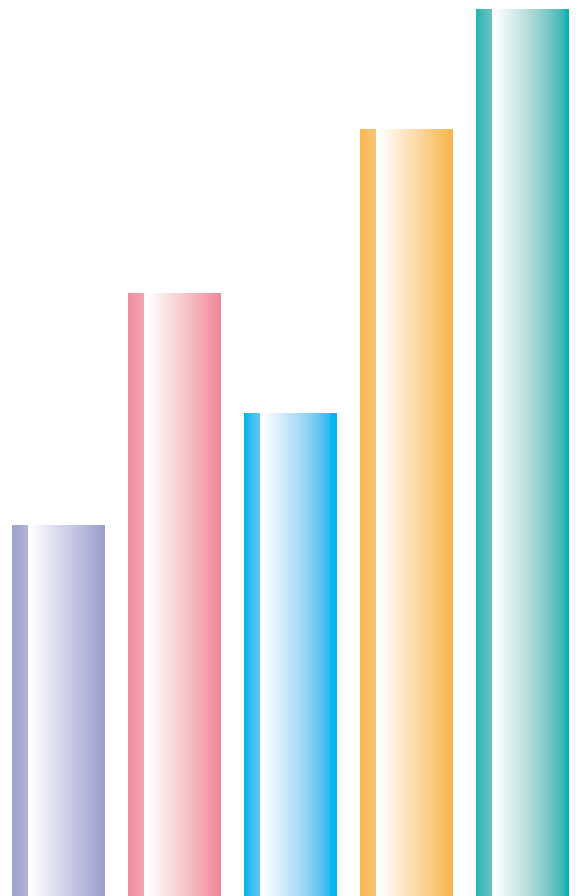


Labor Situation in Japan and Analysis : Detailed Exposition 2011/2012



The Japan Institute for Labour Policy and Training

The objective of The Japan Institute for Labour Policy and Training is to contribute to the planning of labor policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and capitalize on the findings of such research by sponsoring training programs for administrative officials.

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labor Policies

The following research projects are now being conducted.

- (1) Research and Study of a Society in which All Demographics Could Participate in a Time of Population Decline
- (2) Research on Factors Changing the Regional Structure for Employment / Unemployment
- (3) Research on response to diversification of employment formats and establishment of working conditions toward the realization of balancing work and private life
- (4) Comprehensive Research for Building Stable Labor and Management Relations in Individualized Labor Relations
- (5) Research on Human Resource Development and Career Support in the New Economic Society
- (6) Research and Development on the Strengthening of Supply and Demand Control Function and Career Support Function in the Labor Market

The Institute will also engage in collection and coordination of information on labor policies, both domestically and internationally, and various statistical data in order to lay a solid basis for its research activities. We will also carry out policy studies from an international perspective by building a network with overseas research institutions and individual researchers.

2. Training of Staff and Other Personnel Related to Labor Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labor affairs and other interested parties at the Ministry of Health, Labour and Welfare. Simultaneously, through such training sessions, the Institute will be kept abreast of current issues in labor administration and the problems frontline officials in such positions face. The information so acquired will then be utilized in future research activities.

3. Dissemination of Results and Findings, Including Policy Proposals

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 of the populace. At the same time, the Institute will organize labor policy forums and other events to provide opportunities for open discussion on policies

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Labor Situation in Japan and Analysis: Detailed Exposition 2011/2012

The Japan Institute for Labour Policy and Training

Foreword

The Japan Institute for Labour Policy and Training was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. It serves to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and to capitalize the findings of such research by sponsoring training programs for administrative officials. In order to achieve this objective, the Institute works towards building a network with overseas research institutions and individual researchers, and is also engaged in the definitive promotion of international collaboration in research, together with the advancement of policy studies from an international perspective.

This publication, which has been compiled as part of the Institute's effort to establish a foundation for international activities, describes and analyzes individual themes related to the current status of labor issues in Japan. The contents were written primarily by research specialists at the Institute, and the compilation was undertaken by the International Affairs Department.

In principle, this book is issued every year alternately as "General Overview" and "Detailed Exposition" editions. The 2009/2010 edition issued in December 2009 belonged to the former category, and provided an exhaustive range of write-ups that covered basic points on issues related to labor problems and labor policies in Japan. As opposed to the 2009/2010 edition, this 2011/2012 issue provides detailed exposition, and offers recent write-ups by researchers of the Institute dealing mainly with important labor issues. It does not provide an exhaustive account of the labor situation. The book takes up specific topics and introduces recent trends concerning these as well as the relevant analyses, but does not present any one uniform theme as a whole. Consequently, it has been compiled with the intention that the reader will use it together with the "General Overview" 2009/2010 edition.

We hope that this book will help its readers gain an understanding of the labor situation in Japan.

March, 2011

The Japan Institute for Labour Policy and Training

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I. Introduction

The Japan Institute for Labour Policy and Training (JILPT) is engaged in ongoing research into non-regular employment. As part of this, JILPT has implemented customized calculations on individual data collected as part of the Ministry of Health, Labour and Welfare's General Survey on Diversified Types of Employment (hereinafter referred to as the D-Survey), in order to work towards an integrated understanding and analysis of non-regular employment trends in Japan.¹ This paper selects and introduces themes from among those results that are considered to be of potential interest to people outside Japan.

II. Concerning the D-Survey

1. Outline of the Survey

The D-Survey is a government statistical survey implemented by the Ministry of Health, Labour and Welfare approximately once every four years. It comprises a Survey of Workplaces, which looks at randomly selected private companies engaged in industries other than agriculture, forestry and fisheries, with five or more regular employees, and a Survey of Individuals, which focuses on people working in such workplaces.

The customized calculations were performed on survey results data collected in October 2003 and October 2007.² The 2003 survey was implemented in regard to approximately 16,000 workplaces and approximately 30,000 workers, and responses were collected from 71.6% of workplaces and 71.0% of workers. The 2007 survey was implemented in regard to approximately 15,600 workplaces and

approximately 56,000 workers, and responses were collected from 69.0% of workplaces and 51.2% of workers.

The main areas covered by the D-Survey are, for workplaces, numbers of workers (categorized by employment type) and increases or reductions in structural ratio of each type, reasons for utilizing non-regular employment, and issues or problems arising. The Survey of Individuals, on the other hand, asked about occupational attributes, the reason for selecting the worker's current employment type, his or her hopes regarding future employment type, qualifications held that are relevant to current work, etc.

2. Definition of Employment Type for Purpose of Survey

The D-Survey uses the following categorizations of employment type. Definitions are given here as in the survey document.

- **Regular employees:** Full-time, "typical employees," in other words, those employees who are employed without a fixed term attached to their employment conditions, other than those who work part time or are transferred from other companies
- **Contract employees:** Those employed in designated occupations, who are subject to a fixed-term contract with the objective of utilizing their specialist knowledge
- **Entrusted employees:** Those employed by contract with the purpose of re-hiring employees who have reached retirement age, for a fixed period of time
- **Transferred employees:** Those transferred from another company according to a transfer contract (regardless of whether or not they still have

1 The research was conducted jointly by four researchers at JILPT (Ogura, Takahashi, Fujimoto, and Asao) and was compiled as JILPT Research Report No. 115 "Transition of Diversification of Employment II: 2003-2007". However, Asao assumes responsibility for the wording of this paper.

2 This is the third time that JILPT has performed customized calculations on the D-Survey. This was previously done in regard to 1994, 1999 and 2003. This paper is a continuation of that previous work.

employment status at the originating company)

- Dispatched workers: Those dispatched from another source based on the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers
- Dispatched fixed-term employed workers: Those who, while being dispatched workers, are also registered as staff with a dispatch company
- Dispatched permanent employed workers: Those who, while being dispatched workers, are also permanent employees of a dispatch company
- Temporary workers: Those employed on a short-term or daily basis (applicable to workers with an employment period of one month or shorter)
- Part-time workers: Those with a shorter working day than regular employees, or who work for fewer days of the week
- Others: Workers not covered by any of the above (including those working for similar hours or number of days to regular employees, and who are referred to as “part time workers” or other similar terms)

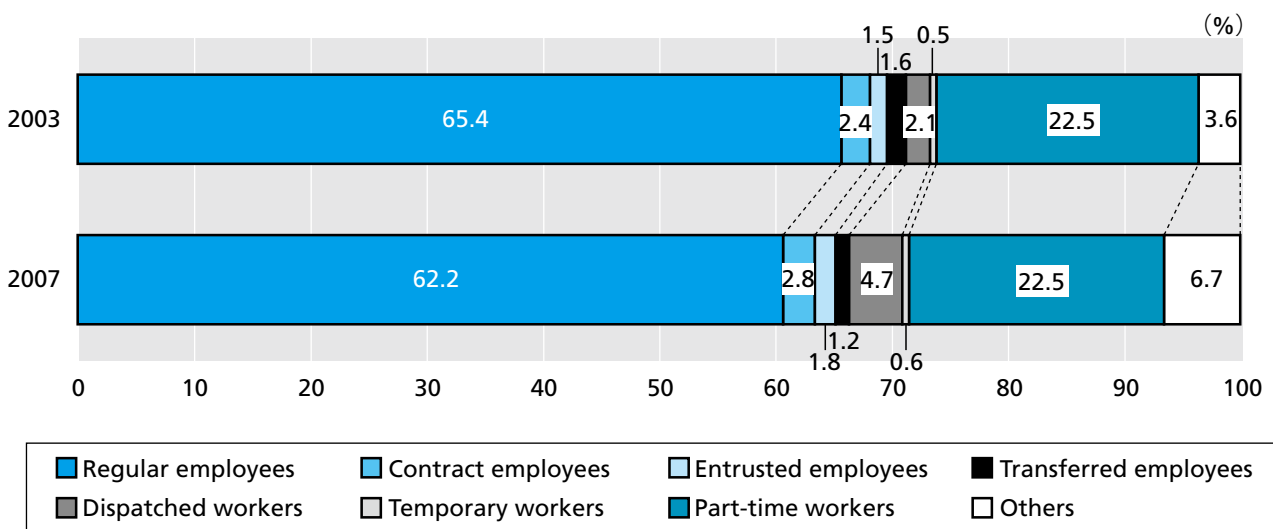
The only distinction made between dispatched fixed-term employed workers and dispatched permanent employed workers is in the Survey of Individuals.

3. Some Comments on Definitions of Employment Types

When implementing a survey based on the categories above, there are some employment types that seem to cause a strong awareness of the problems of non-regular employment, and some that do not. Transferred employees, for example, maintain regular employee status at the company to which they are transferred, and in many cases are required to work the same hours, and receive the same benefits, as the regular employees in their workplace, while entrusted employees, who were formerly regular employees, continue to be employed in the same workplace even after reaching retirement age. In the latter case, there tend to be more issues arising relating to employment of the elderly than relating to “non-regular employment.”

It is also necessary to add a comment relating to the issue of “part-time workers.” As in the D-Survey above, part-time workers are defined as workers whose working hours are shorter than regular employees in the same workplace. This could be described as a definition based on the relative shortness of working hours. There are, on the other hand, two alternative definitions of this type. One is any person who works for less than 35 hours per week. This definition has the proxy attributes of the definition based on the relative shortness of working

Figure 1-1 Trends in Composition of Employment Type



hours. Let us call this the 35-hour week criteria definition. The second definition is anyone who is called a “part-timer,” “part-time worker” or any other similar name in the workplace. This is a definition that depends on labeling.

The difference between these three definitions cannot be discussed in detail here, but the following points need to be noted, (i) when using the 35-hour week criteria definition, if one was to judge not by the defined working hours but by the actual length of hours worked, then if a “part-time worker” (viewed from a relative time perspective) works overtime, then he or she cease to be a “part-timer,” and similarly, if a regular employee happens to take a short break, then he or she may essentially end up being included in the “part-timer” bracket, and (ii) when using the labeling criteria, then as can be understood by reading the above definition of “Others” in the D-Survey, a broad spectrum of workers who are not covered by the relative definition of “part-time worker” may also be included in what is referred to as “part-timers.”

