

# Non-Regular Employment Measures in Japan

TAKAHASHI Koji

## I. Definition of non-regular employment and its presence in the Japanese-style employment system

Under Japan's labor and employment policy, *hi-seiki koyō rōdōsha* (non-regular workers) are defined as workers who fall under the category of *pāto taimu rōdōsha* (part-time workers), *yūki keiyaku rōdōsha* (fixed-term contract workers), or *haken rōdōsha* (temporary agency workers, also referred to as “dispatched workers” in laws). The Ministry of Health, Labour and Welfare (MHLW) provides estimates of the numbers (percentages) of workers in each category in the related surveys as follows. Part-time workers account for 27.3% of all employees (“General Survey on Part-time Workers,” 2016), fixed-term contract workers for 22.4% (“Survey on Fixed-Term Labor Contracts,” 2020), and temporary agency workers for 3.2% (“General Survey on Dispatched Workers,” 2017). It should be noted that we cannot make a simple sum of these percentages because there is overlap between the three categories.

Non-regular workers account for 36.7% of all employees (excluding executives) in average for January-March, 2022, according to the Ministry of Internal Affairs and Communication (MIC)'s *Labour Force Survey*. In contrast to the labor policy definition, MIC's household surveys such as the *Labour Force Survey* and *Employment Status Survey* distinguish between “regular” and “non-regular” employment based on the workplace designation, that is, how the worker's employment type is referred to at each workplace. Specifically, while regular workers are defined as those who are referred to as

*seiki shokuin/jūgyōin* (regular staff/employees) or fall under a similarly named employment type at their workplace, non-regular workers are defined as those referred to as *pāto* (part-time workers), *arubaito* (side-job workers)<sup>1</sup>, *haken jigyōsho no haken shain* (temporary agency workers employed by temporary work agencies), *keiyaku shain* (contract workers), *shokutaku* (entrusted workers)<sup>2</sup>, or those in “other” employment types.

While non-regular workers under labor policy and “non-regular workers” under the designation given at their workplace generally coincide, there are exceptions. Some are referred to as non-regular workers at their workplaces but treated as regular workers in labor policy. Specifically, (i) workers employed with permanent labor contracts who are referred to as part-time workers at their workplaces but in practice working full time, and (ii) full-time workers with permanent labor contracts who have switched from a fixed-term labor contracts under the legal provision called “conversion rule” (explained further below).

Regardless of how non-regular workers are defined, it is essential to remember that the presence of non-regular workers is inseparably linked with Japan's employment system. Namely, under the Japanese-style employment system—often characterized by regular workers whose employment arrangements are long term allowing them to receive training by being gradually entrusted with more advanced tasks over time, non-regular workers have been used for jobs that involve supplementary tasks with less stability compared to regular workers. In academic contexts, the difference is expressed as

regular workers being members of their workplace while non-regular workers being non-members.

## II. Trends in the numbers and typical industries of non-regular workers

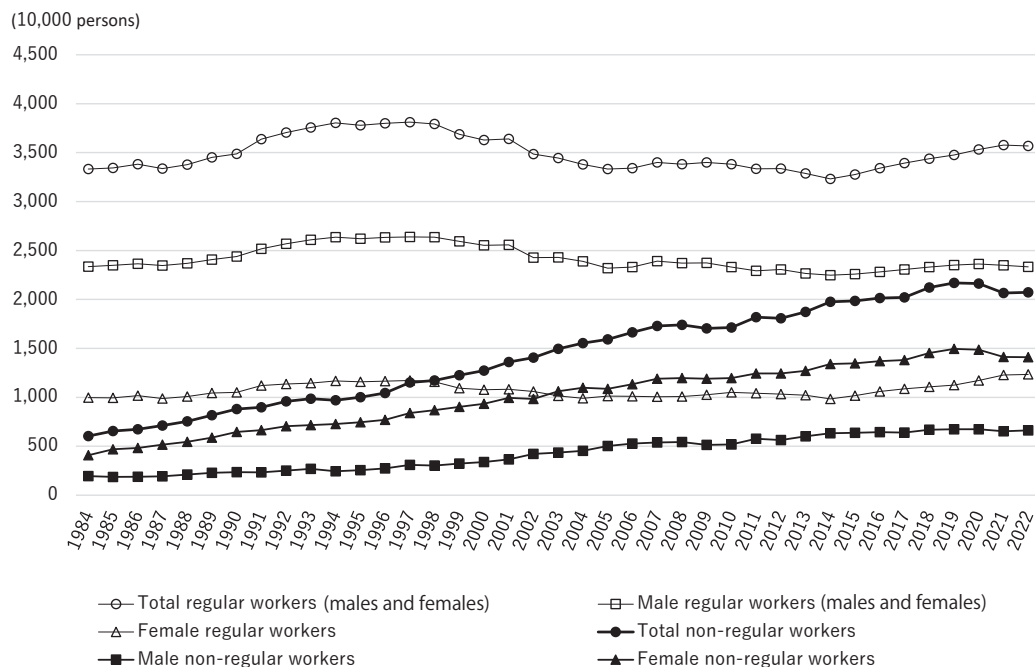
Figure 1 presents the trends in the numbers of regular and non-regular workers. It shows that regular workers in number peaked in the late 1990s, declined over a long period in the 2000s, and have subsequently been on the increase since 2015. The number of non-regular workers, on the other hand, has been rising almost consistently for 40 years. Closer examination reveals that there were two periods in which the number of non-regular workers were on the decline: firstly, in 2009 during the recession prompted by the global financial crisis, and secondly, during the recession that accompanied the COVID-19 pandemic in 2020–2021. It is typical for

