlight the effects on annual income of *kosen* graduates and the characteristics of the same by dividing explanatory variables into three groups (the bold-lined sections in Table 3).

Table 3. Income functions and current generic skills ($R^2 = 0.436$ / income is expressed in a logarithm)

Model	Non-standardized coefficient		Standardized coefficient	Significance probability
	B	Standard error	Beta	
(Constant)	4.999	.057		0.000
B.Sc. graduate dummy	.076	.026	.048	.004
M.Sc. graduate dummy	.133	.025	.096	.000
Ph.D. graduate dummy	.113	.060	.030	.061
Other educational background dummy	.035	.082	.007	.666
Years of work experience	.025	.001	.519	.000
Corporate scale of current employer	.099	.006	.313	.000
Technical occupation dummy	.000	.016	.000	.982
No career change dummy	.135	.018	.141	.000
Engineering unrelated dummy	-.154	.022	-.117	.000
Academic record	.008	.006	.022	.203
School satisfaction	.001	.012	.001	.933
Current generic skills	.132	.011	.198	.000

The first group represents the effects of educational background and years of work experience, the basic model of human capital theory. For educational background, I took five-year main course graduates as the standard (= 0) and university faculty graduates and *kosen* special course graduates together as a “B.Sc. dummy,” then divided graduate school graduates into an “M.Sc. dummy” and a “Ph.D. dummy.” Included in “other educational background” are those who advanced to specialized training colleges after graduating from the main course, or who entered university but dropped out before graduating.

The fact that the coefficient for B.Sc. graduates is 0.076 means that B.Sc. graduates earn 7.6% more than main course graduates do (since this is a coefficient of log income, it can be converted to percentage through differentiation). If they advance to M.Sc. level, there is a 13.3% rise in income. This works out as a mere 3.3% increase per year over the four years from main course graduation to M.Sc. graduation. I call this a “mere” 3.3% because, in both the average image in Japan and trends in other countries, measurements of the relationship between years of education and income show that income increases by between 6% and 9% per year (Yano 2015). Compared to these figures, 3.3% is very small. What makes it so small is the relatively high income levels of *kosen* main course graduates, who provide the standard for the dummy variables. In other words, the market evaluation of *kosen* main course graduates is closer to that of university graduates than to that of senior high school graduates. This result could be said to vindicate Hamanaka’s explanation that the “*kosen* demise theory” is not supported.

While one can understand that “other educational background (e.g. university dropout)” is not statistically significant, the Ph.D. dummy is unstable with a significance probability (*p* value) of only 6.1%; even after advancing to doctoral level, there is no great difference compared to main course graduates, with an increase of only 11.3% despite an investment of seven years. Many Ph.D. graduates tend to become teachers at *kosen* or universities, and this provides proof that teachers’ salaries in Japan are not attractive. Though it’s easy to laugh self-deprecatingly, the slump in Japanese science seems likely to be prolonged unless the policymakers take this fact seriously.

Another type of human capital formation is years of work experience. Unlike the formation of generic skills, the square of the number of years was not statistically significant, and so I have omitted it. In other words, income is in a linear relationship with the number of years. Even after passing the peak of generic skills at age 42, incomes do not fall but actually rise. This is an interesting paradox as evidence showing the uncertain relationship between skills and income. Although this is an important fact in terms of labor economics, I will merely highlight it as a problem, as it would be dangerous to delve more deeply at a stage when earning power is not adequately measured.

The second group consists of job-related indicators. Here, the employer’s corporate scale has a bigger impact than anything. The income disparity between large corporations and small firms is strikingly evident. Although I measured whether *kosen* graduates were working in “technical jobs” or not as a dummy variable, this variable was unrelated. “Career change” is negative, in a typical Japanese structure whereby change does not pay. The practical ability of engineers as specialist professionals is easy to see and evaluate. Consequently, I was expecting that career change would be an unrelated factor, but engineers are also an integral part of the structure of Japanese employment. The other “engineering unrelated dummy” covers those whose current job is “unrelated” to the engineering field they studied at school. While these only account for just under 20% of the total, the result shows that their average income is about 15% lower.

The final group comprises indicators of learning output. Adult competence, i.e. current generic skill, has a positive effect on income. Moreover, compared to the standardized coefficient, it is the third factor following the two major factors of years of work experience and corporate scale. An individual’s self-determined efforts to improve generic skills are more important than educational background, career change, or engineering unrelated factors. Conversely, academic record and satisfaction during school years do not have a significant impact on income. But this must not allow us to conclude that *kosen* learning output does not lead to increased incomes. Table 3 measures only the direct effects of academic record and satisfaction levels on income. This means that, while learning output has no direct effect, it has an indirect effect whereby it follows a path of improving generic skills in active working situations (Table 2). This is the path of school education output → improved adult competence → improved income.

Thinking of Tables 2 and 3 in conjunction, what raises the quality of engineers is school education and learning after graduation, and the output of this is primarily evident as adult competence. A pathway is formed whereby this adult competence causes an increase in income. Because the learning output from

school years is embedded in current adult competence, the direct effect of school education is difficult to see.

We should not overlook the fact that these results represent a phenomenon unique to *kosen*. However, I think the nature of the problems faced by Japan's tertiary education today would become quite clear if we were to conduct a survey of university graduates including those in the humanities, and compare several different responses to the question "Does education enrich careers?"

V. Conclusion: Diversity of learning histories and careers

If we use average-based statistical analysis to answer the questions posed in the three section titles above, the outcomes of *kosen* education are depicted quite clearly. However, the careers of diverse graduates are even more diverse. While *kosen* graduates are reputed to be just as active as university graduates, some also express dissatisfaction, in that, their employment terms are on a par with those of senior high school graduates. Job evaluations are not categorized according to educational background, but are distributed with considerable duplication. If we focus attention on this duplication, not all *kosen* graduates could be described as wonderful; judging from the free statement sections of our questionnaire, dissatisfaction is not infrequently expressed over the half-baked, unstable status of *kosen* graduates.

As we felt that the diversity of learning histories and careers might be lost with average-based analysis alone, in the joint research we also attempted to grasp the diversity of *kosen* graduates. As well as our qualitative analysis of free statement sections, we studied how learning histories and careers differed between (i) graduates working in professions that have a strong connection with their special subject at school and those working in unrelated professions, (ii) graduates who had changed jobs and those who had not, and (iii) graduates with high levels of school satisfaction and those without. The outcome of that research is due to be published in the near future, but in order to understand the diversity of *kosen* education and recognize its strengths and weaknesses, we will need to accumulate analysis from various perspectives.

My focus was on the mechanism whereby dissatisfaction is formed at school, and on subsequent careers. The reason why school satisfaction impacts future careers is that, if a person graduates with a sense of dissatisfaction, that person's adult competence will not improve; good incomes, job titles and job satisfaction will not be achieved. I was very concerned whether dissatisfaction at school is a lifelong legacy cost (negative legacy). What sort of students is more prone to dissatisfaction, what methods to mitigate dissatisfaction exist in school years, and is there any way of eliminating school dissatisfaction after graduating? Questions like this provide a certain angle for considering learning histories and careers. I will briefly introduce one aspect of this here.

Dissatisfaction at school is broadly divided into dissatisfaction with the curriculum and dissatisfaction with social relationships. Of these, dissatisfaction with the curriculum is prone to occur from the time of entering the school, and initiation in the first year is important. Dissatisfied students not only lack motivation to learn, but also the motivation to be involved in extracurricular activities; they are prone to dissatisfaction if they are not "lucky to have had good teachers" or "good friends." Those who have strong academic records despite their dissatisfaction with the curriculum choose to advance to university. It became clear that continued learning after graduation is one measure to improve adult competence and make jobs more fulfilling for students who have graduated with a sense of dissatisfaction at school.

To eliminate dissatisfaction, efforts not only during school years but also in learning after graduation are indispensable. Without this, it is highly likely that the legacy cost of dissatisfaction at school will continue into the long term. In research on dissatisfaction, the importance of learning after graduation may also be highlighted. Especially as this is an age of knowledge-based economy, research that elucidates the relationship between lifelong learning and careers, taking account of learning after graduation as well as learning during school years, is becoming ever more important.

* This paper is based on an article on *The Japanese Journal of Labour Studies* in its May 2017 issue (vol.59, No.682) with additions and amendments in line with the gist of this journal.