It seems to have finally become widely understood that in Japan, for a long time, the definition of “part-time” has not necessarily always been understood to be “shorter hours.” The definition that depends on the relative shortness of working hours has been used in statistical surveys for many years together with the 35-hour week criteria definition or the labeling definition. In such cases, workers were not referred to as “part-time workers” but rather “workers with shorter working hours”.³ It is therefore always necessary to check which definition is being used when looking at a Japanese statistical survey that deals with information relating to “part-time” work.

III. The Increase in Non-regular Employment, and Reasons Companies Utilize Non-regular Employment

1. The Increase in Non-regular Employment

From the results of the Survey of Workplaces, it can be seen that, including dispatched workers, the proportional composition of employment types in 2007 was 62.2% for “Regular employees,” showing that more than one third of all employees were in non-regular employment. During 2003, the proportion of “Regular employees” was 65.4%, showing an increase in non-regular employment among the labor force during the intervening four years (Figure 1-1).

Among non-regular employment types, the category “Part-time workers” was the largest one, accounting for 22.5%. This group, however, had neither increased nor decreased in size during the four years in question. The group showing the largest increase during the four-year period was “Dispatched workers,” which went from 2.1% in 2003 to 4.7% in 2007. Furthermore, “Contract employees” rose from 2.4% to 2.8% and those covered by “Others” rose significantly, from 3.6% to 6.7%, but unfortunately, the D-Survey does not clarify the details for this. Judging from the definitions above, “Others” would seem to refer to workers who are employed full-time, for one month or longer on a fixed-term contract, and who do not have a specific occupation. This can be understood as including contracted workers in manufacturing workplaces, and the type of work known in Japan as *arubaito*.

It is thought that the relaxing of regulations prohibiting the involvement of labor dispatch businesses with regard to the services of manufacturing products in 2006 was a significant factor in the increase in “Dispatched workers” between 2003 and 2007. The data shows that the proportion of “Dispatched workers” in manufacturing

3 In regular statistical surveys designed to understand trends, the definition dependent on labeling began to be used relatively late, around the 1980s.

industries rose swiftly, from 2.0% in 2003 to 9.8%.⁴

For the reference of the reader, the breakdown by industry, given in order of industries with the largest relative proportions of non-regular employees, is as follows. Firstly part-time workers: Eating and drinking places, and accommodations industry (55.6%, 2007), Wholesale and retail trade industry (36.9%, 2007), and Service industry (27.4%, 2007), etc. All of these are industries that experience fluctuation. Industries with relatively large proportions of contract employees include the Education and learning support industry (9.6%, 2007), Information and communications industry (5.0%), Medical, health care and welfare industry (3.9%), and the Transportation industry (3.9%). These are industries with relatively higher proportions of specialist skills. In terms of dispatched workers, in addition to the manufacturing industries mentioned above, the Information and communications industry (9.9%), Finance and insurance industry (9.5%), Transportation industry (4.1%), Service industry (4.0%), etc., all have relatively high proportions. These may be considered industries that both experience strong fluctuations, and where specialist skills are required.

2. Reasons for Utilizing Non-regular Employment

Let us take a look at the reasons why companies (workplaces) utilize non-regular employment. In the D-Survey, respondents were given 13 choices to explain their reasons for utilization of non-regular employment, with multiple answers possible. Hereinafter, when considering the issue by employment type, we will divide workers into three categories – part-time workers, contract employees and dispatched workers.

Firstly, let us look at part-time workers. In the 2007 survey, the most common reason selected by workplaces was “Reducing wage costs,” at 41.1%,

followed by “In order to respond to fluctuations in workload in each day or week” (37.2%), “In order to respond to longer business hours” (21.7%), and “In order to reduce labor-related costs other than wages” (21.3%), etc. These could be seen to indicate that the main factors are those related to reducing labor-related costs, and those related to dealing with fluctuations in workload. Compared to 2003, however, the number of workplaces giving factors related to reducing labor-related costs is proportionally lower.

In regard to contract employees, the reason indicated most frequently was “In order to respond to specialist needs,” at 43.6%, followed by “In order to ensure employees with adaptable potential or other specialist abilities” (38.3%), while “Reducing wage costs” came third, but indicated by only 28.3% of respondents. Furthermore, in terms of dispatched workers, the most common answer was “In order to ensure employees with adaptable potential or other specialist abilities,” indicated by 35.2% of respondents, followed by “Because we cannot acquire regular employees” (26.0%), with “In order to adjust employment in accordance with economic changes” (25.7%) in third place. Only 18.8% of workplaces responded that they used dispatched workers in order to “Reduce wage costs” (Table 1-2).

As can be seen, there has been an increase in the use of part-time workers for reasons related to reducing wage costs, but when looking at the industries using a high proportion of part-time workers listed above, in the case of Eating and drinking places, and accommodations industry, 39.8% responded that “Saving wage costs” was one of their reasons, but 52.0% responded “In order to respond to fluctuations in workload in each day or week,” indicating that not only issues related to reducing wage costs, but also factors related to the type of work being undertaken also play a significant role.

4 The background to this also includes the general expansion in Japan's economy as of 2007, and the fact that manufacturing industries were increasing production activities at this time. The facts exceed the scope of this paper, but the subsequent financial crisis in the autumn of 2008 and the resulting economic depression, which saw, in the immediate aftermath, many contracts being terminated mid-term in regard to dispatched workers even in major manufacturing companies, caused a debate as to whether or not it had been a good thing that manufacturing industry prohibitions on dispatched business had been lifted. There are moves to re-impose the ban, but no decision had been reached at the point at which this paper was written.

Table 1-2 Main Reasons for Utilizing Non-regular Employment (Multiple Answers, %)

	Part-time workers		Contract employees		Dispatched workers	
	2003	2007	2003	2007	2003	2007
Cannot acquire regular employees	12.4	17.6	14.3	18.2	16.9	26.0
In order to allow regular employees to engage in specialist activities	12.8	15.3	15.4	10.6	17.2	20.4
In order to respond to specialist needs	10.1	12.7	44.9	43.6	25.9	20.2
In order to ensure employees with competitive or other specialist abilities	12.3	11.8	37.9	38.3	39.6	35.2
In order to adjust employment in accordance with economic changes	23.4	18.0	21.7	15.6	26.4	25.7
In order to respond to longer business hours	20.4	21.7	8.9	6.4	2.8	3.4
In order to respond to fluctuations in workload in each day or week	35.0	37.2	3.5	4.5	8.0	13.1
In order to respond to temporary or seasonal fluctuations	15.4	14.5	9.0	5.0	14.4	20.3
Reducing wage costs	55.0	41.1	30.3	28.3	26.2	18.8
In order to save on labor-related costs other than wages	23.9	21.3	11.9	8.1	26.6	16.6
In order to re-employ elderly workers	6.4	7.9	7.3	11.0	1.7	2.6
In order to provide cover for employees on maternity leave, or those caring for elderly or infirm relatives	2.1	1.6	2.1	2.4	8.8	6.5
Other	2.4	10.6	1.8	13.2	1.7	7.0

Note: Figures indicate the proportion of workplaces that responded that they have workers in these types.

Furthermore, there has been an increase in the number of workplaces indicating the need to ensure competitive employees as a factor in their use of contract employees or dispatched workers. Within this, it is also noticeable that there has been an increase in the number of workplaces indicating the need to adjust employment with economic changes as a factor. In particular, within the manufacturing industry, 42.5% of workplaces said that they used the employment of dispatched workers due to factors related to adjusting employment.

IV. How Many People Are Involuntarily Engaged in Non-regular Employment?

The involuntary nature of non-regular employment often comes under debate. In other words, there is a question over how many workers may have wished to be hired as regular employees,

but were in fact unable to secure such a position and have ended up being hired in a non-regular type. Let us take a look at the results of the D-Survey's Survey of Individuals in this area.

1. Reason for Selecting Current Employment Type

The results of the 2007 survey question that asks people in non-regular employment their reason(s) for selecting their current employment type (multiple answers possible) show that 31.5% of contract employees, 37.9% of dispatched fixed-term employees, and 36.6% of dispatched permanent employees, responded "Because there were no companies in which I could work as a regular employee," indicating that around one third of such workers selected their employment involuntarily. In comparison with this, only 12.2% - a relatively low proportion - of part-time workers responded with the same answer. In addition, dispatched workers showed

the highest level of reluctance in regard to their reasons for employment selection, while on the other hand, the largest proportion (37.0%) of contract employees responded "Because it allowed me to utilize specialist qualifications or skills" and the largest proportion (55.9%) of part-time workers responded "Because I can work hours to suit myself."

Consolidating the reasons for selecting the current

employment type into three types, and further dividing part-time workers into "young part-timers" (single and aged 35 or under), "married women part-timers" (married women aged between 25 and 59), and "older part-timers" (aged 60 and above) gives the results shown in Table 1-3.⁵ From this, we can see that in comparison with contract employees and dispatched workers, the proportion of part-time

Table 1-3 Reasons for Selecting Current Employment Type

(%)

		Total	Reluctant	Prioritizing income and/or specialization	Personally convenient	No-response
Male						
Young part-timers	2003	100.0	28.3	14.5	55.2	2.1
	2007	100.0	29.6	13.2	44.3	12.8
Older part-timers	2003	100.0	8.2	11.5	44.9	35.4
	2007	100.0	4.0	23.2	56.3	16.4
Contract employees	2003	100.0	28.8	45.0	13.6	12.6
	2007	100.0	28.8	38.9	20.7	11.6
Dispatched fixed-term employees	2003	100.0	45.3	26.5	19.3	8.9
	2007	100.0	42.4	25.4	29.4	2.8
Regular dispatched workers	2003	100.0	32.7	37.3	20.1	9.8
	2007	100.0	30.4	25.8	24.7	19.1
Female						
Young part-timers	2003	100.0	27.4	11.8	49.8	11.0
	2007	100.0	8.7	5.3	82.9	3.2
Married women part-timers	2003	100.0	14.7	9.6	69.7	6.0
	2007	100.0	8.0	8.9	81.9	1.1
Older part-timers	2003	100.0	16.2	6.2	74.2	3.4
	2007	100.0	13.5	6.0	75.4	5.2
Contract employees	2003	100.0	36.6	26.8	31.2	5.4
	2007	100.0	29.1	28.5	37.6	4.8
Dispatched fixed-term employees	2003	100.0	37.0	19.1	40.5	3.4
	2007	100.0	34.9	19.9	44.2	0.9
Regular dispatched workers	2003	100.0	39.9	15.3	36.1	8.7
	2007	100.0	32.9	20.0	41.0	6.1

Notes: 1) "Reluctant" indicates people who responded "Because there was no company where I could work as a regular employee". "Prioritizing income and/or specialization" includes the responses "Because I wanted to work in a job with higher income" and "Because I wanted to use my specialist qualifications or skills". "Personally convenient" reasons include "Due to short working hours or fewer work days", "Because the work is simple with little responsibility", "Because the commute time is short", "Because I'm not physically able to work as a regular employee", in other words, any response that did not demonstrate reluctance or prioritize income or specialization.

2) The survey allowed multiple answers, but the three types of reasons have been created to be exclusive, so that the processed answers add up to 100%. Specifically, when any "reluctant" reason was selected alongside other answers, the "reluctant" reason took priority. Furthermore, if a respondent did not select any "reluctant" reasons, but selected multiple other answers, their reasons relating to "prioritizing income and/or specializations" were given priority. If a respondent did not select either a "reluctant" reason or one prioritizing "income and/or specializations", their responses were considered to indicate "personal convenience".

⁵ Due to the consolidation of categories and the processing of non-responses, the above figures may be smaller than when viewing the proportions for the total of men and women.