non-regular employment to decline during periods of recession.

Let us look at the numbers by industry along with the percentages of non-regular workers among all employees. The absolute number of non-regular workers is high in the “wholesale and retail trade,” “medical, healthcare and welfare,” and “manufacturing,” while the percentage of non-regular workers is high in the “accommodations, eating and drinking services” (hereinafter, “accommodation and food services”) and “living-related and personal services and amusement service” (Figure 2).

## III. Utilization of non-regular workers

Table 1 shows the trends in the reasons for which enterprises use non-regular workers. Though caution is required when interpreting the data due to the

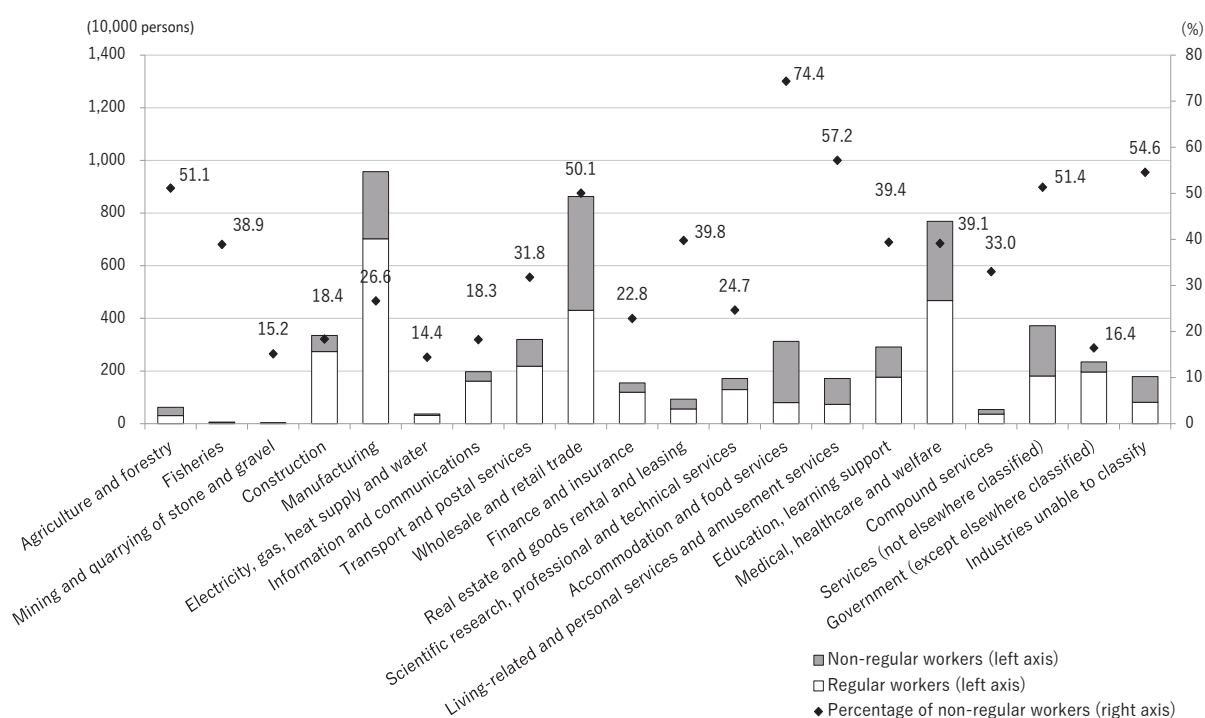


Sources: Data for 2002 onward are from the *Labour Force Survey* (Detailed Tabulation), and data for 2001 and earlier are from the *Special Survey of the Labour Force Survey* (both MIC).

Notes: 1. Figures for 2002 onward are averages for January–March.

2. Figures for 2001 and earlier are figures for February.

Figure 1. Trends in the numbers of regular and non-regular workers



Source: 2017 *Employment Status Survey* (MIC).

Note: The denominator used for calculating the percentages of non-regular workers is the sum of regular workers and non-regular workers.

Figure 2. Numbers of regular and non-regular workers by industry and percentages of non-regular workers

Table 1. Trends in the reasons for utilizing non-regular workers

|                                                                              | (%)         |             |                        |                        |             |             |             |
|------------------------------------------------------------------------------|-------------|-------------|------------------------|------------------------|-------------|-------------|-------------|
|                                                                              | 1994<br>MA  | 1999<br>MA  | 2003<br>Up to<br>three | 2007<br>Up to<br>three | 2010<br>MA  | 2014<br>MA  | 2019<br>MA  |
| Unable to recruit regular workers                                            | 21.5        | 11.6        | 20.1                   | 22.0                   | 17.8        | 27.2        | <b>38.1</b> |
| To allow regular workers to specialize in important work                     | -           | 15.8        | 15.4                   | 16.8                   | 17.3        | 22.6        | 24.7        |
