

## Article

# Changes and Continuity in Non-regular Employment in Japan: Improved General Situation, Yet Persistent Gender Structure

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## I. Background and purpose

There have been numerous research articles produced that address the issue of non-regular employment in Japan dealing with the situation at a certain point in time, but few analyzing the flow. However, the reality is changing over time, affected by the labor policies and economic conditions. This article aims to clarify the changes in and continuity of non-regular employment in Japan during the 2010s and discuss further research agenda on regular/non-regular employment.

Takahashi (2017), published in the first issue of *Japan Labor Issues*, emphasized the severe polarization of working conditions and working styles between regular and non-regular workers in the first half of the 2010s in Japan. It was a commentary based on a research report (JILPT 2016) written by eight researchers and compiled by the author in the previous year.

During the 2010s, however, we also saw a notable transition in the direction of labor policies, and in the latter half of the decade, the demand-supply balance transformed dramatically from labor excess to labor shortage. Fundamental shifts in legislation and the labor market might improve the working conditions of non-regular workers. Five researchers including the author agreed that such situation needs to be clarified in terms of the changes in and continuity of non-regular employment in Japan. Thus, another research report was compiled to delve deeper into the issues “after” the polarization of working conditions and working styles (JILPT 2024).

The analysis conducted along these lines yielded

important results not only for domestic researchers and policy makers but also for international readers. We decided to jointly make presentations at an international academic conference in June 2024, for the purpose of developing JILPT’s research by sharing the results and exchanging insights with foreign researchers in this field.<sup>1</sup> Sections II to V summarize the contents of four presentations made by Koji Takahashi, Yasutaka Fukui, Fumiko Nishino, and Takeshi Okamoto, respectively. Section V challenges to answer to the question “what has changed and what has not changed” in the long term and discusses further agenda for our future research.

## II. Overview of non-regular employment problems and a few positive signs for an equal labor market

At the above-mentioned conference, Takahashi presented an overview of non-regular employment problems in Japan, pivotal shifts in legislation and the labor market, and showed a few indicators that suggest slight improvement toward an equal labor market. Non-regular workers are defined as workers who fall under the category of part-time, fixed-term contract, or temporary agency (dispatched) workers, in principle. According to Takahashi, however, it is also important to note that under the Japanese-style employment system, non-regular workers are used for jobs that involve supplementary tasks with less stability, whereas regular workers enjoy long-term employment.

What characterize the severity of regular/non-regular employment issues in Japan are the rapid

expansion of non-regular employment and the establishment of a “new dual labor market.” Amid the de-regulation of the labor market and during the so-called “employment ice age” after the burst of the bubble economy, the number of non-regular workers increased rapidly, resulting in the establishment of a new dual labor market at the beginning of the 21st century. Here, the new dual labor market is composed of: (1) significant wage disparity between regular and non-regular workers; (2) difficulty in transitioning from non-regular to regular positions; and (3) the association between non-regular employment and the male breadwinner model.

More recently, reversal trends have appeared.<sup>2</sup> The growing public discontent toward the striking social disparity prompted the Liberal Democratic Party (LDP) administration to begin laying out policies for the protection of non-regular workers around 2007. From 2009 to 2012, the Democratic Party of Japan administration tightened regulations regarding part-time work, fixed-term labor contracts, and temporary agency work. The LDP administration, upon returning to the government at the end of 2012, focused even greater efforts toward stabilizing employment and improving the treatment of non-regular workers in light of serious growing labor shortages.

In fact, we can observe a few positive signs from the mid-2010s to now. For example, the percentage of non-regular workers among all employed workers has started to decrease except for older workers. In addition, the ratio of non-regular workers who select non-regular positions involuntarily (who chose “not obtaining a job as a regular employee” as the reason why they have become non-regular workers) among all non-regular workers is also declining.