Notes

1. *Asahi Shimbun Newspaper*. 2006. *Mado:Ronsetsu iin shitsu kara* [Window: From the editorial board]. June 5. Evening edition.
2. Tokyo *kosen*. “*Kosen kenkyu*”[*Kosen* research (Including the *kosen* educational system, and careers after graduation)]. <http://www.innovative-kosen.jp/kosenkenkyu/>.
3. Hamanaka, Yoshitaka. 2016. “*Kosen sei no shinro sentaku to kyaria*” [Pathway choices and careers of *kosen* students]. February 6. <http://www.innovative-kosen.jp/kosenkenkyu/kenkyuinfo/> . [in Japanese] https://docs.google.com/viewerng/viewer?url=http://www.innovative-kosen.jp/updata/20160205_01_hamanaka.pdf. [in Japanese]

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Current Status of Talent Management in Japan

Based on Insights into Procurement and Development of Next-Generation Executive Human Resources at Japanese Manufacturers

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The objective of this article is to clarify the current situation of Talent Management in Japan. Despite the lack of a common definition of Talent Management, it is developing into an area that draws much attention in the personnel management field from both researchers and practitioners. This article focuses on (i) how talent pools are formed within organizations, (ii) actual status of growth opportunities made available for human resources after talent selection, and (iii) relationship between introducing Talent Management systems and Japanese-style human-resource development practices. According to the qualitative research we conducted, this article is to reveal that (i) two methods are used to create pools, i.e. position-based and people-based, (ii) companies make attempts to develop long-term plans, at least for human resources seen as having potential, (iii) initiatives based on people rather than on positions seem intended to change companies' existing promotion practices, and (iv) in implementing talent management, the utilization of diverse human resources (greater flexibility regarding their attributes) is advancing, and some companies intend to develop human resources that have the company "color" to some extent but are not all exactly the same shade.

- I. Introduction
- II. Prior research and research question
- III. Survey method and scope
- IV. Overview of facts
- V. Current situation of Talent Management at case-study companies
- VI. Discussions

I. Introduction

The objective of this article is to clarify the current situation of Talent Management in Japan. Despite the lack of a common definition of Talent Management, it is developing into an area that draws much attention in the personnel management field from both researchers and practitioners. Under current circumstances, there is hardly what could be called a consensus on the scope of "talent," and it remains at the conceptual stage. In addition, there is less interest among researchers in Japan compared to their Western counterparts.

In Japan, discussions of Talent Management tend to revolve around employees at certain levels within organizations. In particular, there is often an emphasis on efficient placement and development of executive

human resources at companies that operate globally (Recruit Works 2012).

Challenges relating to fostering of talent among these executives appear to be of high concern in business. According to a *Rōsei Jiho* (labor administration bulletin) (2014) based on a survey by Recruit Management Solutions, 85.2% of the 171 responding companies cited as among their companies' problems that "the next generation of management-level personnel has not been developing." The current personnel management problem most often cited (by 84.2%) was "developing and promoting next-generation management-level human resources." In addition, comparing current issues with projected challenges five years from now, "strengthening of overseas staff recruitment" is the area showing the greatest growth in importance.¹ From these findings, it is evident that there are many companies facing problems in fostering executives, and global human resources issues will be of growing concern in the future. To be sure, research on internal human-resource development in Japan has been more focused on skill development among rank-and-file employees, with the main area of concern being the development of multiple skills through transferring in related fields and the resulting contribution to organizations' management.² It seems valid to say that Japanese companies do not necessarily excel at fostering human resources at all levels of the organization.

Nonetheless, according to *Rōsei Jiho* (2017) that briefly summarizes a survey conducted by the Japan Management Association, while the "degree of quantitative and qualitative sufficiency of human resources required for future business development" is low, with close to 50% (46.3%) insufficient in terms of quantity and over 60% (65.8%) insufficient in terms of quality even looking only at major corporations.³ With regard to the status of developing next-generation management-level human resources, a total of 65.5% of companies that say they are "actively working to develop next-generation management human resources" (N=171) responded that such human resources are indeed developing (combined figure for "developing satisfactorily" [3.5%] and "developing to some extent" [62.0%]). Conversely, at companies that are "not actively working to develop next-generation management personnel" (N=34), a total of 85.3% responded that such human resources are not developing (combined figure for "scarcely developing" [20.6%] and "not developing very much" [64.7%]). These findings indicate that at companies which are taking active steps to develop these human resources, such human resources are developing to some extent, though it cannot be called sufficient.

The Survey on Personnel Management (2014) conducted by the Japan Institute for Labour Policy and Training (referred to below as "JILPT") found that approximately one in six companies (15.4%) were implementing "early selection" aimed at developing future management and executive personnel, while 22.1% were "considering implementing early selection," meaning a total of nearly 40% are moving in this direction. The issue is coming to be recognized as a practical challenge and steps have begun being taken.

In the above-described context, JILPT carried out the "Research Project on Securing and Developing Next-Generation Executive Candidates"⁴ from April 2015 through March 2017, and published JILPT Research Report no.194 entitled "Research on Identification and Development of Next-Generation Executive Candidates" in March 2017. This article is based on facts and insights gained from the project and report.

II. Prior research and research question

II. 1. Talent Management

In recent years, interest in Talent Management theory has been increasing amid discussions on the identification and placement of human resources. The field is still in the exploratory stages, and a clear definition of Talent Management exists neither in Japan nor overseas (Kakinuma 2015).

The concept of Talent Management is said to have grown out of the phrase "War for Talent" used by global management consulting firm McKinsey & Company in the 1990s (Collings and Mellahi 2009). Overseas texts on topics such as personnel management indicate that interpretations of "talent" can be

roughly divided into two categories. According to Kramar and Syed (2012), there are cases where all the diverse human resources in an organization are defined as “talent,” and others where only those with an especially high degree of commitment are thus defined. In other words, “talent” sometimes refers to all human resources in a company and at other times refers only to specific human resources.

At the same time, even within specific human resources, opinions seem to be divided as to how talented human resources should be defined. Scullion and Collings (2011) observe that there are two approaches: defining talents around key positions within the organization, and defining them around specific people. A “key position” is an important position with significance for the company’s competitiveness, and in the first approach, pools of human resources are formed on the basis of that position.

On the other hand, in the second approach where talents are formed around people, this is done by assembling high performers within the organization. The definition of a “high performer” is also inconsistent. Meyers and Woerkom (2013) assert that there are four types of definitions, either exclusive or inclusive (whether or not a large proportion of the organization’s members are deemed high performers) and stable or developable (whether a person’s status as a high performer is determined before they enter the organization, or they can grow into a high performer after entering it).

So, there are two major ways of interpreting talents, revolving around position or around person. While Scullion and Collings (2011) claim that the “key position” approach is of primary importance, under current circumstances there is no consensus as to which approach is preferable.⁵ What methods do actual companies use to group talented human resources, that is, to form talent pools?

II. 2. Japanese-style employment practices

The internal development of human resources can be cited as a characteristic Japanese practice surrounding procurement and development of human resources. First, with regard to recruitment, (1) there is a tendency to hire a fixed number of new graduates with little or no work experience at a fixed time every year, and with regard to human resource development, (2) the tendency to hire human resources with little or no professional experience and train them internally (the so-called “white cloth” analogy, i.e. “dye” new hires the distinctive “color” of the company) has been noted (Nagano 2012). Also, it has been pointed out that (3) in this process, rather than grading human resources as high or low performers soon after they join the company, human resources are graded in this manner at a relatively late stage, 10 or more years after joining a company (Koike and Inoki ed., 2002). In addition, a noted feature of skill formation within companies is that (4) employees acquire professional skills by gradually building experience with related tasks through internal job rotation (Koike and Inoki ed. 2002). Another cited tendency is (5) seeking to have human resources gradually obtain necessary skills for each level through a series of promotions through the ranks: assistant manager, manager, general manager, and so forth (Sato 2016).

It has also been noted that Japanese companies tend not to emphasize differences in occupational category but rather to emphasize attributes such as gender and nationality. For example, Hisamoto (2008) states that the often cited characteristics of “Japanese-style personnel management” primarily apply to male regular employees and that separate personnel management practices are applied to female employees. Meanwhile, with regard to global personnel management, it has been pointed out that even at overseas subsidiaries, at the management level nearly all human resources are Japanese, and there is little progress toward localization (Shiraki 2006). Imano (2012) asserts that companies actually have two separate personnel management systems in parallel, one applied mainly to Japanese male regular employees and the other to everyone else.

If we interpret the above points in terms of discussions of Talent Management, the results can be summarized as follows: one aspect is the formation of large talent pools based around people rather than positions. This arises from the practice of taking a relatively long time to distinguish high and low performers after hiring large numbers of new graduates at one time. A second aspect is that companies

attempt to impart the necessary skills for each rank within the organizational hierarchy little by little, rather than to develop human resources with the skills necessary for managerial positions within the company soon after they hire employees. This arises from the characteristics of internal skill developing within companies.

II. 3. Research questions

Based on the above-described features identified in prior research, the discussion in this article will focus on the following three points:

- (i) How talent pools are formed within organizations?
- (ii) Actual status of opportunities made available to human resources after talent selection.
- (iii) Relationship between introducing Talent Management systems and Japanese-style human-resource development practices.

Collings and Mellahi (2009) cite three key aspects of personnel management: employees' ability, motivation, and opportunity. When considering the selection and development of next-generation executive candidates on which this article focuses, what is crucial for corporate personnel management is to correctly select candidates with the current and future levels of ability and motivation the company requires, and to provide the selected employees with opportunities for growth on that basis. It is evident that providing such growth opportunities leads to the growth of employees' ability and motivation. Thus, this article focuses first of all on how talent pools are formed within companies, and on how talented (high-performing) employees are selected. It goes on to discuss the actual circumstances surround that the opportunities they are offered.