| To handle specialized tasks                                                  | <b>22.5</b> | 23.8        | 23.1                   | 24.3                   | 23.9        | 28.4        | 29.3        |
| To hire industry-ready talent with experience and expertise                  | 13.2        | 23.7        | 26.3                   | <b>25.9</b>            | 24.4        | <b>30.7</b> | 30.9        |
| To adjust workforce in response to economic fluctuation                      | 21.5        | <b>30.7</b> | <b>26.5</b>            | 21.1                   | 22.9        | 19.9        | 15.1        |
| To meet extended business hours                                              | 17.0        | 20.6        | 18.1                   | 18.9                   | 20.2        | 20.2        | 20.3        |
| To accommodate fluctuations in the amount of work on a daily or weekly basis | <b>29.1</b> | <b>29.6</b> | <b>28.0</b>            | <b>31.8</b>            | <b>33.9</b> | <b>32.9</b> | <b>31.7</b> |
| To meet temporary or seasonal changes in demand                              | 20.1        | 23.0        | 17.6                   | 16.6                   | 19.1        | 20.7        | 20.6        |
| To reduce personnel costs                                                    | <b>46.1</b> | <b>61.0</b> | -                      | -                      | -           | -           | -           |
| To reduce wage costs                                                         | -           | -           | <b>51.7</b>            | <b>40.8</b>            | <b>43.8</b> | <b>38.6</b> | <b>31.1</b> |
| To reduce labor costs other than wages                                       | -           | -           | 22.5                   | 21.1                   | <b>27.4</b> | 22.4        | 17.2        |
| As a means of reemploying older workers after retirement                     | 10.2        | 10.3        | 14.2                   | 18.9                   | 22.9        | 26.8        | 29.0        |
| As a substitute for regular workers on childcare or family care leave        | -           | 6.2         | 3.0                    | 2.6                    | 6.7         | 10.3        | 11.2        |
| Others                                                                       | 12.5        | 9.9         | 3.8                    | 14.1                   | 8.1         | 9.0         | 12.5        |

Source: MHLW, "General Survey on Diversified Types of Employment."