Based on the understanding above, Takahashi argued that detailed analyses on each aspect of the new dual labor market are required. Corresponding to the agenda set by Takahashi, each of the three other researchers examined whether “the wage disparities have been narrowed,” “the transition to regular positions has become easier,” and “the linkage between regular/non-regular employment and male breadwinner model has changed,”

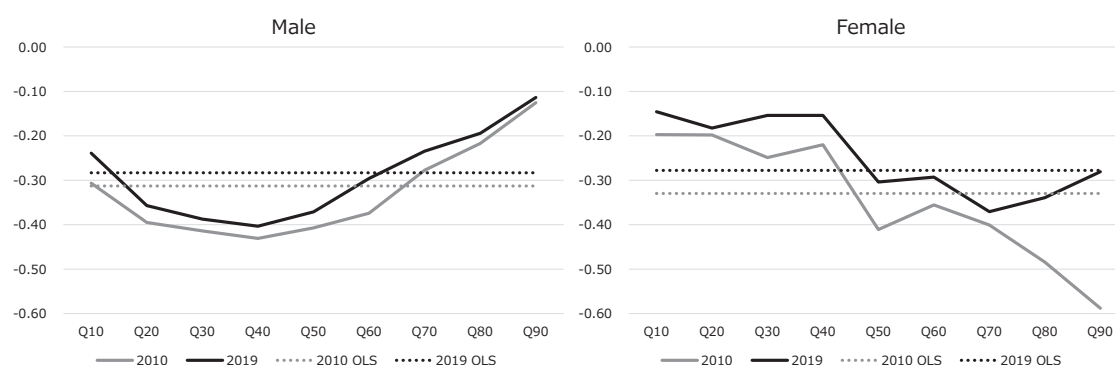
respectively.

### III. Wage disparity between regular and non-regular employment

Fukui, Associate Professor at Nagoya University, examined whether the wage disparity between regular and non-regular employment in Japan decreased in the 2010s. What is unique to Fukui’s approach is to focus on different points on the wage distribution curve. It is well known that there is a significant wage disparity between regular and nonregular employees in Japan, but whether this disparity is uniform or heterogeneous has not received sufficient attention. Fukui also pays attention to the impact of the minimum wage on the wage gap between regular and non-regular employees. Although the government, labor unions, and employers’ associations agreed to raise the minimum wage in 2008, and regional minimum wages have increased substantially since then, the impact of these institutional changes on wage disparity between regular and non-regular employees has not been examined.

Fukui applies unconditional quantile regression analysis with the Recentered Influence Function (RIF) of the quantiles as the objective variable. A sample of workers aged 20–59 collected by the “General Survey on Diversified Types of Employment,” a nation-wide survey conducted by the Ministry of Health, Labor, and Welfare in Japan in 2010 and 2019 is analyzed.

Firstly, focusing on the results of simple OLS Models, Fukui finds that the wage penalty for non-regular employment decreased slightly between 2010 and 2019, showing a 1 percent point decrease for male workers and a 5 percent point decrease for female workers. Secondly, the results of the unconditional quantile regression indicate that the wage penalty is not uniform, depending on the location of the wage distribution. For male workers, the wage disparity between regular and non-regular employment is sizeable at the bottom and small at the top of the wage distribution curve, while that for female workers is small for those receiving lower



Source: JILPT (2024: 151), Figure 4-5-1. Calculated by Yasutaka Fukui.

Notes: 1. Dependent variable is the logarithm of hourly wage of individual workers.

2. Control variables include years of education, years of experience, squares of years of experience, occupation, industry, and firm size.

Figure 1. Wage penalty of non-regular employment (coefficient of non-regular dummy)

wages and sizeable for those with higher remuneration (Figure 1). Thirdly, more importantly, the second results are consistent in 2010 and 2019. And finally, regional minimum wages were found to increase the remuneration of low-wage workers to a larger extent in non-regular than in regular employment.

Based on the results above, Fukui concludes that the wage penalty for non-regular employment decreased during the 2010s, and that higher regional minimum wages reduced the wage penalty for non-regular employment at the lower end of the wage distribution, suggesting that policies to increase minimum wages were effective in reducing the wage gap between regular and non-regular employment.