Another question is whether there is a possibility of matters relating to the identification of companies' next-generation executives exerting some sort of influence on the noted features of existing Japanese employment practices. This relates significantly to the question of whether we are seeing diversification in attributes of talent pools, in other words, whether women and non-Japanese human resources are included, and to other questions regarding human-resource development policy, more specifically policies for training and promotion policies of talented human resources.

As is evident from questions (i) to (iii) above, rather than clarifying causal relationships, our principle concern in this article is to grasp what is occurring in actual personnel management as pertains to the general tendencies pointed out only in abstract form in previous research.

III. Survey method and scope

The survey method used for this article was the in-person interview, for two main reasons. One is that interviews are more suitable than other methods for free-form exploration of what is not yet clarified, and the second is that while interviews inevitably result in a smaller sample size, they are thought more capable than quantitative surveys of clarifying the facts regarding corporate systems: the background behind implementation of initiatives at specific corporations, the actual operations, and the actual power balance among the parties. For that reason, during the first survey each interviewee was given a similar set of questions, but during subsequent surveys different sets of question items were prepared based on the circumstances of specific companies. In that sense, the survey was very loosely structured, i.e. it was what could perhaps be called a semi-structured survey. Also, its scope was restricted to manufacturers that are doing business globally, with the aim of accumulating facts on a limited subject.

Regarding personnel systems that major companies doing global business have constructed for smooth internal procurement of executive personnel, the interview questions primarily focused on three areas: (1) overview of the system, (2) its aims and background, and (3) how it actually operates. As for (1) overview of the system, the interview focused on the number of posts that companies defined as core posts and the

scope of their duties, method of grouping executive candidates, and initiatives implemented for candidates. Regarding (3) how the system actually operates, the survey focused on human resources identification and the role of various parties in the organization in developing the human resources that are identified. Based on the findings, the survey sought to organize similarities and differences derived from the case studies. Note that this article mainly deals with internal procurement of human resources and not with external procurement, which remains a topic for further study.

IV. Overview of facts

First, let us briefly review the content and characteristics of initiatives implemented in each case study. These case studies are all of manufacturers with 5,000 or more employees on non-consolidated basis, i.e. major secondary-industry companies.

IV. 1. Company A: Initiative aimed at securing a stable supply of executive human resources as the organization expands⁶

Company A needed to build a mechanism for supplying human resources to meet the needs of the rapidly expanding business. Specifically, they needed to procure top management human resources for each business unit and organization. This meant developing or securing human resources with not only managerial but also executive capabilities. Company A's situation created a heightened need, in Japan, for identification and training of human resources with potential to meet such needs. At the same time, in order to maintain a supply of human resources to support global business development, it was necessary to utilize not only Japanese human resources, but those of the entire corporate group. A summary of Company A's initiatives is as follows.

(i) In Japan, the company is promoting early identification and development of human resources. "The School for Executives (selective training program for future executive candidates)"⁷ held since 2004, is aimed at identifying and developing future executive candidates, including employees of both genders who are in their mid-thirties or over forties, or both in managerial and non-managerial positions. As an example, Table 1 shows the participants in the 9th School for Executives, selective training program for future executive candidates.

(ii) Table 2 shows the subsequent placement of participants from the 1st School for Executive to the 9th, revealing that a significant percentage of participants of the 1st and 2nd have actually been appointed to executive positions, while the others have also been reassigned. This indicates that training participants go on to undergo not only off-the-job training but also on-the-job training through reassignments. These include bold shifts such as "placement in positions that have a bird's-eye view of the entire business" and "taking on different fields (including overseas)."

(iii) The identification of personnel with the potential for such development is being carried out company-wide, i.e. by the company's top management, business groups, business divisions, and human resources division. In this process, personnel selection is conducted with input from people with a broad outlook on entire organization of the Company A and each of its business groups, such as vice-presidents. Every attempt is made to maximize use of internal opinions in order to select appealing and promising human resources whose evaluations scores have not been necessarily always highly positive since entering Company A, i.e. his accumulated evaluation scores are uneven.

(iv) Identification and development of future executive candidates is carried out at overseas subsidiaries as well. The first step is to gain a picture of the talented human resources by narrowing down the local human resources assigned to several hundred posts at overseas subsidiaries to a few dozen people. These people are divided into three groups: (a) those targeted for further acceleration of growth beyond current role, (b) those considered suitable for expansion of area of responsibility in their current country or region, and (c) young personnel to keep an eye on.

(v) In addition to identification, selective training program is also being implemented. The goal of this program is to teach the ways of business operation that are taken for granted among Japanese employees, e.g. budgetary allocations and the reasons behind them. This constitutes an initiative towards more ambitious and inclusive homogenization of foreign human resources by not only sharing understanding of management philosophy but also sharing Company A's style of business operations.

Table 1. "School for Executives" participants (example)

	Age	Position	Office
A (Male)	43	Chief manager	Business Unit A, Sales Division
B (Female)	33	Staff member	Business Unit A, Production Headquarters
C (Male)	44	Department Manager	Procurement Headquarters
D (Male)	43	Senior Researcher	Laboratory
E (Male)	45	Research group leader Senior Researcher	Research and Development Center
F (Male)	39	Chief manager	Business Unit B, Engineering Department
G (Male)	40	Manager	Overseas subsidiary A
H (Male)	42	Manager	Overseas subsidiary B
I (Male)	51	Executive vice-president	Company A European affiliate
J (Male)	40	Director	Company A, Devices Division, Country X
K (Male)	43	Representative director	Company A, Product Y Division, Country Z
L (Male)	36	Dispatched overseas	Overseas subsidiary C
M (Male)	43	Manager	Company A China affiliate
N (Female)	33	Staff member	Corporate
O (Male)	32	Dispatched overseas	Company A, Thailand affiliate
P (Male)	33	Staff member	Corporate Planning

Source: JILPT, 2017.

Notes: 1. The names of workplaces are not official ones, but are appended for convenience based on their features.

2. The blue-shaded personnel are those of non-managerial grade.

Table 2. Subsequent placement of "School for Executives" participants from 1st through 9th sessions (%)

	(1) Appointed to executive position	(2) Assigned as division manager (including top executive of group company)	(3) Reassignment to positions that have a bird's-eye view of the entire business	(4) Taking on different fields (including overseas)	Total
1st	52	38	5	5	100
2nd	35	25	20	20	100
3rd	10	19	29	24	81
4th	5	21	16	42	84
5th	—	26	32	21	79
6th	—	14	29	38	81
7th	—	13	20	20	53
8th	—	—	6	13	19
9th	—	—	6	6	13

Notes: 1. The 1st School for Executives was held in 2004, and it was held every year thereafter until 2009. After that, it was restarted with the 7th School for Executives in 2013, and was held every year until 2016 when this survey was conducted.

2. Of the School for Executives participants, the percentages are listed who (1) are appointed to executive positions, (2) are appointed as division managers (including the top executives of Group companies), (3) are reassigned to positions that have a bird's-eye view of the entire business, and (4) are assigned to take on different fields (including overseas). As an example, 52% of the participants in the 1st School for Executives in 2004 have been appointed to executive positions.

To summarize, Company A's scope of business is expanding in terms of both content and geography. The company is seeking to maximize business expansion by effectively utilizing both employees in Japan and locally-hired human resources overseas. In Japan this entails the development of human resources, not with managerial but executive management capabilities, and overseas it entails development of non-Japanese managers who fully comprehend the company's mentality and business operations.

IV. 2. Company B: Two-pronged initiative based around people and positions

Company B has been doing business globally for many years. Although Company B has been allocating human resources on a local basis, it has done so from the relatively short-term viewpoint of responding to job needs as they arose. Under such circumstances, when the company reviewed its current circumstances, it could not say that sufficient quality or quantity were being maintained either in Japan and overseas, and the system was not set up to grow the business further in the future by delivering the necessary human resources to the necessary positions in a timely fashion.

This posed the risk of becoming an obstacle to future business development. In addition, a weakening of relationships with foreign alliance partners heightened the need for Company B itself to secure and develop outstanding human resources that could be appointed to top executive overseas positions. To resolve this issue, Company B is implementing various initiatives to build a planned, systematic process of their own for securing human resources. A key point here is that in addition to initiatives centered on positions (posts) which were already being carried out, the company also launched an initiative based around people in its effort to build a stable system for procurement of executive candidates. The following are the key findings revealed in the interview.

(i) Company B has established a committee to deal with the development and utilization of human resources, known as the HDC⁸ (Human-Resource Development Committee).⁹ Through the HDC, the company aims to establish internal human resource procurement mechanisms by identifying the current occupants of certain positions (positions of manager and higher) and their successors.¹⁰ A key characteristic was that this initiative was aimed at maintaining the right personnel for each position in the organizational hierarchy by promoting an appropriate individual from the position immediately below it, i.e. "manager → department manager → general manager." Basically, the principle is that promotion candidates are selected from the rank immediately below.