Note: Figures in bold are the three highest figures for each year. MA stands for multiple answers.

multiple answer question styles that differ depending on the survey year, several insights can be drawn from the table. First, the percentage of enterprises that utilize non-regular workers in order to reduce personnel and wage costs was formerly extremely high and is gradually declining. Second, the percentage of “to adjust their workforce in response to economic fluctuations” was high around the year 2000 but has also been decreasing since then. Third, the percentage of “to accommodate fluctuations in the amount of work according to the time of the day or day of the week” has been always at around 30%. Fourth, in recent years a prominently high percentage of enterprises have been utilizing non-regular workers due to being “unable to recruit regular workers.”

While not included in the table, a close look at data on enterprises’ reasons for utilizing non-regular workers around the year 2000 shows that the utilization of part-time workers, in particular, was often aimed at reducing personnel and wage costs, while that of temporary agency workers was commonly a means of adjusting workforce in response to economic fluctuations.

#### IV. Issues to discuss

The situations or reasons for enterprises to utilize non-regular workers are changing over time as shown by the data above. Particularly around the year 2000, enterprises often utilized them to reduce personnel costs and adjust workforces. It was also around this time that the number of regular workers declined and that of non-regular workers rapidly increased. In fact, non-regular workers utilization in said period had a serious impact on such workers’ professional and private lives and in turn for society as a whole. Specifically, the following situations and impact are the issues to discuss.

Firstly, following the collapse of Japan’s bubble economy, particularly since the late 1990s, there was an increase in the number of “involuntary non-regular workers,” who have failed to find regular employment and entered non-regular employment involuntarily. It is widely known that there are a large

number of such workers among male and young workers. Although the number of involuntary non-regular workers has been on the decline since the *Labour Force Survey* began tracking them in 2013, their existence remains the most fundamental issue that should not be overlooked among those surrounding non-regular employment.

Secondly, many non-regular workers have been struggling with a lack of job security. In the recession prompted by the 2008–2009 global financial crisis, vast numbers of non-regular workers in the manufacturing workplaces had their contracts terminated. There were those for whom this meant simultaneously losing their jobs and the company-subsidized housing at the same time, rendering them homeless. This quickly led to greater public awareness of non-regular employment as social issues. The COVID-19 pandemic also saw significant numbers of non-regular workers lose their employment due to termination or non-renewal of their contracts.

Thirdly, as non-regular workers were typically engaged in supplementary tasks, they struggled to make progress along their career paths even if they remained in a job long term. Even those engaged in the same tasks as regular workers often faced disparities in treatment for various reasons. Among non-regular workers, female part-time workers had a particular tendency to be working for low wages.

Fourthly, until recently, many non-regular workers have been ineligible for employment insurance and social insurance (workers’ pension insurance and health insurance), such that they lacked a sufficient safety net in case of job loss, illness, or old age.

#### V. Countermeasures

##### 1. Overview

As established above, it was around the year 2000 that enterprises were utilizing non-regular workers to reduce personnel costs or to adjust their workforces, and also that the labor market as a whole was experiencing a decline in regular workers and a rapid increase in non-regular workers. As a matter of

fact, this was a period in which the regulations on non-regular workers utilization were relaxed. This included steps such as raising the upper limit on the fixed-term labor contract periods and broadening the types of work for which temporary agency workers could be used. See the attached chronological table for laws, policies, and trends in labor market related to non-regular employment in Japan (Table 2).

However, the growing public discontent toward the striking *kakusa shakai* (social disparity), as represented by the gap between regular and non-regular employment, prompted the Liberal Democratic Party (LDP) administration to begin to lay out policies for the protection of non-regular workers from around 2005 onward. Particularly, this entailed the 2007 revision of the Minimum Wage Act, which accelerated the raising of the minimum wage, and, likewise in the same year, the introduction of the principles of “equal treatment” (prohibition of less favorable treatment) and “balanced or proportional treatment” between regular workers and part-time workers under the revision of the Part-Time Workers Act (formally, the Act on Improvement, etc. of Employment Management for Part-Time Workers).

Democratic Party of Japan (DPJ) administration from 2009 to 2012 further tightened regulations regarding part-time work, fixed-term labor contracts, and temporary agency work. Upon returning to government at the end of 2012, the LDP administration focused even greater efforts toward stabilizing the employment and improving the treatment of non-regular workers, in light of the growing serious labor shortages. The overall culmination of these efforts was the enactment of the 2018 Work Style Reform Act (formally, the Act on the Arrangement of Related Acts to Promote Work Style Reform), a comprehensive legal package with proposed amendments to a total of eight laws. It prescribed the revision of the Part-Time Workers Act under the new title of the Part-Time and Fixed-Term Workers Act (formally, the Act on Improvement of Personnel Management and Conversion of Employment Status for Part-Time Workers and Fixed-Term Workers), and revision of the Worker Dispatching Act (formally, the Act on Securing the Proper Operation of Worker

Dispatching Businesses and Protecting Dispatched Workers, hereinafter WDA).