#### IV. Transition from non-regular to regular positions

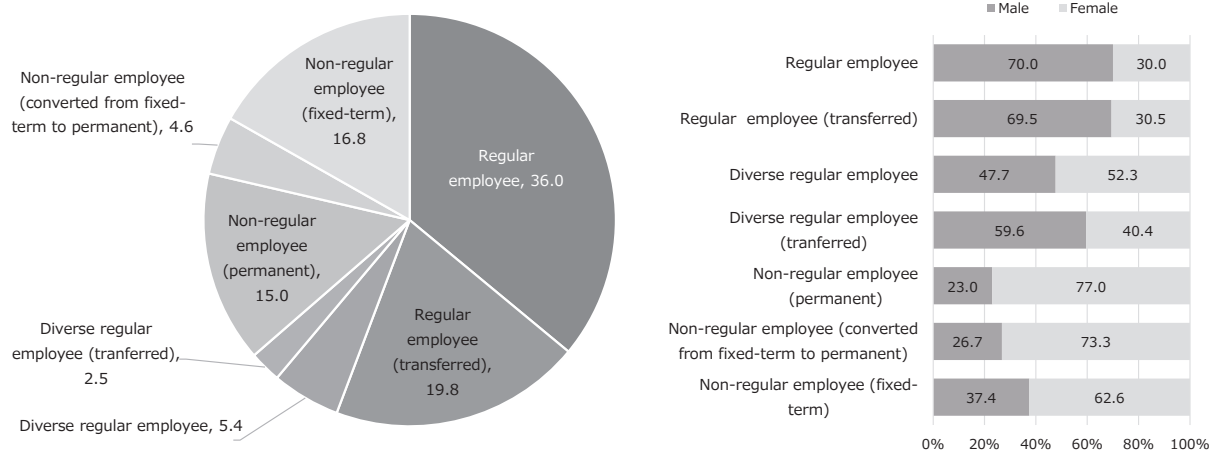
Nishino, Professor at Hitotsubashi University, aimed to reveal the reality of the transition from non-regular to regular employment and “diverse forms of regular employment” in Japan, and discussed whether the previous division of the labor market has changed and become ladder shaped.

It has been theorized that the Japanese labor market is dualistic, characterized by strong protection for regular employees and minimal regulation for non-regular employees. There has been limited

upward mobility among non-regular employees and difficulties in transitioning from non-regular to regular positions. Since 2010, the government has aimed to bridge this gap and improve working conditions for non-regular employees in two ways: (1) promoting the transition from non-regular to regular jobs; and (2) improving the wages of non-regular employees. According to Nishino, the government has placed a particular emphasis on the first method, and it promoted the introduction of a new type of regular employment, “diverse forms of regular employment,” as an intermediate category.

Nishino analyzes data obtained from a large scale internet survey conducted by JILPT in 2021. The advantage of using this data is that it can grasp the transition of workers after 2018, when conversions from fixed-term to permanent contracts, which were enabled by the revision of Labor Contract Act in 2012, have been accelerated.

The questionnaire of the survey includes questions regarding “employment type (regular employment/diverse forms of regular employment/non-regular employment),” “period of employment contract (permanent/fixed-term),” and “whether he/she has transferred from fixed-term to permanent employment.” Mixing these three criteria, Nishino divides workers into seven categories. The left side of Figure 2 shows that while “regular employees



Source: JILPT (2024: 231-2), Figure 7-5-1 and 7-5-2. Calculated by Fumiko Nishino.

Note: Respondents were collected from registrants of an internet survey company. The distribution of gender, age, and employment types of the respondents are identical to those of all employees in Japan.

Figure 2. Ratio of workers by employment type and gender composition of each type

(transferred)” account for more than 35% of all regular employees,<sup>3</sup> the share of “diverse forms of regular employees (transferred)” is not that large. The right side of the figure reveals that the composition of men among “regular employees (transferred)” and “diverse forms of regular employees (transferred)” is higher than that of men among non-regular employees, suggesting that men are more likely to switch to regular employees.

So far, diverse forms of regular employment are not necessarily utilized as the bridge from non-regular to regular transition, although transition itself has become prevalent to some extent. In addition, it should be noted that male non-regular workers have a better chance of transitioning to regular employment, while female non-regular workers tend to remain in non-regular employment even if converted to a permanent contract.

## V. Relationship between regular/non-regular disparity and “male breadwinner model”

Okamoto, a Ph.D student at Hitotsubashi University, examined whether the “male breadwinner model” is still predominant in Japan while a variety

of policies to reduce working hours, to promote flexible work styles, and to support childcare and older adult care have been implemented since 2010. Okamoto analyzes the individual data of “General Survey on Diversified Types of Employment” conducted by the Ministry of Health, Labour, and Welfare in 2010, 2014, and 2019 to observe the change after 2010. With these data, Okamoto categorizes “family structure (mixed variable of whether living with a spouse and whether living with a child/children),” and “employment and earner status (mixed variable of employment type and primary/secondary earner status)” as independent variables. Dependent variables are working hours and monthly salary/wage.