(ii) This is the existing position-based system, into which elements of people-based management have been incorporated over the past several years.¹¹ "The CC (Candidate as Core-person) Human Resources" initiative¹² is intended to identify human resources with the future potential to fill positions of general manager or higher at an early stage, and to actively build their experience and accelerate the speed of their professional growth.

(iii) The goal of "CC Human Resources" initiative is to select personnel with the potential to reach general manager or executive class positions in the future, regardless of their age. This distinguishes the initiative from previous mechanisms for tracking executive human resource candidates, in which the focus is on specific posts within the organization, and talent pools are formed around current occupants of these positions and their successors.

(iv) "CC Human Resources" initiative emphasizes the standpoint of "whether or not a particular person is likely to have potential to promote to the post of general manager in the future," rather than "whether he or she is capable of assuming a position and level of responsibility one higher than the current one." In this respect, it differs somewhat from the conventional concept of personnel promotion under the HDC. Because long-term career is also taken into consideration, CC targets personnel from their mid-30s through their mid-40s who are highly likely to advance their careers in the future. In addition to job skills, human resource qualities such as sense of scale are taken into account.

(v) In terms of the benefits derived from the HDC and CC Human Resources, "rendering visible"

the human resources on which high future expectations are placed gives Company B's management an accurate grasp of the identities of the company's next-generation executive candidates. This "rendering visible" made it possible to track human resources earlier on a company-wide basis, whereas without these initiatives they could only be tracked within specific business unit headquarters.¹³ This heightens the possibility of incorporating a company-wide perspective on the careers of eligible human resources at an earlier stage. In fact, albeit gradually, exchange of information and opinions on human resources is being promoted across the organization, company-wide or among different business unit headquarters.

(vi) One of the challenges currently faced is the implementation of personnel transfers, to provide opportunities for further growth of personnel identified through the "CC Human Resources" initiative.

As described above, at Company B, perspectives on human-resource development are evolving by incorporating the idea of looking further than 10 years down the road into the conventional system by which appropriate candidates for promotion are selected from the rank immediately below. It can be said that the short- to medium-term approach to internal human resources procurement is progressively being expanded to include a medium- to long-term perspective.

IV. 3. Company C: Initiative relating to next-generation global executive human resource development

Company C's strategy to develop and secure next-generation global executive human resources is based around a "succession plan." Human resource development at Company C, which does business globally, has been pursued successfully based on what could be called the quintessentially Japanese implicit perception that "developing one's subordinates is the responsibility of a manager," and that "managers that do not develop their subordinates have failed as managers." As globalization progresses, however, it has become increasingly apparent that overseas subsidiaries have difficulty applying the human resource development methods used in Japan, and there is also a growing need for cultivation of human resources that can meet rapid global expansion.

This leads to a need for "clear establishment of objectives and targets for next-generation human resources development," and for "consensus among supervisors on the development of personnel that will uphold the company five or ten years down the road," on the basis of which a succession plan was developed. Taking overseas subsidiaries into account, it was necessary to carry this out overtly rather than implicitly. A summary of Company C's initiatives is as follows.

(i) Company C's traditional mentality has been one of "the entire company working together to develop next-generation human resources starting from a blank slate." The company believes that its growth depends on the next generation of human resources acting on the basis of the company's philosophy and mentality (the values and beliefs cultivated since its establishment, and clear verbal expressions thereof), and that for such human resources to play active roles at the global level, it is more secure and effective to build human resources that will be responsible for Company C's future from the ground up than to acquire already competent human resources through head hunting and so forth. This necessitates looking further than three to five years down the road, and for this reason, "development of next-generation global executive human resources that will truly uphold Company C" necessitates looking 10 years ahead (next-generation development) or 15 years ahead (post-next generation development).

(ii) The posts covered by the "succession plan" are those at overseas subsidiaries corresponding to global grades A1 and A2. Specifically, this means department managers and executives at overseas subsidiaries. The number of these posts changes year by year because of organizational consolidation, but it is at least in the hundreds. For each post, three generations of successors are considered: immediate, next-generation, and post-next generation. This last would be a candidate for a given position 15 years in the future. The number of successors considered for each generation would be one or two for the immediate successor and three per generation for the two ensuing generations.

(iii) Selection of successors does not depend on what year the candidate joined the company, but rather on who is the most appropriate person for the job. This means that potential successors of the post-next generation, for example, sometimes consist of those who entered the company in different years. With regard to these potential successors, factors to be taken into account include the number of years since entering the company until promotion to a certain post, but as a basic rule the successor will be selected based on an overall evaluation of the individual. This means that evaluation scores of candidates selected as successors have not been necessarily highly positive, whose accumulated evaluation scores since entering Company C are uneven. While the majority of selected successors are those whose personnel evaluations have been highly positive, these personnel evaluations are not necessarily given the highest priority as criteria.

(iv) With regard to “succession plans” at Company C, because global human resource development needs to be carried out with consideration for the interests of the entire company, successors are selected based on consensus among all executive-level personnel. Sharing successor information throughout the company through this consensus formation allows the head of the successor’s current department to think five or ten years ahead when cultivating the successor, while job rotation through ordinary personnel transfers continues to take place every few years and successor’s immediate superior may change at every ordinary personnel transfer.

(v) Successors include both Japanese and local (overseas) human resources, and both are regarded as candidates for future executive positions at overseas subsidiaries.

(vi) One important aspect of the “succession plan” is the mission statement. This is a list of development targets that clearly states what skills, etc. should be mastered by designated successors. Features of this system are that it reflects the mid- to long-term business plan and the human resource development plan, while taking care that its contents are not merely a job description, and that it contains specific targets required for future positions as well as the content of work duties to be carried out toward achieving these targets. The mission statement is created by the person currently occupying a given post, and this constitutes training for this person as well, as it elicits reexamination of his or her own duties.

(vii) It must be noted that the “succession plan” only applies to posts at overseas subsidiaries, and not to those in Japan, where the conventional system continues to be applied.

From the above, we may infer that Company C’s “succession plan” is indispensable not only for the development of successor but also for the success of the company’s global expansion and its future prosperity. Important points here are (1) not relying solely on the individual competence of supervisors, but also using the “succession plan” to develop next-generation executive human resources as an organization, and (2) the incorporation of position-based executive human resource development into the company’s existing system.

IV. 4. Company D: Initiative relating to personnel transfers of executive candidates

At Company D, no successor development plan such as the “succession plan” has been implemented systematically. A characteristic of Company D is that it seeks a mechanism for personnel transfers that promote employees’ professional growth, while clarifying the group of future executive candidates by subdividing employment categories. In this sense, this can be called the case study that most prominently forms pools of executive candidates in a “people-based” manner.

The challenges that Company D faced involved development of human resources with the viewpoints and abilities required of future executives, i.e. a company-wide perspective and the ability to select the best solution from several alternatives under varying circumstances. The company had an urgent need to develop human resources that could specialize in management rather than being “player-managers” who carry out his own work duties by himself but not supervising his subordinates. To that end, the company believed candidates needed to cultivate (a) a wide range of knowledge on the commercial customs and

practices of different regions and characteristics of commercial materials unique to each region, and (b) the ability to find optimal solutions from information gathered in a new environment. Company D repeatedly carried out trial and error with regard to means of providing opportunities for skill development to future executive candidates, i.e. human resources with potential. From these initiatives the following points became clear.

(i) Company D launched the “Working Styles Transformation Project”¹⁴ in 2014, and at that time restructured their employee categories. Previously, employees had been grouped into two categories; “G” employees are eligible for global transfers and “L” employees are only eligible for transfers within a specific region.¹⁵ The company sought to cultivate future executives from among the “G” group.¹⁶ After reforms, employees of these groups were subdivided into five groups: the X course and Y course for those on a leadership track and the α course, β course, and γ course for on-site personnel, with each course extending from the rank-and-file employee to the management level.¹⁷ The definitions of each course are as shown in Table 3. The difference between the X and Y courses is that those in the X course are in posts eligible for “role pay” as determined by Company D.¹⁸ Those in posts or positions ineligible for “role pay,” or not assigned to posts, are in the Y course. New graduates of university or higher-level education employed at the company’s head office are usually placed in the Y course, and then may be transferred to the X course later if they are promoted to an eligible post. Meanwhile, regular employees employed at business locations other than the head office are usually placed in the β course, and then may be transferred to the α course if they are assigned to a leadership role at that business location. The γ course is specifically for workers at manufacturing sites, and those judged to have special skills may be transferred from the β to the γ course. The current breakdown of course assignments is: X course (4%), Y course (30% [of which 1.5% are managers]), α course (6%), β course (59%), γ course (1%). As these figures indicate, only a small fraction of personnel can be assigned to the X course.