Table 1-4 Employment Type Hoped for in the Future

(%)

	Hope to continue in current employment type		Hope to change current employment type		Of which, hope to become regular employees	
	2003	2007	2003	2007	2003	2007
Young part-timers	41.1	29.4	43.2	37.8	42.5	36.5
Male	27.0	7.6	63.6	50.3	63.6	50.2
Female	48.9	62.9	31.8	18.5	30.9	15.5
Married women part-timers	81.1	74.7	10.6	13.8	7.5	12.8
Older part-timers	86.1	66.4	2.1	4.7	1.6	2.2
Male	82.8	56.8	1.3	5.8	0.7	0.9
Female	88.8	76.5	2.8	3.5	2.4	3.5
Contract employees	55.8	40.8	32.1	41.8	29.5	39.0
Male	56.2	43.5	30.2	40.1	28.7	38.0
Female	55.5	38.4	33.7	43.3	30.2	39.8
Dispatched fixed-term employees	53.5	37.1	32.1	44.6	28.7	40.6
Male	37.5	32.9	46.1	45.3	43.7	43.4
Female	55.7	39.1	30.2	44.3	26.6	39.4
Dispatched permanent employees	53.3	42.5	29.3	41.3	25.2	38.3
Male	47.3	40.6	33.9	41.6	31.2	39.2
Female	56.8	46.1	26.7	40.9	21.7	36.7

Note: Each employment type is shown in proportions totaling 100. In addition to "Wish to continue current employment type" and "Would like to change to another employment type", the choice of responses included "Would like to start own independent business", "Would like to give up work altogether" and "Other", but are omitted here.

workers considering their reasons as "reluctant" is smaller. However, such proportion is relatively higher among young, mainly male, part-timers. Among married women part-timers and older part-timers, a higher proportion selected "personally convenient" reasons, with a small proportion selecting "reluctant" reasons.

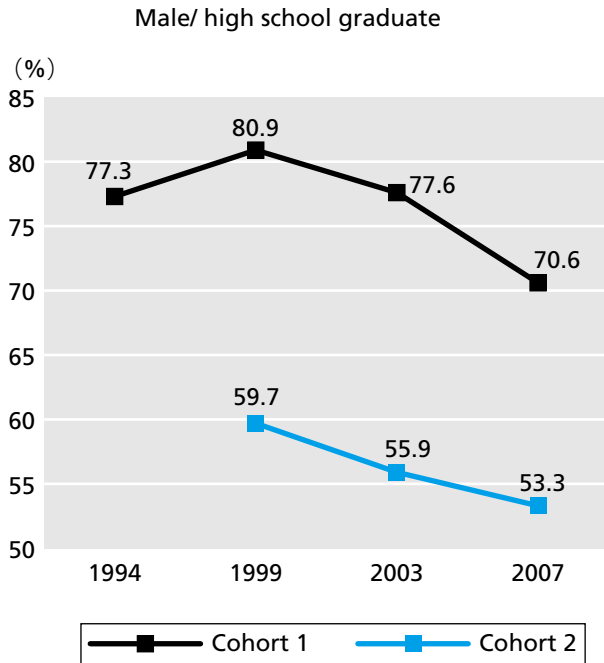
In addition, a large proportion of dispatched fixed-term employees selected "reluctant" reasons overall, out of which the proportion of male employees was relatively high, while a higher proportion of female employees selected "personally convenient" reasons.

Overall, the proportion of people selecting "reluctant" reasons fell between 2003 and 2007, and it is thought that economic trends have a relationship to the increase and decrease in proportion of people expressing "reluctance".

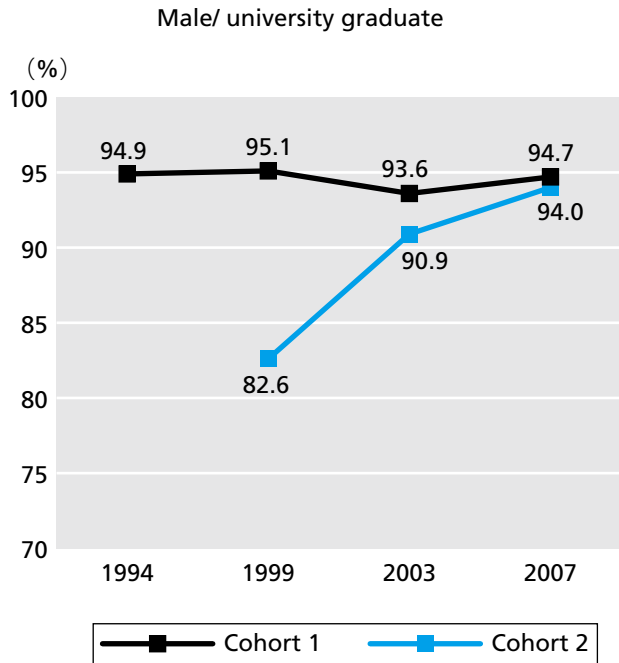
2. Employment Type Hoped for in the Future

Next, let us take a look at the proportion of people currently in non-regular employment who hope to change over to a position as a regular employee (Table 1-4). In 2007, 39.0% of contract employees, 40.6% of dispatched fixed-term employees and 38.3% of dispatched permanent employees—around 40% of all these categories—stated that they would like to become regular employees. In the case of part-time workers, while around the same high proportion of young part-timers (36.5%) stated that they would like to change over to being regular employees, only 12.8% of married women part-timers and 2.2% of older part-timers responded this way, indicating a significant proportion of such workers who are hoping to continue in their current work type (part-time). The detailed data are omitted here, but when asked for their reasons for wishing to change over to regular employment status, the highest proportion of

Figure 1-5 Trends in Proportion of Regular Employees among Young Male Cohort

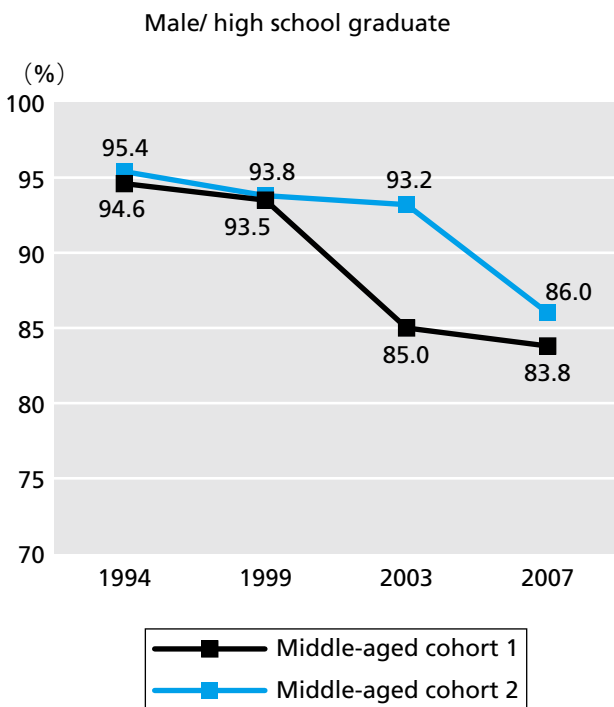


Notes: 1. Cohort 1 is the cohort aged between 30 and 34 in 2007.
2. Cohort 2 is the cohort aged between 25 and 29 in 2007.

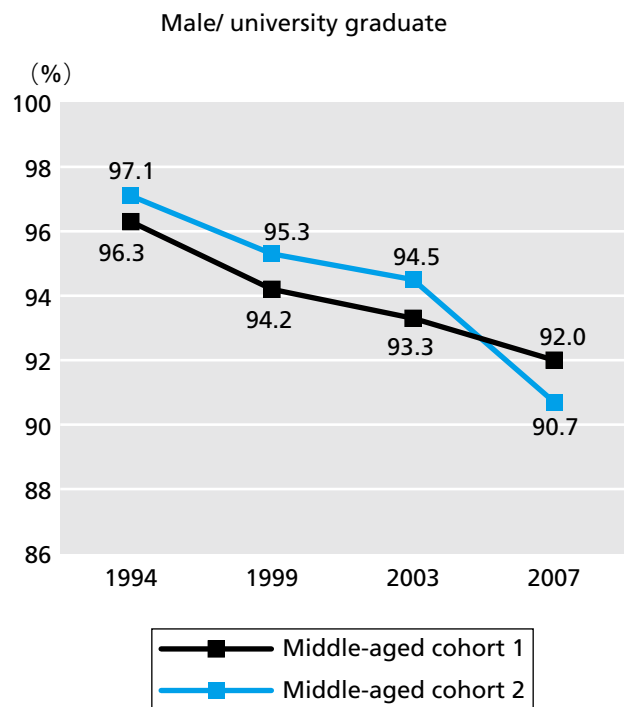


Notes: 1. Cohort 1 is the cohort aged between 35 and 39 in 2007.
2. Cohort 2 is the cohort aged between 30 and 34 in 2007.

Figure 1-6 Trends in Proportion of Regular Employees among Middle-aged Male Cohort



Note: Cohort 1 is the cohort aged between 50 and 54 in 2007; cohort 2 is the cohort aged between 45 and 49 in 2007.



respondents stated that they wanted to increase their income and improve employment stability.

The proportion of people hoping to become regular employees rose in general between 2003 and 2007, reflecting the increase in opportunities for people to become regular employees in line with the economic recovery.

Based on the above, it is fair to say that 40% of full-time non-regular workers and 20% of part-time non-regular workers in Japan are unwillingly employed in non-regular types.

V. Changing over from Non-regular Employment

It is clearly of interest to what extent employees in non-regular employment types are able to switch over to regular employment. Unfortunately, there is no data within the D-Survey that allows such conclusions to be drawn directly. For this reason, the author used data from the Survey of Individuals and performed cohort analysis in order to approach this problem as closely as possible.

It is not possible to give details of these results in this paper, but Figure 1-5 and Figure 1-6 show some primitive results (trends in proportion of regular employees by cohort). Firstly, looking at two cohorts aged in their 30s in 2007 shows that more than 90% of cohort 1 (males who graduated university around the mid-1990s, on the right of Figure 1-5) became regular employees on graduation, and this proportion continued to remain similarly high. At the same time, only around 80% of cohort 2, who graduated around the late 1990s, were able to become regular employees, although this proportion gradually rose, and by 2007 had reached approximately the same level as that of cohort 1.⁶ Compared to this, however, both cohorts of high school graduate males (on the left of Figure 1-5) experienced declining proportions of regular employees going into the 21st century.

Furthermore, cohorts of middle-aged university and high school graduates both showed declining trends in terms of the proportion of regular employees (Figure 1-6).

Cohort trends do not directly show the flow from regular to non-regular, or non-regular to regular employment, they only demonstrate the result of subtracting one from the other. Within this, the fact that a larger number of people moved from non-regular to regular employment is unmistakably identified. The net results, shown in the cohort trends, make it possible to state that in the period of economic recovery up until 2007, there was an increasing trend towards relatively young university graduates making the transfer from non-regular to regular employment, but that no significant trend towards similar progress was made in the same period by younger high school graduates or middle-aged employees.

At the same time, the data demonstrates an increase in the number of workplaces introducing systems that allow non-regular workers (in particular contract employees) to register as regular employees.⁷ It is considered an important policy measure to promote workplaces hiring non-regular workers who so desire as regular employees, as far as possible, through proactive support for such measures, including abilities training for non-regular workers.