While the period around the year 2000 saw efforts to push forward with the deregulation of non-regular employment utilization, the policies began to be introduced toward tightening regulations generally from around 2005. Although the principles behind the policies have changed slightly amid the shifting political circumstances by the changes of government, the protection of non-regular workers (tightening regulations) has remained the fundamental direction of policy since then.

## 2. Specific policy measures

Let us now examine the specific policy measures and their impacts along with the aforementioned four issues (see IV above) for non-regular workers utilization.

Firstly, the involuntary non-regular workers, whether part-time workers, fixed-term contract workers, or temporary agency workers, increased largely among men and young people. To respond to the rise in the number of such workers, many measures were adopted to facilitate conversions from non-regular employment to regular employment. These included promoting the use of schemes such as the subsidy for career advancement<sup>3</sup>, the job-card system<sup>4</sup>, and the trial employment subsidy program<sup>5</sup> as well as the formulation of MHLW’s “Plan for Promoting Conversions to Regular Employment and the Improvement of Conditions for Non-Regular Workers” in 2016. Efforts were also made to promote the establishment of an employment category called *tayō na seishain* (diverse regular workers) and to try to utilize this new category as a destination for non-regular workers to be converted, which is a form of regular employment with restrictions on terms and conditions of employment such as place of work (preventing the possibility of personnel transfers requiring relocation) or the types of work that they engage in. While it is unclear to what extent such policies were effective, the number of regular workers has been on the increase since 2015.

Secondly, the aforementioned conversion rule was introduced under the 2012 revision of the Labor

Table 2. Chronological table for non-regular employment in Japan

| Year | Developments in labor law and labor policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Labor market conditions                                                                                        | Political, economic and social situations                       |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1985 | Worker Dispatching Act enacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                |                                                                 |
| 1986 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1987 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1988 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1989 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1990 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The share of non-regular workers exceeded 20% of all employees.                                                |                                                                 |
| 1991 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                | Burst of the economic bubble                                    |
| 1992 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1993 | Part-Time Workers Act enacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                | Nikkeiren "Employment Portfolio" report released                |
| 1994 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1995 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1996 | Expansion of the types of work performed by temporary agency workers was carried out (from 16 types to 26 types of work).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                |                                                                 |
| 1997 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 1998 | Labor Standards Act amended (extension of the maximum period of fixed-term labor contract to three years (as a special measure))                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The number of regular workers took a downward turn.                                                            | Collapse of major financial institutions, Asian currency crisis |
| 1999 | Worker Dispatching Act amended (liberalization, in principle, of the types of work for temporary agency workers was carried out)                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                |                                                                 |
| 2000 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2001 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                | Burst of the information-technology bubble                      |
| 2002 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The share of non-regular workers exceeded 30% of all employees.                                                |                                                                 |
| 2003 | Labor Standards Act amended (extension of the maximum period of fixed-term labor contract to three years in principle and five years as a special measure)<br>Worker Dispatching Act amended (lifting the ban on sending temporary agency workers to manufacturing operations; extension of the period for which temporary agency workers work)                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2004 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2005 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2006 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2007 | Labor Contract Act enacted<br>Minimum Wage Act amended<br>Part-Time Workers Act amended (introduction of the principles of equal treatment and balanced or proportional treatment)                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                |                                                                 |
| 2008 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | A large number of temporary agency workers lost jobs.<br>The number of non-regular workers declined from 2008. | Global financial crisis                                         |
| 2009 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2010 | Employment Insurance Act amended (expansion of coverage)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                |                                                                 |
| 2011 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2012 | Labor Contract Act amended (introduction of the rule of converting a fixed-term contract to a permanent contract; prohibition of unreasonable difference in treatment between workers under fixed-term contract and workers under permanent contract)<br>Worker Dispatching Act amended (prohibition of dispatching day workers; obligation to give due consideration to balanced or proportional treatment between temporary agency workers and client's regular workers)<br>Expansion of social insurance coverage (relaxing of the requirement of working hours from 30 hours or more to 20 hours or more) | Baby boomers reached the age of 65 and started to retire.                                                      | Great East Japan Earthquake                                     |
| 2013 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2014 | Part-Time Workers Act amended                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                |                                                                 |
| 2015 | Worker Dispatching Act amended (measures for ensuring employment security, measures for promoting career development)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The number of regular workers took an upward turn.                                                             |                                                                 |
| 2016 | "Plan for Promoting Conversions to Regular Employment and the Improvement of Conditions for Non-Regular Workers" compiled                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                |                                                                 |
| 2017 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2018 | Work Style Reform Act enacted (Part-Time Workers Act amended and renamed; Worker Dispatching Act amended)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                |                                                                 |
| 2019 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |
| 2020 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The number of non-regular workers declined from 2019.                                                          | Emergence of COVID-19 pandemic                                  |
| 2021 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The number of non-regular workers declined from 2020.                                                          |                                                                 |
| 2022 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                |                                                                 |