Despite policy implementation since 2010, Okamoto finds that there have been no significant changes regarding the following aspects: (1) the proportion of “regular employees and primary earners” among men in “living with both a spouse and a child/children” and that of “non-regular employees and secondary earners” among women in “living with both a spouse and a child/children” remain disproportionately high; (2) wage levels for men in “living with both a spouse and a child/children” remain disproportionately high; (3) the

interquartile range of working hours for both genders in regular employment remains narrow, regardless of family structure; and (4) the interquartile range of working hours among women in non-regular employment in “living with both a spouse and a child/children” is disproportionately wide.

Based on the results above, Okamoto concludes that the male breadwinner model continues to be observed in Japan, and that the realistic combination of working arrangements may be limited to “regular employment for men and non-regular employment for women” if one seeks to secure high household income and enough hours necessary for childcare and other household duties.

## VI. Conclusion

While we have observed both changes and continuity in non-regular employment in Japan, the re-regulation and labor shortage in the 2010s seem to have brought about changes in non-regular employment. Certainly, we observed a few positive signs from the mid-2010s to now. The percentage of non-regular workers started to decrease, except for older workers. The ratio of non-regular workers who select non-regular positions involuntarily also decreased. In addition, wage disparity between regular and non-regular workers has been narrowed, and transition from non-regular to regular positions seems to be prevalent at least for males according to the data collected in 2021.

On the other hand, the regular/non-regular disparity is profoundly connected with the male breadwinner model. For couples with a child/children, the combination of regular employment for husbands and non-regular employment for wives is still dominant in Japan. It is also true that female non-regular workers remain in non-regular employment even if converted to a permanent contract.

There are such signs, but the diversity of directions makes it difficult to draw a clear conclusion to the question “what has changed and what has not changed.” The author’s interpretation of this theme had to be updated in the report (JILPT 2024) and then

in the presentation at the international conference. It varied, even more subtly, in the reconsideration for this article. Acknowledging such difficulties, the conclusion for now can be expressed as “improved general situation, yet persistent gender structure.”

After the presentations at the conference, we had valuable feedback from the audience. Some participants who had interests in the situation of freelance workers and platform workers in Japan asked us if the decrease in the ratio of involuntary non-regular workers means there is a shift from non-regular workers to freelance or platform workers. As for those questions, our direct answer was “for now, no.”<sup>4</sup> We presented our views there that, illustrating the data from JILPT (2024), the ratio of non-regular workers who select non-regular employment because “they can work at times convenient to them” is steadily increasing, which suggested that there might be an increase in the number of freelance or platform workers in the near future. We should continue to observe the labor market.

We also received questions regarding the situation of older non-regular workers in Japan. It was, in part, because the majority of the participants at the conference were researchers specialized on social policies and Japan’s “aging society” was one of the topics of most concern to them. We had to excuse, however, that the employment and working conditions of older workers is a different research topic since the mandatory retirement system divides the labor market for older workers and that for young and prime age workers. Nevertheless, it is true that most of the older workers are non-regular workers. We should include their employment and working conditions into our research agenda on non-regular employment in Japan.

1. The 20th East Asian Social Policy Network (EASP) and the 30th Foundation for International Studies of Social Security (FISS) Joint International Conference held in Kyoto, Japan, on July 13-14, 2024. Four of us applied for the conference as a team. One of the contributors, Tomohiko Moriyama (JILPT researcher), was unable to join the presentation as planned due to a conflict in schedule with another international conference to which he attended as a presenter. Their abstracts and posters are available at <https://www.jil.go.jp/english/publications/materials/presentation/2024/p01.html>.

2. A detailed explanation of the reversal shift from de-regulation to re-regulation (or enhanced protection of non-regular workers) is provided in Takahashi (2023).
3.  $(19.8+2.5)/(36.0+19.8+5.4+2.5)=35.0\%$ .
4. According to the discussion at a panel session on the comparison of platform workers among East Asian countries (Lee et al. 2024), it may be “yes” (there is such a shift) in China and South Korea, where a shortage of employment opportunity leads to an increase in platform workers.

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