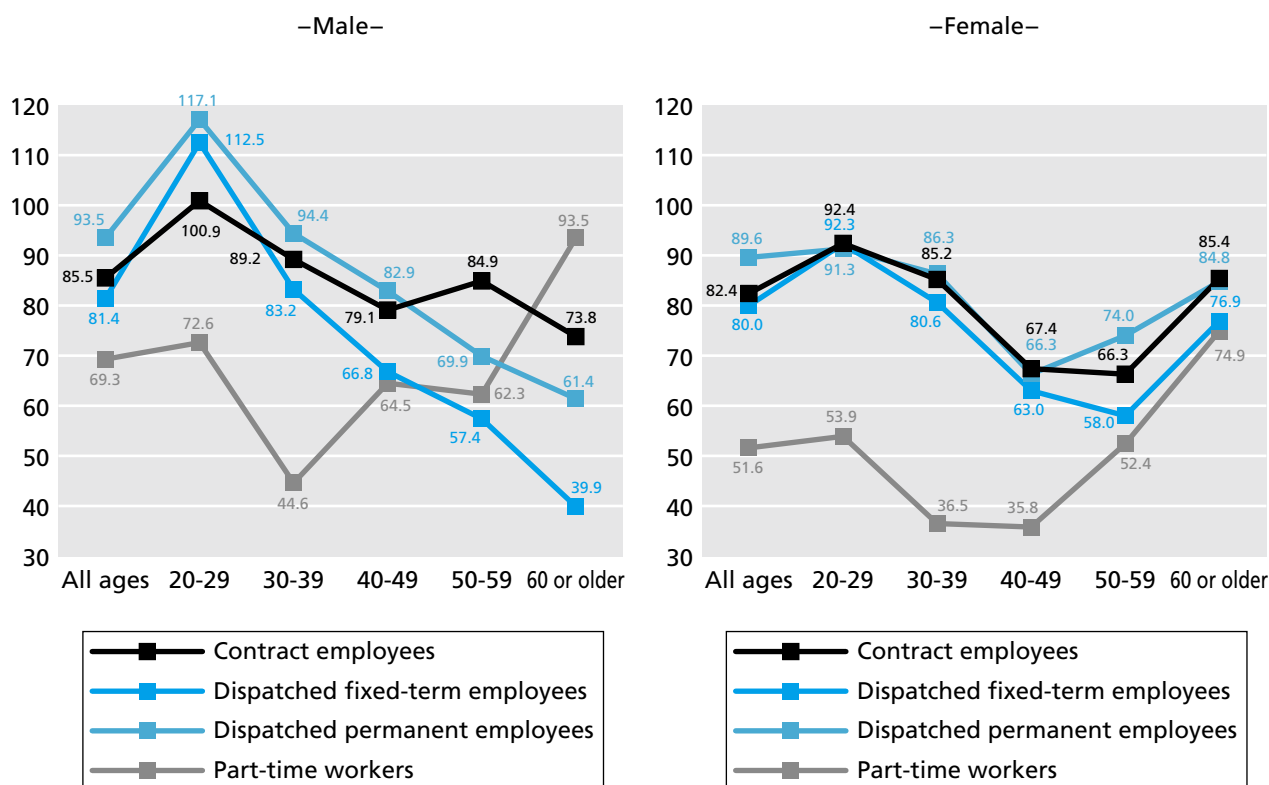
VI. Particular Japanese Attributes of the Disparity between Regular and Non-regular Employment

The final point to be made in this paper is an introduction of the results of analysis of the difference in wages between regular and non-regular employment. This was achieved by performing estimates of the disparity in wages, using all available data acquired from the Survey of Individuals. Firstly,

6 It is necessary to bear in mind, however, that in terms of employment conditions, cohort 2 may not have reached the same standard as cohort 1. For example, looking at the scale composition of the companies where they are employed, in 2007 cohort 1 reached 45.4%, but cohort 2 remained at 32.2% in the companies with 1,000 or more regular employees.

7 For example, the proportion of contract employees working in a workplace that has a regular employee registration system rose between 2003 and 2007 from 34.4% to 51.7% for males and from 47.5% to 55.2% for females.

Figure 1-7 Wage-disparity Index of Non-regular to Regular Employee (Average Based on Non-regular Employee)



in regard to regular employees, the author estimated wage function regressed by age (including terms to the power of 2), by sex, educational history and occupation, substituted each of the attributes of non-regular workers for this function, and calculated the wages of regular employees in work equivalent to workers in each type of non-regular employment. This gave figures for the level of wages actually paid to each type of non-regular worker, based on the equivalent regular employee's wages, which are represented as 100 (the disparity index). Figure 1-7 shows the average disparity indexes calculated in this manner, by sex and employment type.

There is not room to discuss this in detail here, but results showed that for workers in their 20s, there was no significant disparity between regular and non-regular employment, and that for full-time male non-

regular workers, it was rather the case that non-regular workers were paid more highly than regular employees.⁸ However, once workers reach their 30s and beyond, a significant disparity becomes apparent. For workers in their 40s, for example, the level is between 70-80% for males, and around two third for females.

From this data we can theorize the following about the disparity in wages between regular and non-regular employment in Japan. (i) Wage levels for non-regular employment appear to be set in reference to the level expected by regular employees hired on graduation, with that for part-time workers being slightly lower, and that for contract employees or dispatched workers being slightly higher. (ii) There are definite limits to any rise in wages received by non-regular workers, even after they have worked

⁸ It is important to remember, however, that the wages calculated here were monthly payments, and did not include bonuses, etc. Part-time workers, on the other hand, showed a significant disparity, but this is thought to be largely due to differences in actual length of hours worked. The 2007 survey did not record data relating to working hours.

several years in the same post, and therefore, as time goes on, the disparity between them and regular employees, who receive significant pay rises, becomes greater.⁹ (iii) Where non-regular workers are employed intermediately in middle age, the standard detailed in (i) above is applied to their wage levels.

As a result, there are some ways in which the wages of regular and non-regular workers may be considered balanced, in terms of (i) above. Outstanding issues, however, remain, in terms of questions regarding the appropriateness of wages paid at subsequent levels in a worker's career, and whether or not a person employed as a non-regular worker has the opportunity to create an appropriate career.

VII. Conclusions: The Nature of Non-regular Employment Problems

This paper seeks, within a limited volume, to introduce the results of the author's latest research, based on a discussion of the issues surrounding non-regular employment. Reviewing these results reveals, at least to the best knowledge of the author, various

issues that appear to be shared by people in countries other than Japan.

If one of these issues relating to non-regular employment was to be selected as the most pressing, it must surely be that of how to respond to economic fluctuations. The economic fluctuations spoken of here are not relatively predictable, cyclical changes such as those to daily working hours, days of the week or seasons during the year, but rather changes to the economy as a whole, even accepting differences between different sectors. The single biggest problem relating to non-regular employment lies in the fact that such fluctuations are unavoidably coped with through labor adjustment by the use of non-regular employment. As long as there is a possibility that companies are required to carry out employment adjustment, they may remain reluctant to take measures encouraging non-regular employees' career development.

It is important to consider labor policy responses based on skills development in the name of proactive recruitment strategies. At the same time, it is perhaps more important to consider ways in which economic fluctuations can be alleviated, through the information of appropriate policy.

9 For regular employees in Japanese companies, many of whom develop their business skills through employee training after entering a company, it is considered common sense that the longer a regular employee works for a company, the more his or her duties will come to differ from a non-regular employee. It is therefore expected to be difficult to evaluate equivalence along an axis of commonality of duties.

1. Worker Dispatching System in Japan: History of Its Deregulation

1.1 Concept

“Worker dispatch” means having a worker employed by a company to be engaged in work for a client company while under the instruction and orders of the said client company. In Japan, this kind of labor (with some exceptions) was prohibited by the Employment Security Act for many years. However, with the enactment of the Worker Dispatching Act in 1985, which was put in place to adjust labor demand and supply, the dispatch of workers was deregulated under certain conditions.

The two types of worker dispatch businesses specified in Worker Dispatching Act are the “general worker dispatching business” and the “specified worker dispatching business”. Specified worker dispatching business refers to worker dispatching business in which the dispatched workers are composed solely of “regularly employed workers” and is based on a notification system (carried out by a person who has submitted a written notice). The general worker dispatching business is involved in the dispatching of “workers other than those in regular employment” and is based on an approval system (carried out by a person who has received a license). Moreover, since it is also possible to dispatch “regularly employed workers” with a license to carry out general worker dispatch business, a general worker dispatching agency may dispatch both “regularly employed workers” and “workers other than those in regular employment”.

On the other hand, on a practical level, several types of employment contracts that are separate from legal concepts such as “regularly employed workers” and “workers other than those in regular employment” have evolved. The first type is called “regularly employed type,” in which the employment relationship between the dispatched worker and the dispatching agency continues regardless of the

existence of a client company. The second type is called “registration-type” in which the employment contract is concluded subject to the existence of a client company. Moreover, “regularly employed type” can be further classified into two types: One is when the employment relationship is for an indefinite period, while the other is when the employment type is for a fixed period. In this instance, the former is called “regularly employed/ open-ended contract type” and the latter is called “regularly employed/ fixed-term contract type”.

As previously mentioned, the types of employment contracts such as “regularly employed/ open-ended contract type”, “regularly employed/ fixed-term contract type”, and “registration-type” do not always coincide with legal concepts such as “regularly employed workers” and “workers other than those in regular employment”. However, based on the hearing survey conducted by the author, it is safe to say that the majority of the “regularly employed workers” of the specified worker dispatching agencies are in the form of a “regularly employed/ open-ended contract type”, and the majority of the “workers other than those in regular employment” of the general worker dispatching agencies are in the form of a “registration-type”.

1.2 Transition of the Worker Dispatching System

The Worker Dispatching Act was enacted in July 1986, and has subsequently been substantially revised several times. Hereinafter, the content of the Act at the time of enactment are explained, along with the amendments made in 1996, 1999, 2000 and 2004.

At the time of the enactment of the law, 13 occupations such as “software development” and “office equipment operation” were covered initially, with three more added to the list after three months. In other words, in effect the worker dispatching system started off with 16 occupations on the positive list.

In December 1996, the Act was extended to cover 26 occupations. The occupations that were listed on the positive list at this time are generally referred to as the “List of 26 Job Categories Under Government Ordinance”.

In December 1999, the regulation governing the scope of dispatch of workers, with the exception of some manufacturing occupations, was liberalized in principle. In this way, the regulatory method for the types of occupations was changed from positive listing to negative listing.

In December 2000, the ban on temp-to-perm (a system whereby the worker is first employed as a dispatched worker for a certain period by the client

company before becoming a employee of client company and when the client company and the dispatched worker are in agreement, then the dispatched worker is introduced as a employee of client company) was lifted.

In March 2004, the ban on worker dispatching for manufacturing occupations which were on the negative list in December 1999 was lifted. Furthermore, concurrently the worker dispatching period was extended, and the bans on pre-hire interviews and the submission of resumes for temp-to-term positions were lifted.

In general, the Worker Dispatching System has consistently moved in the direction of the relaxation

Table 2-1 Transition of the Worker Dispatching System

Month year	Occupation	Maximum dispatch period		Temp-to perm
July 1986 Worker Dispatching Act enforced	Initially 13 occupations + 3 occupations added ⇒ “16 Occupations”	3 years for the same worker in accordance with the administrative guidance		Not possible
December 1996 Revised Act enforced	⇒ Increased to “26 Occupations”			Not possible
December 1999 Revised Law enforced	Liberalized in principal (Negative Listing) ⇒ Worker dispatching is liberalized in all job categories other than port transport services, construction work, security services, medical related services, operations relating to the employer as part of the personnel related operations, lawyers/ accountants etc., and manufacturing operations.	“26 Occupations”	Same as above	Not possible
		Deregulated operations	1 year for the same post	
December 2000 Revision of the Procedural Requirement for Occupations	Same as above	Same as above		Possible
March 2004 Revised Law enforced	Ban on worker dispatching for manufacturing operations, medical-related services (for temp-to-perm) lifted	“26 Occupations”	No upper limit	Possible (Relaxation of requirements)
		Deregulated operations	3 years for the same post	
		Manufacturing operations	1 year for the same post (3 years after March 2007)	

Source: Koji Takahashi “Trend of the Dispatch Worker Business – Time-oriented Data Based on the Collective Data from the Report on Worker Dispatching Business” (2006, Rodo Shinbun-sha). P.5 has been added and revised.

of the regulations so far.