Source: Prepared by the author.



Contracts Act, to ensure job stability for fixed-term contract workers. Under this rule, fixed-term contract workers whose contracts had been repeatedly renewed for a total of at least five years became entitled to have their contract converted to a permanent contract upon their request. The conversion rule has been criticized because many fixed-term contract workers are unaware that it even exists. However, the MIC's *Labour Force Survey* confirms some policy effects (decline in the number of fixed-term contract workers and increase in that of permanent contract workers).

Thirdly, the revisions of laws were implemented to rectify disparities in treatment between regular and non-regular workers. For part-time workers, the 2007 revision to the Part-Time Workers Act (originally enacted in 1993) allowed for the introduction of the principles of equal treatment and balanced or proportional treatment with regular workers. These principles were further strengthened with the subsequent revision and renaming of said act, which led to the enactment of the Part-Time and Fixed-Term Workers Act in 2018. For fixed-term contract workers, the 2012 revision to the Labor Contracts Act saw the introduction of the balanced or proportional treatment principle with permanent contract workers. Building upon this, the 2018 Part-Time and Fixed-Term Workers Act determined the strengthened principles of equal treatment and balanced or proportional treatment with regular workers. For temporary agency workers, the 2018 revision to the WDA also prohibited unreasonable disparities in treatment with regular workers (using two methods, touched on 3 below). As the impacts of such revisions of laws are anticipated to gradually reveal themselves in the form of individual enterprises' initiatives to revise wage scale and wage structure, immediate elimination of disparities in treatment between regular workers and non-regular workers are less expected. However, statistical analysis by the MHLW has ascertained some impacts of this policy such as the reduction in the gap in hourly wages between regular and non-regular workers (MHLW 2023). In addition to the above revisions of laws, the raising of the minimum wage

from 2007 onward under the 2007 revision to the Minimum Wage Act is also thought to have affected the treatment (wages) of non-regular workers.

Fourthly, while the safety nets for non-regular workers were formerly insufficient, the number of non-regular workers covered by safety nets increased with the relaxation of eligibility criterion for employment insurance and social insurance (workers' pension insurance and health insurance) in the 2010s. In 2010, the eligibility criteria for employment insurance were changed, reducing *koyo mikomi kikan* (the expected period of employment) required from six months to at least 31 days. Subsequently, in 2012, the social insurance system saw change in eligibility criteria of the prescribed weekly working hours from at least 30 hours to at least 20 hours. Though such safety nets may not yet extend to all non-regular workers, there are ongoing discussions to explore their extension.

### 3. Temporary agency work

In Japan, temporary agency work has several noteworthy developments in policy measures particularly given that it is a category covered in its own specific legislation. It was legalized with the enactment of the WDA in 1985. The number of temporary agency workers rose rapidly thereafter, with relaxations in regulations in 1999 and 2003 revision, which expanded the types of work and the period for which they could be dispatched. However, as a result of the global financial crisis, vast numbers of these workers lost their jobs in around 2008–2009, and public pressure led to a series of revision of laws aimed at protecting them by tightening regulations. The 2012 revision introduced the obligation for the temporary work agency to give due consideration to the balanced or proportional treatment with the regular workers of client enterprises, in addition to the prohibition against, in principle, sending a temporary agency worker under a daily employment contract. The 2015 revision tightened measures for their job security and introduced career development measures.