(ii) As for the means of forming pools of executive human resource candidates, regarding future management / executive candidates (human resources expected to assume positions of division manager or above at Company D itself), first, the range of candidates is largely defined by the employee category system. If we look back on changes in employee categories over the years, the scope of the targets has

Table 3. Outline of five courses

	Course	Definition	Company's expectations
Leadership track	X course	Job performance and professional growth across regions, occupations and areas of specialization, so as to play a core role in management	Has the responsibility and authority essential for organization operations, and contributes to the company by generating strong results through organization management (organizational target setting, budget management, resource allocation, personnel management, human-resource development, risk management, etc.)
	Y course		Has professional knowledge and skills and demonstrate them in leadership roles, generates strong results, and contributes to the company or shows potential to make a contribution
On-site track	α course	Job performance and professional growth within specific regions, occupations and areas of specialization, so as to play a core role on-site in the future	Has professional knowledge and skills in a specific business field or area, and demonstrates them as a core member of on-site personnel, generates strong results, and contributes to the company or shows potential to make a contribution
	β course		Heightens on-the-job proficiency through experience, while contributing to achievement of organizational objectives by cooperating with co-workers on site to more accurately, promptly and efficiently execute assigned tasks in charge
	γ course		Has (or developing) a high level of proficiency with a specific skill and demonstrating that skill, generates strong results and contributes to the company or shows potential to make a contribution

Source: JILPT, 2017.

been narrowed. The group of candidates is formed of personnel having a certain minimum qualification grade within their own category. Currently, the total number of employees of X2 or X3 grades is about 250 people, and the candidate pool numbers something close to this.¹⁹

(iii) Another feature of Company D is that it is carrying out initiatives primarily at Japanese business locations rather than worldwide, meaning that development of human resources hired in Japan is the main target. In terms of personnel transfers, primary emphasis is placed on wide-area transfers within Japan. The company is also working to promote increased overseas transfers, but the initiative is initially being carried out mainly in Japan.

(iv) As described above, Company D aims to activate human resources exchange with wide-area transfers. This is considered to be an initiative necessary for developing managers who truly specialize in management rather than being “player-managers.”

(v) In order to accelerate exchange of human resources, meetings dealing with personnel transfers have been convened, and human resources with potential have actually been transferred. Based on the principle of equivalent exchange, at these meetings there were lively or sometimes heated discussions between the presidents of regional branches, with the aim of vitalizing personnel interactions. It is worth noting that transfers were actually implemented rather than merely holding a meeting to consider transfers. Presidents of regional branches created detailed requests for human resources and tried to get desirable staffs from other branches.

(vi) When human resources are selected via these meetings, this selection is mainly carried out by regional branches’ presidents, vice-presidents, sales division management, and personnel division. The criteria is “vibrant human resources,” or in more specific terms, primarily human resources with (1) good sales results and (2) experience with managing local branch with at least 30-40 employees, or have experience in positions equivalent to deputy local branch manager or above. Among these, a list is made of human resources that the regional branch’s president or sales division management have taken notice of at regular meetings.²⁰ In addition, personnel are selected taking into account their personnel evaluations and information²¹ verified by the human resources division. This personnel selection is usually carried out over two or three weeks in or after December when the organization chart for the following year is decided.

(vii) However, this series of meetings was suspended. On the one hand, the meetings were able to compare specifications exactly based on detailed orders and improve the quality of development functions via personnel transfers, and boost satisfaction levels at branch offices that exchange personnel. On the other hand, they entailed increases in time and effort including time taken for discussions. Company D felt that when the positive outcomes of the meetings and the transaction costs due to negotiations among members in the process of holding the meetings were weighed against one another, the latter were greater. Making positive outcomes correspond to costs generated is one of the major challenges facing revitalization of personnel rotations aimed at developing the necessary competencies among executive human resources.

(viii) Currently, in order to activate human resources exchange, a predetermined format is prepared (Table 4). When the company wants to transfer some personnel, they fill in the format with the name(s) of the personnel and the place(s) — branch offices or divisions, etc. — which they want to transfer them to.

(ix) Because the format shows posts for which the company wants to transfer human resources, the format itself is like a list of successor candidates for posts. And because the format is centrally managed by the sales division at the head office, it is possible for the sales division to identify successor candidates for each post of whole company D. It is not clear how this will be used in the future, but in any case, it can be said that personnel management based around positions is beginning to emerge.

As described above, Company D groups future executive candidates based on employee categories, and among these, those at or above specific category’s qualification grades. It can be said that this approach is close to the traditional Japanese style. At the same time, the scope is narrowed, as is evident from the changes in employee categories. The interesting point about Company D is its repeated trial and error in terms of providing

Table 4. Format for human resource exchange activation

Key personnel

Head office / Division / Subsidiary	FY2017 position	Role grade	Renewed / New assignee	Internal transfer / External procurement	Name	Remarks
Regional branch X	Local Branch Manager XX	Grade R x	Renewed	—	zzz	
	Local Branch Manager YY	Grade R x	New	Internal transfer	yyy	
	Local Branch Manager ZZ	Grade R x	New	External procurement	Not written	
~abridged~						

Personnel transfers to other divisions / regions for the purpose of career development (Current primary organization manager)

Head office / Division / Regional branch	Name	FY2016 position	FY2015 evaluation	FY2014 evaluation	FY2017 position (proposed)	Remarks
Regional branch X	xxx	Local Branch Manager XX	B • B	B • B		
~abridged~						

Source: JILPT, 2017.

opportunities that encourage growth of executive candidate human resources. The challenge lies in the difficulty in finding an optimal balance between the outcomes of development that promotes growth and transaction costs, in other words the complexity of negotiations between regional branch offices.

IV. 5. Company E: Initiative for management / executive human resource development and selection

Company E is also involved in the development and selection of executive human resources, and has launched a new initiative. Company E has significantly revised the contents of its “*kōkeisha plan* (unique name of succession plan at Company E)” since FY 2013. Changes include (1) increase in the number of core posts, (2) wider age range of target candidates (future generations added), (3) more detailed management of posts and candidates, etc.

Underlying these systemic revisions is, first of all, the evolution of group management. Ratio of consolidated net profits to parent company’s profit has more than doubled on a sales basis (FY 2016), and while there are variations among headquarters and sectors, in general, affiliates are playing an increased role. Also, since overseas subsidiaries have increased, it was difficult to manage successors without proceeding more systematically. Second, it was noted that the traditional “*kōkeisha plan*” was not linked with personnel development, it was just a series of names. For this reason, the company aimed for an effect on human-resource development by directly linking monitoring and assessment of successor candidates to personnel development strategy. The main findings with regard to “*kōkeisha plan*” reform are as follows.

(i) A new “*kōkeisha plan*” system was launched in FY2013. This system seems to have contributed to more effective management of the company’s human resources information. One aspect of the system is that it clarifies things that divisions’ management personnel had carried out on an individual basis or in their heads thus far, giving advantages such as, for example, allowing human resources information on overseas affiliates to be transferred to the personnel department of head office, and even if there are personnel transfers of departmental managers, it is easier for new managers to inherit accurate information on their subordinates and to focus on young personnel development.

(ii) Through reforms, the number of core posts is increasing. A core post is “a post that is very

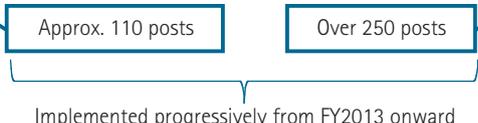
important from the viewpoint of Group management, for which a *kōkeisha plan* should be prepared.” Core posts are as shown in Table 5, and the posts enclosed in boxes have been added successively since FY2013. Up until FY2012, only 36 posts were managed as core posts, but since FY2013, these posts have been expanded to include all major department managers at the head office and business divisions (an increase of about 110 positions), while at affiliated companies they have been expanded to include the presidents of the consolidated Group companies and other officials of key companies (an increase of about 250 positions). The expansion at affiliated companies is noticeable. In FY2016, however, there was another major system revision, and core posts were narrowed down. Apart from these major systemic reforms, core posts have been revised and subject to change due to organizational restructuring in line with the medium-term management plan.

(iii) Successor candidates for core posts span three generations, next-generation (now to three years from now), post-next generation (four to six years from now), and future generations (seven to ten years from now). For each generation, three candidates are listed with order of priority determined. For each of the three candidates, forms in specific formats are to be filled concerning (1) when the candidate is projected to assume the post, (2) the additional qualities, knowledge, and experience they need in order to do so, and (3) career development plan. The first change implemented in FY2013 was the addition of candidates for future generations (7 to 10 years later). The second was the addition of (3) career development plan.