Trends of the Worker Dispatching Market: From Sudden Expansion to “*Haken-giri* (Slashing Dispatched Workers)”

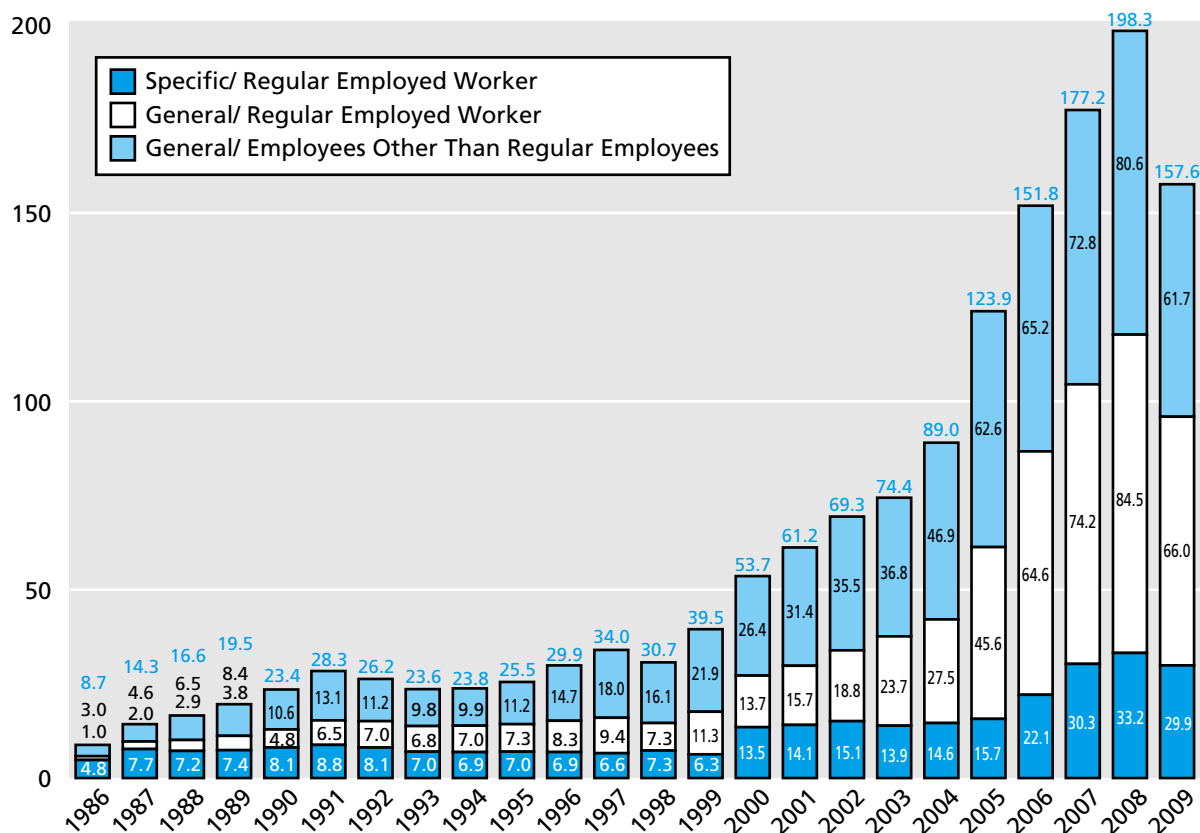
2.1 The Number of Dispatched Workers

“Collective Data from the Report on Worker Dispatching Business”, issued by the Ministry of Health, Labour and Welfare of Japan, is frequently used as data to understand trends in the number of dispatched workers. From this data it is possible to figure out the time-oriented trends of the numbers of the “regularly employed workers dispatched from specified worker dispatching agencies”, “regularly employed workers dispatched from general worker dispatching agencies” and “employees other than regular employees dispatched from general worker dispatching agencies” in the form of a regular circulation basis (the so-called “full-time equivalent”).

Figure 2-2 shows the result of this calculation,

and from this we can see the following four points: First, in the long term the number of dispatched workers is on the increase. Specifically, in fiscal 1990 the number was 233,765; however in fiscal 2000 this rose to 537,063 and in fiscal 2008 this went up to 1,983,336. Behind this change there are underlying trend variations in the personnel strategy of the companies and the work ethic of the workers. Secondly, as opposed to the above there, has been a period where the number of dispatched workers has temporarily declined. Specifically the decrease has been during the periods between 1991 and 1993, and between 1997 and 1998. The period between 1991 and 1993 is the economic slump following the collapse of the bubble economy, and the period between 1997 and 1998 coincides with the financial crisis following the collapse of domestic financial institutions. More specifically, although the number of dispatched workers has been on the increase in the long term, when viewed closely it has been affected

Figure 2-2 Trends in the Numbers of Dispatched Workers (Unit: 10,000 Persons)



Source: “Collective Data from the Report on Worker Dispatching Business” by Ministry of Health, Labour and Welfare

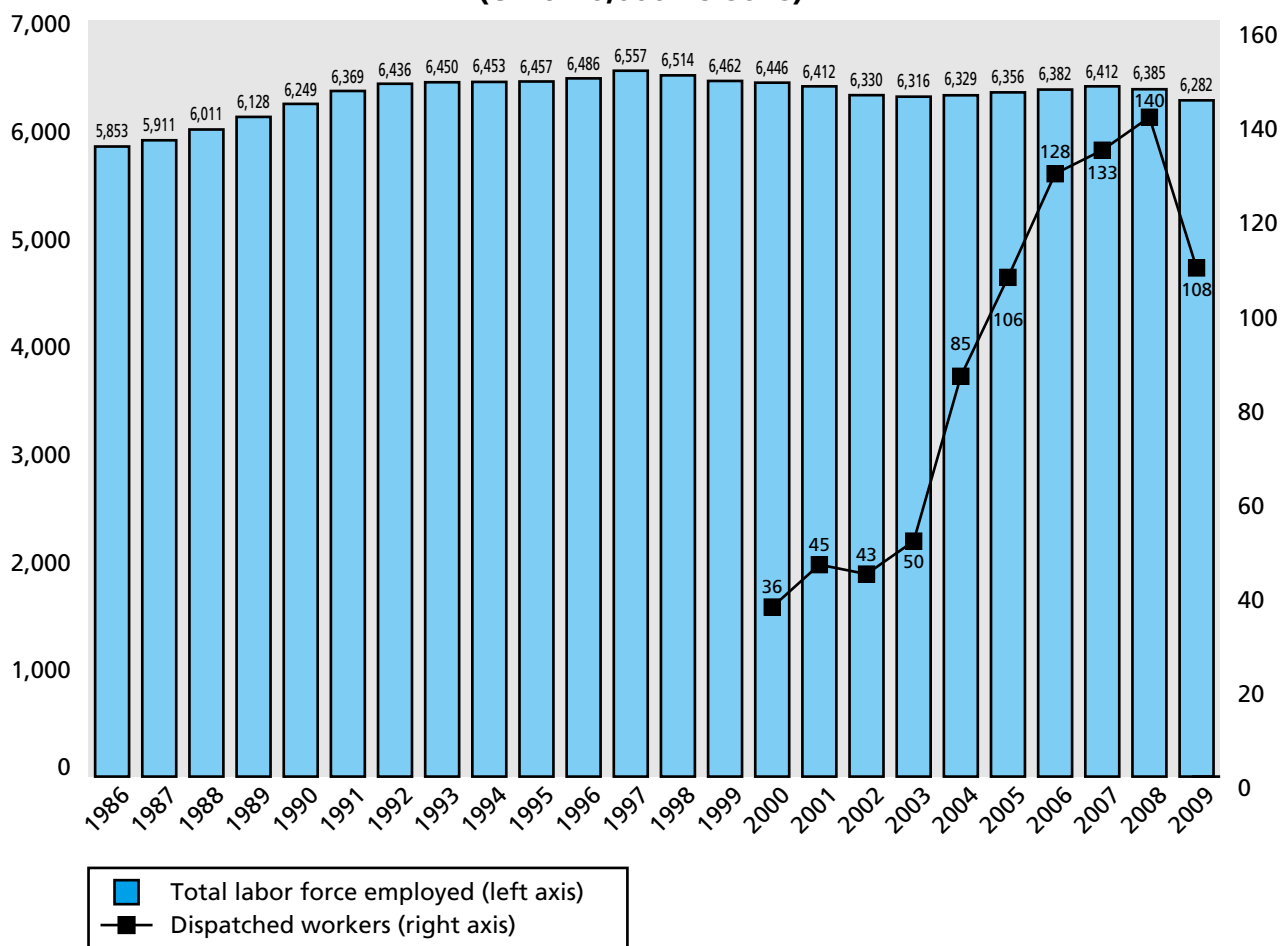
by the changes in the economy. Thirdly, the number of dispatched workers has drastically increased since entering the beginning of the 21st century. Behind this trend are law revisions, such as the changing of the listing of dispatch work types to the negative listing (1999) and lifting the ban on manufacturing occupations (2004). Fourthly, the number of dispatched workers has fallen to an extremely low level between 2008 and 2009. This was due to the global financial crisis following the so-called “Lehman Shock”, and since that point the working environment for dispatched workers has changed tremendously. We will refer to this issue later on in 2.5.

Figure 2-3 is a graph showing the trends in the numbers of the total labor force and the numbers of dispatched workers based on the “Labour Force Survey” by the Statistics Bureau of the Ministry of Internal Affairs and Communications. The graph shows that when the total labor force remains at the same level, there is a drastic shift in the number of dispatched workers. Therefore, although the percentage of dispatched workers in the total labor force was 0.6% in 2000, this rose to 2.2% in 2008, and then dropped to 1.7% in 2009.

2.2 The Attributes of Dispatched Workers

What type of people are dispatched workers, and

Figure 2-3 Trends in the Total Number of Employed and Dispatched Workers (Unit: 10,000 Persons)



Source: “Labour Force Survey” by Statistics Bureau of Ministry of Internal Affairs and Communications. However, the number of dispatched workers before 2001 are based on “Special Survey of Labour Force Survey” and the number of dispatched workers during and after 2002 are based on “Detailed Tabulation of Labour Force Survey”.

Notes: 1) “Labour Force Survey” before 1999 does not have the classification for “dispatched workers”.
 2) Since “Labour Force Survey” is a household survey, the numbers vary with the numbers in “Collective Data from Report on Worker Dispatching Business” which is based on the data collected from worker dispatching agencies.

what kind of companies (client firms) do they work for? Hereinafter, we will confirm the personal attributes and the company attributes of the regular employees, part-time workers, and dispatched workers based on “Employment Status Survey” compiled by Statistics Bureau of Ministry of Internal Affairs and Communications. In particular, we will

look closely at the differences between the part-time workers and the dispatched workers. The reason why we are using part-time workers as a comparison is because, from both a historical and numerical point of view, the part-time workers represent the unofficial labor force in Japan.