In 2018, the revision to the WDA prohibited unreasonable disparities in treatment between

temporary agency workers and regular workers at client enterprises. The revised law has presented two approaches for enterprises, stipulating the principle of (1) method of equal treatment and balanced or proportional treatment with the client's regular workers while also allowing the option of (2) method of "appropriate" treatment based on the labor-management agreement at the temporary work agencies.

## **VI. Will labor shortages and tighter regulations resolve the issues?**

The labor shortages and trend toward tightening of regulations in recent years have served as a tailwind accelerating the improvement of working conditions for non-regular workers. Will riding on this trend allow the issues concerning non-regular workers to be resolved?

Firstly, the *Labour Force Survey* shows that the number of involuntary non-regular workers has declined, from 3.41 million persons in 2013, to 2.10 million in 2022. With the increasing sense of a shortage of regular workers, those involuntary non-regular workers with the desire and ability may have been gradually converting their form of employment to regular employment. This does not mean, however, that those workers receive sufficient treatment. As we established above, the existence of involuntary non-regular workers is the most fundamental issue of non-regular employment. Those workers receive lower wages in comparison with those who become regular workers upon being hired as new graduates (Lee 2012). In addition, women who convert to regular employment have a high turnover rate, which may to some extent be due to the fact that they are employed in low-level jobs after conversion (Takahashi 2017). It is necessary for the government and researchers to cooperate to closely observe whether such conversion actually leads to a real improvement in working conditions.

Secondly, the enactment of the Work Style Reform Act in 2018 reinforced the principle that part-time workers or fixed-term contract workers should receive equal and balanced or proportional

treatment to that received by regular workers. The treatment of temporary agency workers was also addressed by prohibiting unreasonable disparities in treatment with that of regular workers. These legal reforms may possibly have somewhat reduced the disparity in treatment between regular and non-regular workers.

However, the large majority of non-regular workers are engaged in work duties that are at lower level in comparison with regular workers. As the legal regulations prescribe that wages be determined on the basis of the level of work duties, the wages of non-regular workers are unlikely to rise significantly as long as the level of work duties does not increase. Thus, the next challenge to eliminate the disparity in treatment is ensuring that non-regular workers are able to progress along their career paths.

Thirdly, the series of steps to tighten regulations—such as the conversion rule introduced in 2012 and the Work Style Reform Act enacted in 2018—have raised the bar for enterprises using non-regular workers. This may prompt enterprises to decrease their non-regular workforce and expand their regular workforce. The number of regular workers has in fact been on the increase since 2015.

At the same time, enterprises may seek to draw on new forms of employment that are even beyond the bounds of employment. That is, using workers such as freelancers or platform workers, whose work is often not covered by the regulations of labor laws. We must continue to closely follow how work is conducted in practice outside the bounds of employment.

1. *Arubaito* (side-job workers) typically means students or homemakers working temporarily.
2. *Shokutaku* (entrusted workers) typically refers to workers who have been reemployed after reaching mandatory retirement.
3. The Career Advancement Subsidy provides subsidies to companies that improve the treatment of non-regular workers such as fixed-term workers, part-time workers, and temporary agency workers, by converting them to regular workers or establishing new wage rules and benefits.
4. The Job-Card framework summarizes (i) an individual's academic background and personal information, (ii) work experience, and (iii) qualifications and certificates, including training, learning records (with training outcome evaluations, if available), and job performance evaluations, in three types of



guided sheets. The MHLW has been promoting the use of this system providing a website (<https://www.job-card.mhlw.go.jp/>) to help individuals fill out their Cards.

5. Trial employment is a system that helps people who have difficulty finding a job because of lack of work experience or who wish to work in a profession but have no previous experience, for their transition to regular employment after three months of trial employment. During the trial period, the employer would receive a certain amount of money as a trial employment subsidy. At the end of the trial under a temporary contract, if both the company and the person (probationer) agree, the company hires the person as a regular worker. According to data from the MHLW, approximately 70% of those who completed the trial have been transitioned to regular employment.

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## TAKAHASHI Koji

Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Non-regular employment.

<https://www.jil.go.jp/english/profile/takahashi.html>