(iv) As a rule, the successor candidate list is created by the current occupant of the post, but in some cases it is created by their supervisor. When creating successor candidate lists for affiliated company posts, the main related sectors of Company E often participate in some way. The specifics of involvement vary widely, and while there are cases of direct control such as the headquarters or sectors making the candidate list, there are other cases where they only advise the president of the affiliated company on the matter. The

Table 5. Core post classifications

Organization monitored / assessed	Main company				Affiliates	
	Headquarters, sectors	Main headquarters	Company head office	Company department	In Japan	Overseas
Corporate HR committee	General manager, sector chief	General manager (main headquarters)	General manager (head office)	Senior manager	Executives of key companies	Regional head manager
HR committees at headquarters / sectors, etc.	Business unit / sector chief	Senior regional manager	President of subsidiary		Executives of key companies	
	Factory manager Heads of key divisions	Heads of key divisions	Business unit / sector chief Heads of key divisions		President of affiliate	President of affiliate
HR committees in financial / HR divisions					Executives of finance / HR at key companies	Executives of finance / HR at regional headquarters
HR committees in supervising divisions and affiliates					Affiliates' executives other than those above	



Source: JILPT, 2017.

Implemented progressively from FY2013 onward

company's lowest "core posts" are at the department manager level, and people in posts as low as assistant section manager may be named as candidates for these posts.

(v) Final selection for transfers and promotions is decided by the management via its personnel management authority, after hearing the opinions of the related divisions. The decisions do not always follow the "kōkeisha plan," and sometimes personnel assignments deviate from it.

(vi) The "kōkeisha plan" system has become a systemic basis for effectively pursuing the PDCA cycle of human resource development. In the company's human resources division, different sections are in charge of personnel assignment, personnel development, evaluations and so on, but by creating opportunities to discuss these and a consistent format for operations, coordination and cooperation within the human resources division has advanced and it has become possible to create personnel development plans from a comprehensive standpoint. Since these plans are clearly stated in writing, departments are more strongly required to implement them. In the past, human-resource development from a medium- to long-term perspective was sometimes postponed in order to handle tasks at hand, but this system is expected to help avoid this issue.

(vii) Thanks to the "kōkeisha plan," post requirements and human resource information are clearer and more accessible, and it appears that the extent to make decisions on objective grounds has increased.

To summarize, Company E's "kōkeisha plan" appears to contribute to more rational personnel development and selection of managerial and executive human resources, but it is also necessary to take into account certain costs incurred in implementing the system. It takes time and effort to select up to nine candidates for each core post, and for the human resources committee to consider their validity and prepare to respond to inquiries from supervisors. This was one of the reasons the number of core posts was reduced in 2016. In that sense, one could say Company E's "kōkeisha plan" is still seeking the right balance of costs and benefits.

V. Current situation of Talent Management at case-study companies

First let us briefly summarize the characteristics of these five case studies. All of the case study companies are working to build more effective internal personnel procurement mechanisms. However, as shown in Table 6, there are some differences among the areas of focus. Three types can be identified: Type 1 (Company A, Company B), which emphasizes both domestic and overseas reform, Type 2 (Company

Table 6. Targets of systemic reforms at case-study companies and methods of forming executive candidate groups (methods of monitoring human resources)

	Company A	Company B	Company C	Company D	Company E
Main target areas for systemic reform	Domestic / overseas business locations	Domestic / overseas business locations	Primarily overseas business locations	Primarily domestic business locations	Primarily domestic business locations (but also implemented at overseas locations)
Main target people for systemic reform	Those hired in Japan (especially young employees) / Those hired locally overseas	Those hired in Japan (plan to focus especially on young employees) / Those hired locally overseas	Those hired locally overseas	Those hired in Japan	Those hired in Japan
Method of forming executive candidate group	People-based / Position-based (primarily people-based)	People-based / Position-based (incorporating people-based into position-based)	Position-based (succession plan)	People-based (employee category and qualification grade)	Position-based (succession plan)

Source: JILPT, 2017.

D, Company E), which emphasizes domestic over systemic reform, and Type 3 (Company C), which emphasizes overseas reform.

Regarding the content of systemic reforms, all the case-study companies are similar in that they form something like a future executive candidate group, which they are seeking to develop in preparation for a potential future post. However, there were some differences in the methods used to form the candidate groups: (1) People-based, i.e. identifying human resources within the company that are thought to have the requisite abilities, or are of particular interest and identifying them as a pool of human resources with potential, (2) Position (post)-based, i.e. identifying positions to be filled and then searching for human resources that might be capable of filling them as successors, and (3) Employee categories and qualification grade-based, i.e. forming a pool of potential candidates based on these criteria. Some of the companies employ some combination of these approaches. Companies A and B use both (1) and (2) but with an emphasis on (1), whereas Company C (overseas) and Company E primarily employ (2), while Company C (domestic) and Company D use method (3). Of the three methods, (3) is more conventional while (1) and (2) are newer approaches.

From the above, it is evident that while all the companies share the formation of a pool of human resources with potential and the development of these human resources, there are variations in the approaches to monitoring them and the scope of people to whom the system is applied. Is there a possibility of these systemic reforms having an influence on hiring and employment practices that have been noted as characteristically Japanese? Let us summarize points related to this question, in light of the three areas of interest outlined in II-3. (Research questions) of this article.

V. 1. Methods of forming corporate talent pool (systemic reforms' target regions, target employees, and methods of forming executive candidate groups)

While there are differences in approach and degree of effort being made, all of the case-study companies formed talent pools, i.e. groups of future executive-candidate human resources. Two methods are used to create pools. One is position-based and entails identifying successors for positions. The other is people-based and entails assembling human resources that appear to have the potential to uphold the company in the future, regardless of their current position. Some companies implement some combination of these approaches. A common trend is for companies to form a cluster by narrowing down the target personnel, and to offer development opportunities preferentially to the cluster. This is true for both the position-based and people-based approaches.

Of course, there are also differences. One relates to two different ways of managing the total number of talents. With the position-based approach, the total number of people in the pool is the number of positions being tracked multiplied by the number of successors per position. This means that if the structure of the organization is constant, the total number of talents remains constant as well, i.e. for example, if there are three positions being monitored and three successors for each position, the pool consists of a total of nine people. If a new successor is added, then one of the existing successors will have to be removed from the group. Of the case study companies, Company C (at its overseas subsidiaries) and Company E primarily identify executive candidate human resources through position-based pool formation.

Meanwhile, with people-based pool formation, the total number of talents is ambiguous compared to the position-based approach. Human resources are assembled through selective training or other programs, and each year new human resources are added to the pool. For example, the human resources pool may currently contain 40 people, but if 10 new people are added, there will be 50. People only leave the group if they are appointed to one of the higher-level posts or duties, or it is evident that there is an extremely low possibility of their being appointed. Also, a person leaving the pool does not necessarily mean a new person will be added. This amounts to a fundamental difference between two approaches in how human resource pools are managed overall. Company A, Company B, and Company D were the ones that

identify future executive-candidate human resources primarily via people-based. Among them, Company D creates significantly larger human resources groups, based on an employee category and qualification grade system. As mentioned earlier, this seems to be in line with the traditional Japanese way. By contrast, Company A aims to form pools through specialized tracking of personnel via selective training program that is not related to qualification grade, while Company B specially tracks people as “CC Personnel.”

In this sense, the methods of pool formation at Companies A and B can be regarded as a new development. However, there are cases like at Company D where the pool of human resources with potential is large, but gets narrowed down as the years go by, putting it in line with the overall trend of narrowing down the target group.

V. 2. Actual situations of growth opportunities offered after talent selection

One thing common to all case-study companies is that they make attempts to develop long-term plans, at least for human resources seen as having potential. With the people-based approach, as at Companies A and B, employees seen as capable of reaching the upper levels of the organizational hierarchy (future executive class) are identified, and personnel development is (or is planned to be) carried out so that they actually reach these levels. Meanwhile, with the position-based approach as in Company E, efforts are being made to develop human resources by extending the target to the post-next generation, ten years ahead. Among all the case study companies an evident commonality is the formulation of plans and development of human resources over the long term. Another shared trend is the strategy of utilizing human resources across the entire corporate group rather than only the non-consolidated.

In general, we can say that the underlying aim of these initiatives is to construct mechanisms for cultivation of outstanding human resources, without being influenced by personnel changes within the organization, so as to generate future managerial and executive personnel consistently. These initiatives seem to share the common goal of steadily securing human resources to minimize the impact of changes of top management and supervisors and ensure there are personnel in place to take charge of future management.

However, in some cases there are problems in practice. Particularly at Company B and Company D, there were problems with offering growth opportunities. As a whole, while all companies can agree on the importance of providing opportunities, that is, giving talented human resources tough assignments via wide-area transfers across different business area or geographical region, it seems that personnel development does not go according to plan when these are actually implemented.

In order to carry out personnel development through reassignments, it appears important for the entire company to take part in initiatives. As a matter of fact, Company A, which has been able to reassign human resources seen as executive candidates effectively, the president is directly involved in creating and operating the system. At Company C also, when “succession plan” is decided, the top tier of the company makes the final decision. Regardless of whether the system targets the company as a whole or a specific department, it seems vital that initiatives involve the top tier of the company.