The results are shown in Table 2-4. From this

Table 2-4 Attributes of Dispatched Workers

(%)

Sex	Regular employees	Part-time workers	Dispatched workers
Male	69.3	10.3	37.9
Female	30.7	89.7	62.1

Age	Regular employees	Part-time workers	Dispatched workers
Under 29	21.5	8.3	32.8
30~39	28.5	19.4	34.3
40~49	22.7	25.7	17.7
50~59	21.8	27.9	8.9
Above 60	5.6	18.6	6.3

Academic background (excluding those currently attending academic institutions)	Regular employees	Part-time workers	Temporary agency workers
Elementary/ junior high	6.6	14.1	9.2
High School/ old systems junior high	39.6	54.3	45.6
Technical school	12.9	11.8	12.9
Junior College/ technical college	8.0	13.0	14.0
University/ graduate school	32.9	6.8	18.2

Occupation	Regular employees	Part-time workers	Dispatched workers
Professional/ technical workers	19.2	8.0	5.1
Managers and officials	1.4	0.0	0.0
Clerical and related workers	24.3	23.8	39.3
Sales workers	13.7	11.7	6.0
Service workers	6.4	20.5	4.8
Protective service workers	2.5	0.6	0.0
Agricultural, forestry and fisheries workers	1.0	1.1	0.2
Transportation and communication workers	4.4	1.1	2.1
Production process workers and laborers	27.2	33.1	42.5

Industry	Regular employees	Part-time workers	Dispatched workers
Agriculture	0.8	1.3	0.3
Forestry	0.1	0.0	0.0
Fishery	0.2	0.1	0.0
Mining	0.1	0.0	0.0
Construction	8.9	1.9	1.8
Manufacturing	22.2	16.0	43.4
Electric/ gas/ heating Supply/ water Supply	1.0	0.0	0.3
Information and telecommunication	4.6	1.3	7.1
Transport	6.3	3.6	6.3
Wholesale / retail trade	14.6	29.4	10.8
Finance/ insurance	3.6	1.9	7.9
Real estate	1.1	1.0	0.9
Eating and drinking place, accommodations	2.5	10.1	1.8
Medical/ welfare service	10.6	15.1	5.9
Education, learning support	5.3	2.7	1.8
Combined services	1.1	0.7	0.2
Services	11.3	14.3	11.0
Public service	5.7	0.6	0.5

Company Size (persons)	Regular employees	Part-time workers	Dispatched workers
1~4	6.0	6.7	0.8
5~9	6.4	9.0	1.5
10~19	6.7	9.5	2.7
20~29	4.1	5.4	2.9
30~49	5.1	6.3	4.7
50~99	7.0	8.5	10.3
100~299	10.4	11.1	17.8
300~499	4.6	4.1	8.2
500~999	5.6	4.8	9.2
Over 1000	20.5	17.6	34.1
Public office etc.	12.1	3.6	1.6
Other corporate bodies/ organizations	11.6	13.4	6.2

Source: "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

chart six things can be understood: First, on the basis of gender, approximately 90% of the part-time workers are female, while a little over 40% of the dispatched workers being male. Secondly, on the basis of age, the majority of part-time workers are in their 40s and 50s, while the majority of the dispatched workers being in their 20s and 30s. Thirdly, on the basis of education, graduates of university and graduate schools account for only 6.8% of the part-time workers, while they account for

18.2% of the dispatched workers.

Fourthly, by occupation type, the part-time workers can be roughly classified into three categories; "manufacturing process/manual labor workers" (33.1%), "clerical workers" (23.8%) and "service occupation workers" (20.5%). On the other hand, the dispatched workers can be roughly classified into only two categories: "manufacturing process/manual labor workers" (42.5%) and "clerical workers" (39.3%). The fifth point is, by industry type,

the biggest percentage of the part-time workers are engaged in “wholesale/retail trade” (29.4%), while the temporary agency workers are engaged mainly in “manufacturing” (43.4%). The sixth point is, when looking at the scale of the company, a substantial number of the part-time workers work for companies with less than 99 employees; however only about 20% of the dispatched workers work for companies with less than 99 employees and over 30% of them work for larger corporations with over 1,000 employees.

As just described above, the dispatched workers have different attributes from both a personal and corporate standpoint when compared to part-time workers.

2.3 Working Hours of Dispatched Workers

Next we would like to look at the working hours of the dispatched workers. Table 2-5 shows the working hours per week of the regular employees, part-time workers and dispatched workers based on the “Employment Status Survey” compiled by Statistics Bureau of Ministry of Internal Affairs and Communications. This table shows that those who work less than 34 hours a week account for 59.5% of the part-time workers and account for only 10% of the dispatched workers. It also shows that among the dispatched workers, those who work long hours, such as between 49-59 hours a week and over 60 hours, account for 12.2 % and 4.9%, respectively. As a whole, the working hours of the dispatched workers are closer to the regular employees than those of the part-time workers.

2.4 Characteristics of the Types of Occupations

Although in the aforementioned 2.1, 2.2 and 2.3 the dispatched workers have been all treated collectively, there are different characteristics according to each type of occupation. To begin with, this can be seen in Table 2-6, indicating the distribution of the number of dispatched workers for “each type of occupation” in “Collective Data from the Report on Temporary Employment Agency Services”. Next, in Table 2-7 the breakdown (percentage) of the “regularly employed workers dispatched from specified worker dispatching agencies”, “regularly employed workers dispatched from general worker dispatching agencies” and “employees other than regular employees dispatched from general worker dispatching agencies” is shown for the following six occupations comprising of over 50,000 dispatched workers: “information system development”, “machine engineering and design”, “office equipment operating”, “finance”, “telemarketing”, “manufacturing operations”.

Three things can be identified from these Tables: First, in technical occupations such as “information system development” and “machine engineering and design,” the majority are “regularly employed workers dispatched from specified worker dispatching agencies”. In other words, it can be said that many of the dispatched workers in technical occupations are regularly employed/open-ended contract type. Secondly, in clerical jobs such as “office equipment operation”, “finance” and “telemarketing” only a little under 5% are “regularly employed workers dispatched from specified worker dispatching agencies”, and, conversely, the

Table 2-5 Working Hours of Dispatched Workers

(%)

	Under 34 hours	35-42 hours	43-48 hours	49-59 hours	More than 60 hours
Regular employees	3.1	29.7	29.2	22.2	15.6
Part-time workers	59.5	26.4	8.6	3.6	1.7
Dispatched workers	10.0	49.4	23.2	12.2	4.9

Source: “Employment Status Survey (2007)” from Statistics Bureau of Ministry of Internal Affairs and Communications
 Note: This is a summary count of those who have worked more than 200 days in a year.

percentage of “employees other than regular employees dispatched from general worker dispatching agencies” is high. In other words, it can be said that many of the dispatched workers in clerical occupations are registration-types. In contrast, in “manufacturing operations” area, “regularly employed workers dispatched from specified worker dispatching agencies” account for around 10% and “employees other than regular

employees dispatched from general worker dispatching agencies” account for a little less than 40%. In other words, it can be said that the dispatched workers in manufacturing occupations are a mixture of regularly employed/open-ended contract types, regularly employed/fixed-term contract types and registration-types.

Thus, differences can be seen in the prevailing form of contracts among the dispatched workers,

Table 2-6 Number of Dispatched Workers by Occupation Type

(persons)

	Specific/ regular employed workers	General		Total
		Regular employed workers	Employees other than regular employees	
(1) Information system development	54,491	32,617	12,121	99,229
(2) Machine engineering and design	36,097	27,221	5,295	68,613
(3) Broadcasting equipment operator	2,494	1,866	607	4,967
(4) Production of broadcasting programs	2,342	1,577	798	4,717
(5) Office equipment operator	20,749	181,129	246,920	448,798
(6) Interpreter, translator, stenographer	295	2,616	3,055	5,966
(7) Secretary	263	2,412	3,407	6,082
(8) Filing	1,720	13,312	16,745	31,777
(9) Research	510	2,558	3,329	6,397
(10) Finance	1,457	48,906	27,135	77,498
(11) Trade document creation	1,226	11,263	14,433	26,922
(12) Demonstration	388	2,000	4,257	6,645
(13) Travel conductor	280	820	4,636	5,736
(14) Building maintenance and cleaning	1,748	3,328	1,869	6,945
(15) Building facility operator, checkup, maintenance	5,399	4,329	809	10,537
(16) Reception, information services, parking facility management	809	14,898	19,811	35,518
(17) Research and development	13,072	21,639	13,282	47,993
(18) Office systems implementation, planning and proposal	1,144	2,206	1,270	4,620
(19) Production and editing of printed material	500	1,853	3,342	5,695
(20) Advertising design	221	1,454	1,868	3,543
(21) Interior coordinator	110	634	1,119	1,863

(22) Announcer	38	98	100	236
(23) OA instruction	823	3,243	3,016	7,082
(24) Telemarketer	1,718	31,788	38,212	71,718
(25) Sales engineer marketing, marketing of financial products	2,407	3,327	2,963	8,697
(26) Broadcasting program sets and props	221	242	312	775
(- -) Manufacturing operation	74,896	278,761	204,432	558,089

Source: "Collective Data from the Report on Worker Dispatching Business (Fiscal Year 2008)" by Ministry of Health, Labour and Welfare

Notes: 1) The numbers in brackets () are numbers of "26 Occupations Specified by the Government Ordinance".

2) The Highlighted occupations are those with over 50,000 dispatched workers.

Table 2-7 Breakdown of the Six Main Occupations of Dispatched Workers

(%)

	Specific/ regular employed workers	General	
		Regular employed workers	Employees other than regular employees
(1) Information system development	54.9	32.9	12.2
(2) Machine engineering and design	52.6	39.7	7.7
(5) Office equipment operator	4.6	40.4	55.0
(10) Finance	1.9	63.1	35.0
(24) Telemarketer	2.4	44.3	53.3
(- -) Manufacturing operation	13.4	49.9	36.6

Source: "Collective Data from the Report on Worker Dispatching Business (Fiscal Year 2008)" by Ministry of Health, Labour and Welfare

depending on whether they are technical, clerical or manufacturing occupations. What can be said about these attributes? Fig. 8 shows the relationship between the occupation type of the dispatched worker and their personal attributes (gender, age, education) based on the "Employment Status Survey". In the table, "specialized/technical occupation" indicates "technical occupations", "occupations that are clerical" indicates "clerical occupations," and "manufacturing process/manual labor" indicates "manufacturing occupation". Three things can be observed from this: First, in terms of gender, men account for 54.3% and 60.4% in specialized/technical occupations and manufacturing process/manual labor occupations, while contrast women account for 90.1% of clerical occupations. Secondly, in terms of age, the percentage of workers over 50 is relatively high in the manufacturing process/manual labor occupations. Thirdly, in terms of education, university or graduate school graduates accounted for

45.6% of the specialized/technical occupations compared to 24.4% of the clerical occupations and 10.9% of the manufacturing process/manual labor occupations.

As a whole, in technical occupations, typical workers are regularly employed/open-ended contract workers, male with a high level of education. In clerical occupations, many workers are women with registration-type contracts, while in manufacturing occupations many workers are of various contract types, often men with a low level of education.

2.5 "Haken-giri (Slashing Dispatched Workers)" in Manufacturing Occupations

In the aforementioned 2.1, we noted that the number of dispatched workers decreased substantially between 2008 and 2009. The considerable reduction in the number of dispatched workers during this period was caused by mid-term cancellations or the cancellations of the contract by

Table 2-8 Gender, Age and Education by Occupation Type of Dispatched Workers

(%)

Sex	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Male	54.3	9.9	60.4
Female	45.7	90.1	39.6

Age	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Under 29	32.6	29.2	35.4
30~39	43.8	42.6	28.8
40~49	12.8	19.7	17.3
50~59	6.4	5.4	11.0
Above 60	4.3	3.0	7.5

Academic background (excluding those currently attending)	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Elementary/ junior high	1.8	1.2	15.8
High School/ old sytem junior high	23.3	36.0	56.3
Technical school	14.7	13.5	12.3
Junior college/ technical college	14.6	24.9	4.7
University/ graduate school	45.6	24.4	10.9

Source: "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

the client company, resulting in the laying off and termination of the dispatched workers by the dispatching agencies. This phenomena attracted public attention and even resulted in the creation of a new word, "haken-giri". Hereinafter, we will summarize the changes during this period using macro data.

Figure 2-9 shows the trend of the total number of employees and dispatched workers since 2007, based on the "Labour Force Survey". It shows that, in comparison to the total number of employees which only dropped from the peak of 55,000,000 by around 1,000,000, the number of dispatched workers has fallen by 38.4% in only a year and a half, from a peak of 1,460,000 (October–December 2008) to 900,000 (April–June 2010).

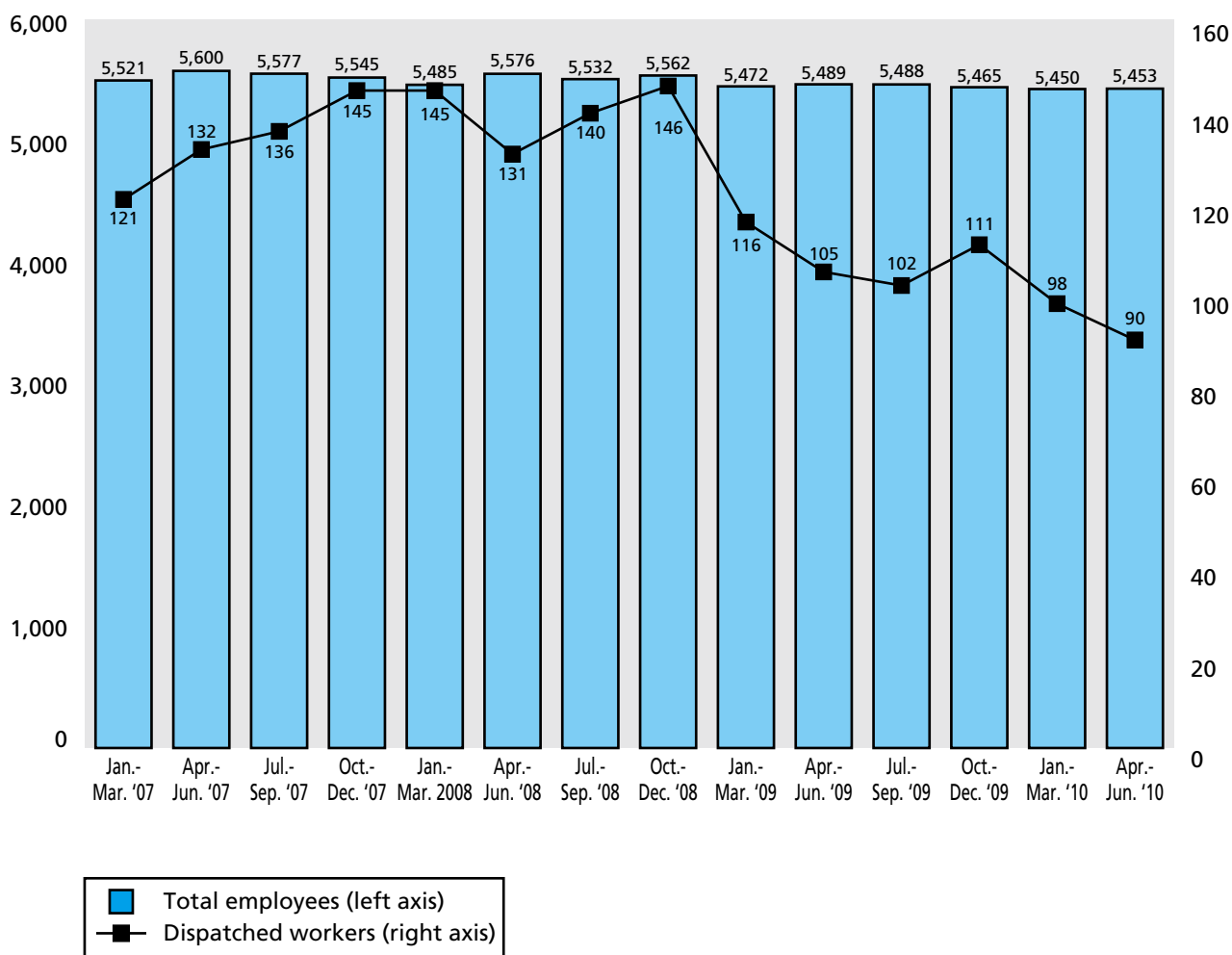
Similar trends can be understood from the data collected by the association of the worker dispatching agencies (Figure 2-10). According to the data, the

index of the number of actually working dispatched workers fell below 100% after the period from October to December, 2008 from the same period of the previous year, recording 76.1% during October to December, 2009.

Among those dispatched workers whose numbers fell dramatically during this period, what types of occupations were they engaged in? Here we will study the trends for the number of dispatched workers between 2007 and 2009 based on the "Labour Force Survey" (Figure 2-11). The chart shows while dispatched workers in "clerical occupations" or "specialized/technical occupations" did not experience drastic decrease in numbers, dispatched workers in the "manufacturing/production/machine-operation and construction occupations" fell 43.4% in just one year, from 460,000 in 2008 to 260,000 in 2009.

Thus it can be said that dispatched workers in the

Figure 2-9 Changes in the Total Number of Employees and Dispatched Workers (2007~2010, Unit: 10,000 Persons)



Source: "Labour Force Survey" (Detailed Tabulation of Labour Force Survey) by Statistics Bureau of Ministry of Internal Affairs and Communications

manufacturing occupations were deeply affected by the so-called Lehman Shock.

3. The Current Status of Worker Dispatching—structural Problems

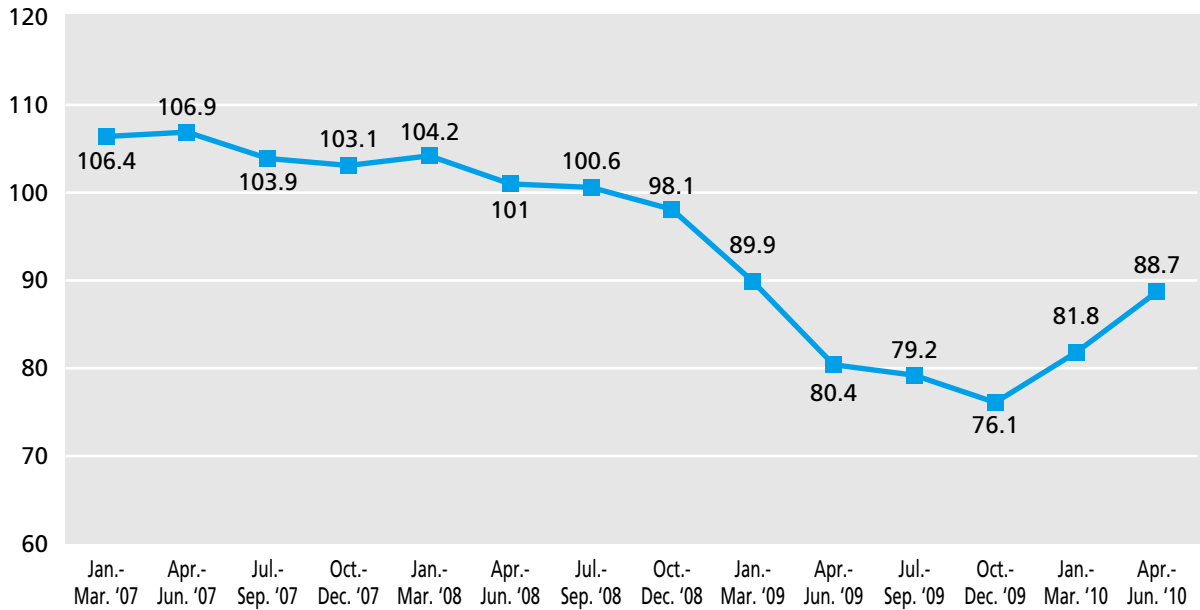
3.1 Employment Uncertainty

In the preceding section, we mentioned that dispatched workers in Japan were confronted with rapid changes in their working environment, going

from the expansion of the worker dispatching market to an unexpected turn of "*Haken-giri*". On the other hand, it can be said that worker dispatching has always had some type of structural problems, even before the "*Haken-giri*" phenomena. Hereinafter, we will clarify these issues utilizing the data that predates the Lehman Shock in principle.

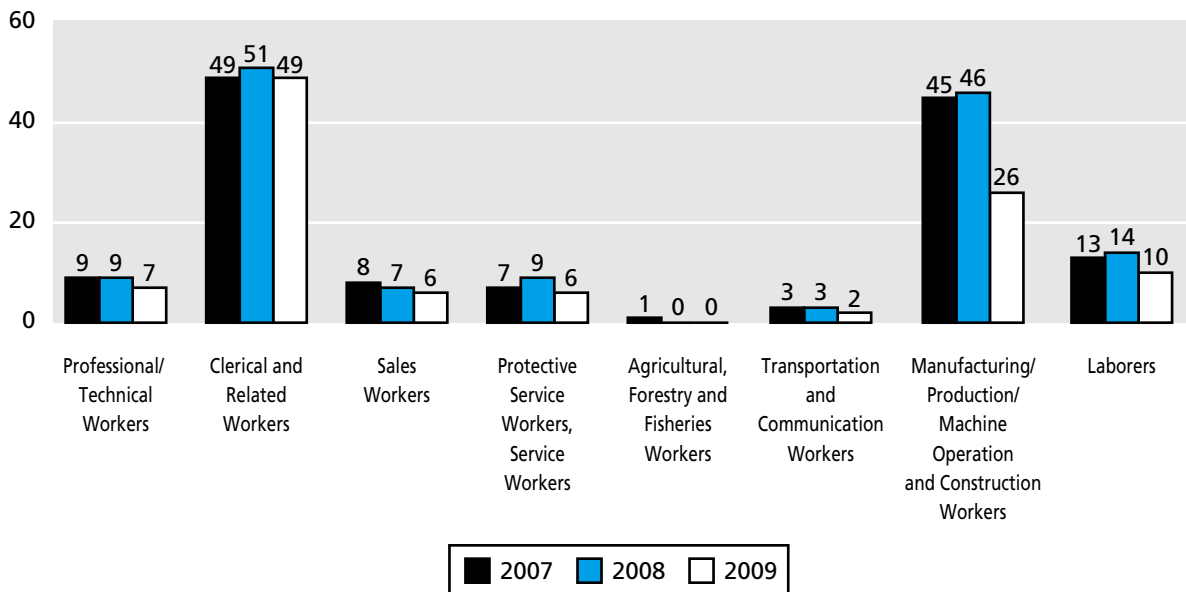
The first structural problem is job uncertainty. To begin with, it must be made clear that many dispatched workers have not come into this situation

Figure 2-10 Trends for the Numbers of Dispatched Workers in Operation (Year-on-year Comparison, %)



Source: "Statistical Survey on the Worker dispatching Services" by Japan Staffing Services Association

Figure 2-11 Trends for the Number of Dispatched Workers by Occupation Type (2007-2009, Unit: 10,000 Persons)



Source: "Labour Force Survey" (Detailed Tabulation of Labour Force Survey) by Statistics Bureau of Ministry of Internal Affairs and Communications

by choice. In “Survey of the Diversification of Employment Status” by Ministry of Health, Labour and Welfare, the main answers selected by part-time workers for “the reason why the current occupation was chosen” were: “the freedom to work at a convenient time” (55.9%), and “to subsidize household income or tuition fees” (42.4%), as opposed to “since there were no companies to work for as a regularly employed staff” (37.3%) selected by many of the dispatched workers (Table 2-12).

In connection with this, there are quite a lot of dispatched workers who wish to shift to regular employee status (through a career change etc.). According to the “Employment Status Survey”, only 5.7% of part-time workers wished to change jobs to regular employees, while as many as 19.7% of the dispatched workers wanted to shift to regular employee positions. In the “Survey of the Diversification of Employment Status”, 39.5% of the dispatched workers want to shift to become regular employees, compared to 16.8% of the part-time workers wishing to become regular employees (Figure 2-13).

The main reason for dispatched workers desiring

reassignment to regular employee positions is the relative uncertainty of the current employment situation. According to the “Survey of the Diversification of Employment Status”, the biggest reason why a dispatch worker wishes to shift to a regular employee position is “because the status as a regular employee is more stable” (85.0%) (Figure 2-14).