VI. Discussions

VI. 1. Relationship between introducing Talent Management systems and Japanese-style human resource development practices

VI. 1. 1. Non-step-by-step internal personnel development and transfers

Examination of Companies A and B, which have introduced people-based approach, reveals that while both internally procure human resources, there are various points of conceptual disparity from what has been indicated in previous studies. First of all, there is a new concept of defining the highest attainable position in advance and then formulating an internal career path toward this position. This

differs somewhat from traditional internal procurement of human resources, where employees rise from the bottom toward the top of the hierarchy, step by step, with the appropriate personnel selected for promotion out of groups that joined the company at or around the same time. It seems that Company A's message of developing *human resources with executive management ability* rather than just *people in managerial positions*, is aimed at personnel development that differs from the conventional internal-promotion development approach.

Also, there is the practice (currently implemented or implemented on a trial basis) of putting employees through "tough experiences" so that they can acquire the skills required of future management and executives, which include transfers to different business units and regions. This concept can be said to differ from the typical white-collar human resource development policy of gradually building experience with similar or highly relative work as noted by Koike and Inoki ed. (2002).

With regard to the next-generation executive candidate pool, these features may arise from the objective of development, which is to cultivate qualities such as willingness to take on challenges and make judgments and decisions, which will be required to carry out tasks like launching new business units or withdrawing deteriorated business in order to keep the company viable. The skills to carry out work such as manufacturing and sales can be acquired through accumulation of similar, related work experience via regular personnel rotation, but the company appears to see the unconventional, more broad-based transfers as a way of acquiring managerial and executive qualities.

VI. 1. 2. The challenge of altering existing promotion practices

The above-described approaches to personnel development may entail changes to existing promotion structures. In particular, initiatives based on people rather than on positions, which do not depend on employee category or qualification grade, seem intended to change companies' existing promotion practices. For example, Companies A and B group younger employees into talent pools, and there appears to be an intention to place selected personnel on a separate "express track." We can interpret this strategy as an attempt to change the existing promotion speed.

This is easily recognizable in Company B, which incorporates a people-based approach into its position-based. When management is position-based, candidates always come from the tier immediately below the position in question, so it is difficult to vary the established promotion speed. Personnel in the immediately lower tier have all risen through the ranks step by step in the conventional manner, but it is hoped that formation of talent pools via people-based ("CC Personnel") will change the existing structure. We could say that the people-based formation of future executive-candidate groups, in a manner that differ from conventional employee category and qualification grade systems for gradual, internal acquisition of abilities within the company's organizational structure, has the power to weaken the existing step-by-step internal promotion structure to some extent. In the future this may lead to a change in the structure of seniority-based promotions through gradual competency building.

Conversely, when talent pools are formed using a position-based approach, people are only promoted step by step to the rank immediately above, so it seems difficult to generate sufficient momentum to change the existing promotion structure. In these cases, companies seem to aim at improving the stability of personnel procurement functions while maintaining existing practices.

VI. 1. 3. Utilization of various attributes (homogenization of heterogeneous tiers within organizations)

Another aspect to point out is the difference from traditional Japanese-style personnel management. That is, seeing personnel with a range of attributes as executive-candidate human resources, and aiming to develop and utilize their potential.

Several of the case-study companies are making serious attempts to utilize non-Japanese personnel locally hired overseas as executive candidates for their overseas subsidiaries. This trend is in line with

broader initiatives for the utilization of human resources not only at the non-consolidated company but also of group companies, as well as actively seeking executive human resources that were not hired as new graduates. This trend is characterized by attempts to homogenize employees of the company. For example, in selective training program for local human resources working at Company A's overseas business locations, in addition to the management philosophy, attempts are being made for to foreign executives to gain an understanding of budgeting mechanisms (i.e., target setting) and the reasoning behind them. For employees in Japan, this is taught immediately after joining the company and is taken for granted. Here, an attempt is being made to share things that are considered a matter of course by employees in Japan with local personnel at overseas business locations as well. In sharing specific methods and way of thinking about business operations with local human resources at overseas business locations, this initiative marks a step forward.

At Company C, in implementing the "succession plan," clarifying the roles the company requires for specific posts in the form of a mission statement not only deepens local employee's understandings on roles of specific posts, but also makes it clear what local employees need in order to be promoted to higher level posts. In doing so, the companies try to avoid mere "job descriptions" and stick to explanations of the company mission. In this way, implementation of the "succession plan" entails coordination of the local people's way of thinking and the employee image sought by Company C.

By creating opportunities to explain not only the company's vision but also the specifics of business management and the roles employees are expected to play, the company shows that it is not merely asking local human resources to "fill positions," but to play active roles in the group management of entire company. This can be called a qualitative change that cannot be assessed simply with numerical localization indicators (increase in percentage of local employees). This kind of movement can be interpreted as bringing local human resources closer in line with Japanese human resources, that is, an initiative toward homogenization of locally staffed organizations. Caution is required before judging whether this homogenization will promote a homogenizing tendency in human resources throughout the company, but at least the initiative is moving the future executive-candidate group of local human resources closer to their Japanese counterparts.

Meanwhile, there are cases such as Company A where (a) attempts are made not merely to select and manage younger personnel, but to develop them into human resources that can take over management in the future, (b) human resources with potential as future executive candidates are selected even if they have had uneven personnel evaluations, and (c) there are initiatives that can be regarded as attempts to incorporate diverse groups into the core of conventional full-time employees, including female employees in Japan. Here in Japan, the trend is toward development of more varied core employees who are future executive candidates rather than insisting that all employees fit the company's conventional mold. This is an interesting point in that we are seeing moves toward increasing heterogeneity in Japan, while toward increasing homogeneity overseas.

In light of the above points, it seems that the utilization of diverse human resources (greater flexibility regarding their attributes) is advancing, and some companies intend to develop human resources that have the company "color" to some extent but are not all exactly the same shade.

VI. 2. Issues and future direction

There are issues that still remain with this article. First of all, a sufficient sample size was not secured. Moving forward, a lot more case-study companies need to be secured. In addition, for the case studies that were obtained, it has not been confirmed whether the initiatives in question actually boost the motivation of talented human resources. Also, it was not possible to address the relationship between internal and external human resource procurement.

While the above issues are significant, I believe this article's contribution is one of conveying what is

occurring in the real world with regard to Talent Management. It is necessary to investigate and analyze further in the future in order to clarify the actual status of Talent Management in Japan, and to examine the deeper theme of the influence of Talent Management on Japanese-style hiring and employment practices.

* This paper is based on *Research on identifying and training next-generation executives: Focusing on manufacturing companies with global expansion strategies*, JILPT Research Report no.194 (March 2017) with additions and amendments in line with the gist of this journal.

Notes

1. 17.0% of firms cite “strengthening recruitment of talented overseas personnel” as a current challenge, while 37.4% cited it as a challenge to address five years from now.
2. Shown in Koike, Inoki ed. (2002)
3. Sample size 73, interviews were with managers.
4. Participants in the research study were Haruo Takagi (Professor, Hosei Business School of Innovation Management), Hideki Tanaka (Junior Associate Professor Aomori Public University), Hiroyuki Aoki (Professor, Kagawa University), Itaru Nishimura (Researcher, JILPT), Norio Hisamoto (Professor, Graduate School of Economics and Faculty of Economics, Kyoto University) and Takashi Nishimura (Associate Professor Tokyo Metropolitan University Graduate School of Social Science.) (names in alphabetical order).
5. Based on the discussion by Collings and Mellahi, Sato (2016) notes that when the approach is position-centered, “talent” refers not only to internal human resources but also to external ones, and as a result the talent pool is organized to accept both internal and external talent. This article does not deal with the perspective of optimally combining internal and external personnel in this fashion, and it remains an issue to address in future studies.
6. The descriptions of Company A and Company D are mostly based on the sections by Nishimura in the Japan Institute for Labour Policy and Training (2017), Chapter 1 (Company A) and Chapter 4 (Company D). Companies B and C are described in Chapters 2 and 3 of the same report by Nishimura and Tanaka. The description of Company E is largely based on Chapter 5 of this report, by Aoki.
7. “School for Executives” is a name the author uses for convenience and is not the official name used by Company A. The “School for Executives” is a selective training program launched in 2004, and had been carried out eleven times prior to the 2016 survey in order to identify personnel with potential to become future executive officers. More than a dozen people are selected each time.
8. This name was created for convenience by the author and it is not the official name given by Company B. HDC is a system that was launched over ten years ago, and considering that the survey was conducted in 2016, it is deemed to have been introduced at the beginning of 2000.
9. Convened and implemented in three tiers, from HDC 1 to HDC 3. The top tier, HDC 1, corresponds to management positions (division manager and above), HDC 2 to managerial positions, and HDC 3 to rank-and-file employees. The committee aims to assign optimal personnel, offer opportunities for employees to show their full potential, and examine employees’ professional growth.
10. HDC 1 is a deliberating body that manages and appoints personnel to general manager and manager posts, with board of directors (executive director class positions up to president) as its members. As such it is convened on a broad, Group-wide basis. There are about 150 managerial posts in Japan at the general manager / division manager level, and about 50 top-executive-level posts at subsidiaries including overseas. Within HDC 1 the perspective of utilizing human resources is growing stronger, and the discussion generally revolves around “Who should be assigned to this position?” The HDC 2 committee is composed of four functional units and manages about 400 posts. In the case of HDC 2, general managers often demonstrate leadership and select personnel. Transfers among different business unit headquarters are often discussed by general managers of these business unit headquarters in the course of day-to-day work. There is an HDC 3 at each business unit headquarter which is lower branch of functional units, where they discuss and deliberate on the human-resource development and utilization of rank-and-file employees at that headquarters. This means that beyond simply deliberating on posts, the committee discusses how to develop rank-and-file employees in general. Human-resource development in this HDC 3 is largely left to the each general manager, because it varies widely depending on the business environment where it is located.
11. The survey was conducted in 2016.
12. This name is appended for convenience by the author, and is not the official name given by Company B.
13. Company B has established a headquarters system, with headquarters covering four major functions (engineering, sales/marketing, planning/finance, general staff [administration and human resources]). There are about 30 business unit headquarters.
14. This project name is appended for convenience by the author, and is not the official name given by Company D.
15. This name is appended for convenience by the author, and is not the official name given by Company D.
16. In terms of the number of human resources in each group, as of 2012, there were about 4,000 G employees and about 7,500 L employees.
17. The name of the course classification is provisional, not the official name used by company D.

18. One of the requirements for certification in the X course is “playing the role of head of the department.” Not all managerial positions entail the “role of head of the department.” For example, the manager of a staff (administrative/HR) section at a subsidiary is not a “head of the organization,” which means such managers are in the Y course. However, the head of a branch office, although subordinate office of a subsidiary, plays the role of head of the organization, and thus is in the X course.
19. The Y course has two grades for rank-and-file employees and six grades from Y1 to Y6 for the managerial level. The X course is only for the managerial level, and when personnel are appointed to posts that have a role grade, they are assigned to the X course, which also has six grades from X1 to X6. The names of qualification grades are appended for convenience by the author, and are not the official names given by Company D.
20. For example, younger employees who are working hard are introduced during monthly meetings of local branch office managers. This means that president and sales division manager of regional branch remember these employees and use the information for candidate selection.
21. For example, whether there have been harassment issues, etc.

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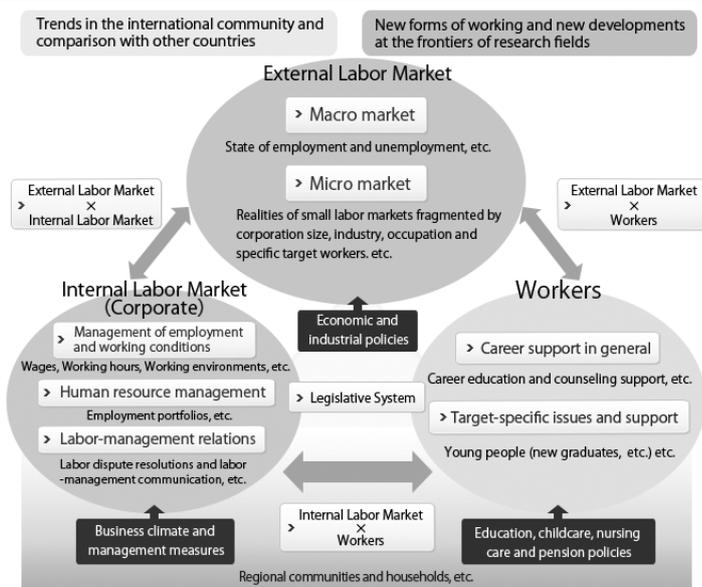
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JILPT Research Activity

The Japan Institute for Labour Policy and Training is conducting surveys and research focused on producing valuable insights that assist the Ministry of Health, Labour and Welfare in planning and pursuing labor policies and initiatives.

The Fields of Our Research



Comprehensive Research on Labor Policies

The following research projects are now being conducted.

• Research on Employment Systems

This research analyzes the current state and directions of Japan's long-term employment systems amid significant changes in industrial and demographic structures, using an analytical approach that incorporates a range of perspectives including the viewpoints of companies, workers, and society as a whole. Once we have established an overview of the current state and changes in Japanese employment systems, we consider how employment systems should be developed in the future.

In FY 2017, we seek to ascertain the actual state in both labor supply and demand, through interview surveys for cases of human resource management in new industrial fields, and secondary analysis of existing data, etc.

• Research on Labor and Employment Policies Adapted to Correspond with Changes, etc. in Demographic and Employment Structures

As Japan experiences rapid population aging and decline and a continued increase in non-regular workers, this project encompasses surveys and research that contribute to promoting measures and presenting policy implications in areas such as the creation of a society where people remain in the workforce throughout their lives (*shōgai*

gen-eki shakai) and the improvement of working conditions for non-regular workers.

In FY 2017, we are conducting case studies regarding the employment and work of older people, engaging in interview surveys of companies that dispatch non-regular workers, and defining points for discussion as to the improvement of the treatment of non-regular workers, etc. We are also analyzing the special tabulation of the Ministry of Health, Labour and Welfare's General Survey on Diversified Types of Employment as a means of developing basic data regarding non-regular employment.

• Research on Potential Future Developments in Employment and Labor along with Technological Innovation, etc.

In light of major economic and social trends—including the rapid progress of technological innovation in A.I., the internet of things (IoT), and other such areas, etc., and changes in the structure of labor supply and demand—this research looks ahead to consider potential developments in employment and labor, and employment opportunities in the regional community, and also presents policy implications for the future.

In FY 2017, we are defining points for discussion regarding the impact of technological innovation on working environments, etc., and regional differences in employment opportunities and ways of working. We are also utilizing government statistics to analyze labor productivity.

• Research on Worker and Corporate Behavior Strategies amid "Work Style Reform"

In preparation for "Work Style Reform", this research picks out the issues involved in the behavior strategies of both workers and companies—such as the appropriate state of working hour systems and other such aspects of human resources management, promotion of the active participation of women, and balancing child-rearing and long-term care for families, with pursuing a career—and sets out policy implications that contribute to improving the quality of employment.

In FY 2017, our research includes case studies on the actual state of time management in work and daily life, the setting of wage level in the labor market and the determining of wages within companies, and surveys on balancing work with long-term care for families.

- **Research on Vocational Skills Development Suited to Diverse Needs**

This research ascertains and analyzes the various needs involved in enhancing vocational skills, and sets out policy implications regarding the appropriate state of infrastructure for vocational skills development across Japan as a whole, human resource development in new industrial fields, etc., and mechanisms for young people to make a smooth transition into employment and develop careers.

In FY 2017, we are ascertaining the actual conditions of advanced education and training in the field of IT, proactive learning by workers, and other aspects of vocational skills development infrastructure. In addition, we are using case studies to investigate and analyze conditions in the job market for high-school graduates.

- **Research on Career Formation Support toward the Achievement of a “Society in which All Citizens are Actively Engaged” (*zen’in-sanka-gata shakai*)**

This research looks at the actual state of work and job-seeking environments to identify the issues that need to be addressed—such as the appropriate state of lifetime career development support, job matching and counselling to promote the labor participation of people who have difficulties in the job-seeking activities, and the development of occupational information and tools suited to the current age—and proposes effective support methods.

In FY 2017, we are working on research aimed at ascertaining the issues related to career consulting, the actual needs and challenges regarding occupational information and occupation classifications and how career support should take into account characteristics of young people. We are also revising tools for career guidance and developing programs to support job-seeking activities.

- **Research on Mechanisms for Establishing Terms and Conditions of Employment, Centering on Labor Management Relations**

This research ascertains the actual state of the changes in the notion of employees and labor-management relations and the ongoing shifts in mechanisms for establishing terms and conditions of employment amid increasing diversity in ways of working. While also comparing domestic developments with international trends, we identify the challenges with regard to labor law and policies, and present policy implications to prepare for developments in the future.

In FY 2017, we are pursuing research on labor law policies for responding to the development of atypical work organizations and other such changes in work society in other countries, and conducting surveys on collective labor-management relations and workplace harassment.

Results of Research Activities

The results of our research activities will be published quickly in research reports on labor policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labor policies and the stimulation of policy discussions among different strata. At the same time, the Institute will organize policy forums and other events to provide opportunities for open discussion on policies.

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JILPT collects and analyzes a variety of labor-related statistical data and information, both domestically and internationally, with the aim of contributing to promoting research and debate on labor policy.

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Information on domestic labor trends, such as employment, human resource management, industrial relations and so on, is gathered and sorted through surveys including “Monitoring Survey on Business and Labor” and other researches which are carried out through questionnaires or interviews to businesses, management and labor organizations.

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- ▶ Information on the labor situation in key countries is continuously and systematically assembled, and then sorted by country as well as by policy issue.
- ▶ JILPT networks with foreign research institutions, participates in joint field surveys when necessary, and collects information on pressing issues for labor policy research.

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A variety of statistical data related to labor is collected from a broad range of information sources. This data is analyzed and processed, and is used to provide information that cannot be obtained from existing numerical data.

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