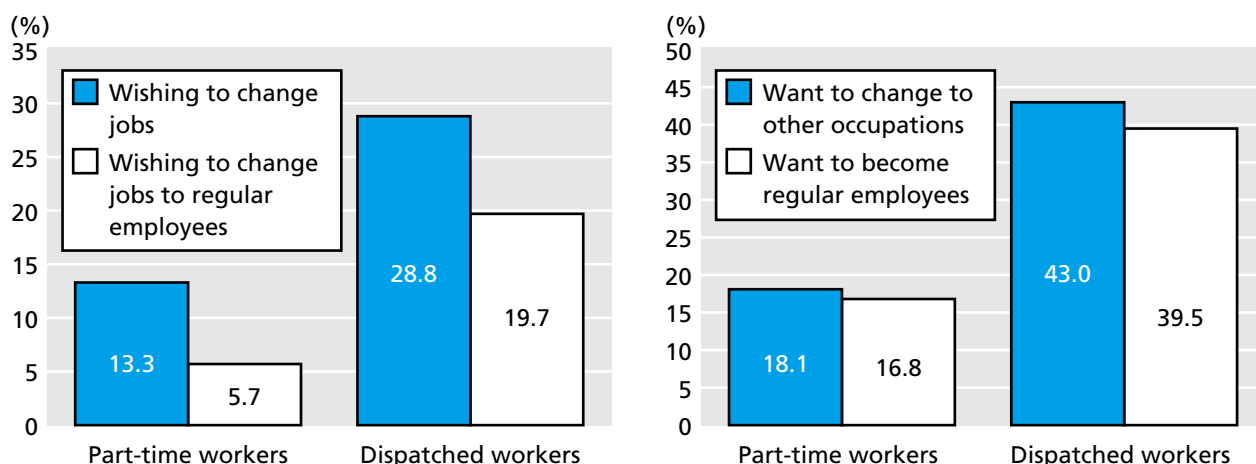
What are the chances that a dispatched worker can shift to a regular employee position? Attention is being drawn to the Temp-to-Perm System that was introduced in 2000. Based on “Collective Data from the Report on Worker Dispatching Business”, which looks at the trends for “the number of workers dispatched by temp-to-perm” and “the number of workers who shifted to direct employment via employment placement through temp-to-perm”, it is apparent that the actual application of the temp-to-perm system is growing steadily (Figure 2-15). However, the temp-to-perm performances resulted in numbers fewer than 50,000 in fiscal year 2008. Moreover, the temp-to-perm performances also include directly employed workers other than regular employees (contract workers etc.). Therefore,

**Table 2-12 Reason Why the Current Job Was Chosen
(Up to 3 Answers, %)**

	Part-time workers	Dispatched workers
To utilize specialized qualifications and skills	9.0	18.5
To have a job that earns more income	4.0	21.2
To be able to work at a convenient time	55.9	17.7
Shorter work hours and less days of working	19.2	8.8
Job is easier with less responsibility	8.6	12.4
Want to carry out work adjustment (adjustment of annual income or working hours)	7.1	1.6
To earn extra income for the household, education expenses etc.	42.4	16.1
To earn money to use freely for oneself	22.7	17.4
Shorter commuting time	25.1	17.6
Did not want to be bound to an organization	5.8	12.3
There were no suitable companies to work for as a regular employee	12.2	37.3
Easier to combine with other household matters or other activities	32.0	15.9
Was not physically fit enough to work as a regular employee	3.1	1.6
Others	5.4	20.6

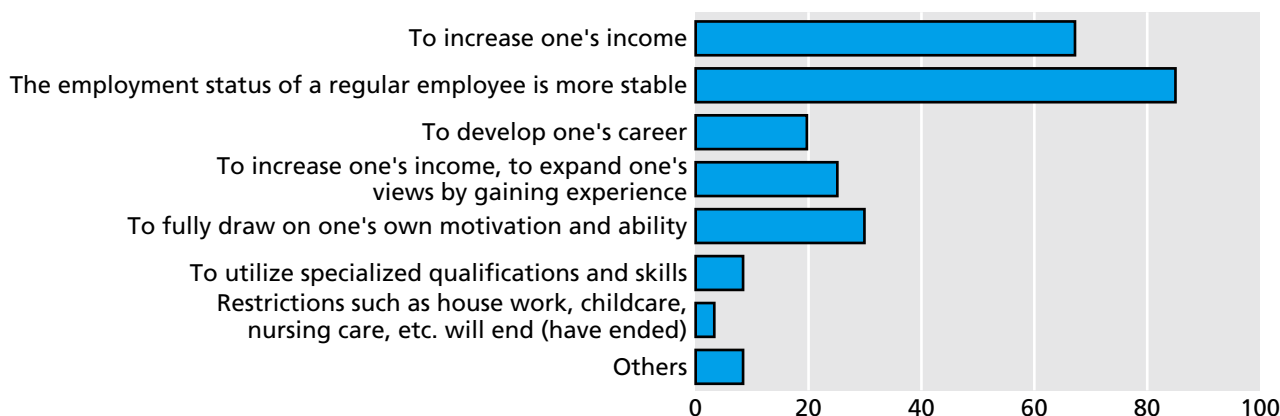
Source: “Survey of the Diversification of Employment Status (2007)” by Ministry of Health, Labour and Welfare

Figure2-13 Status of the Wish for Reassignment to Regular Employee Positions



Sources: (Left) "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications, (Right) "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare

Figure 2-14 Reasons Why a Dispatched Worker Wishes to Change to a Regular Employee (Multipul Answers, %)



Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare

although there is the potential for the system to expand, currently the window of opportunity for dispatched workers to shift to a regular employee position through the temp-to-perm system is not very wide.

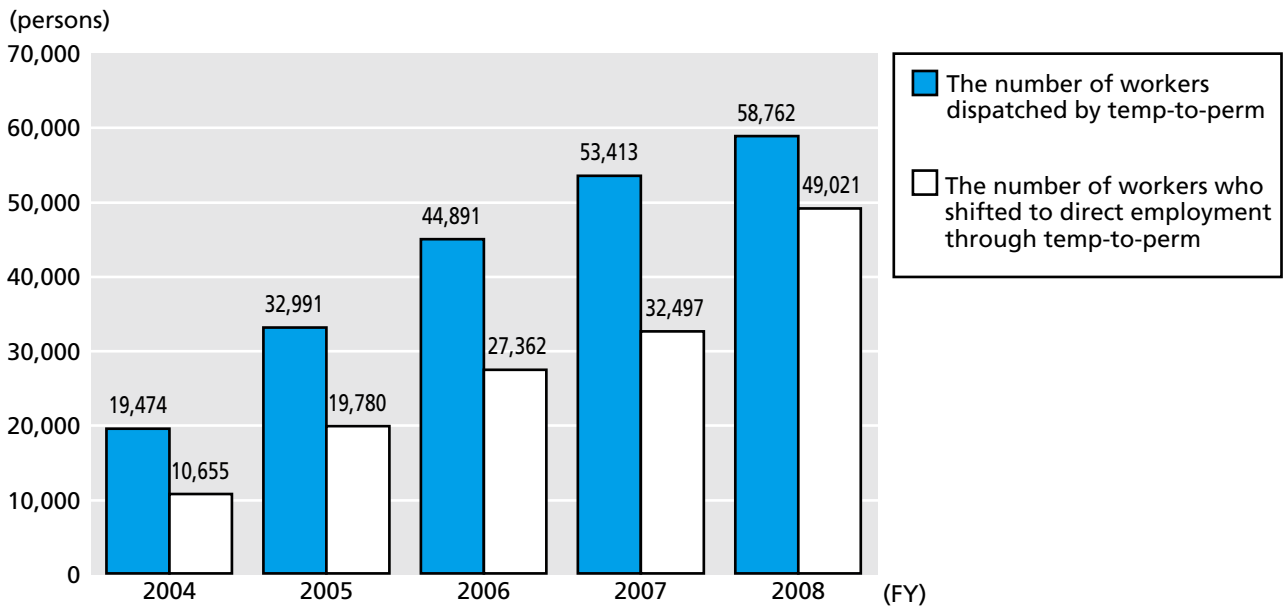
3.2 Wage Gap between Regular Employees

The second structural problem is the wage gap between that of regular employees. To confirm this point, we will first compare the wages of the dispatched workers and the part-time workers, and

then compare the wages of the regular employees and the dispatched workers.

Since fiscal year 2004, the average wages of the dispatched workers from specified worker dispatching agencies and the general worker dispatching agencies have been published in the "Collective Data from the Report on Worker Dispatching Business". "Basic Survey on Wage Structure" compiled by Ministry of Health, Labour and Welfare shows the wages of part-time workers. Figure 2-16 is a comparison of the hourly wage of the

Figure 2-15 Utilization Status of the Temp-to-perm System



Source: "Collective Data from the Report on Worker Dispatching Business" by Ministry of Health, Labour and Welfare

dispatched workers and the part-time workers. Although there are slight fluctuations, the hourly wage of a part-time worker is a little over 1,000 yen, that of a dispatched worker from a general worker dispatching agency is between 1,000 to 1,500 yen, and that of a dispatched worker from a specified worker dispatching agency is between 1,500 to 2,000 yen. More specifically, when compared with the wages of the part-time workers, the wages of the dispatched workers is far from being low.

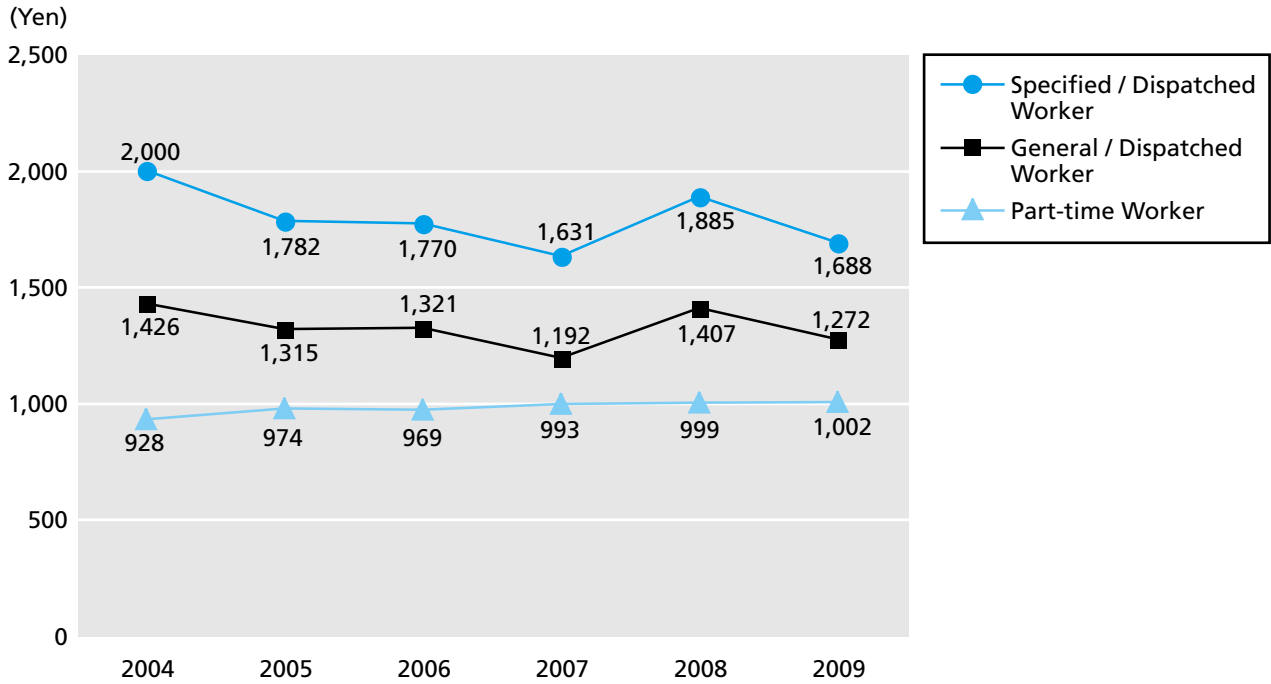
However, there is still a wage gap that is too wide to ignore when compared to a regular employee. Figure 2-17 shows the approximate calculation of the average income by age bracket of the regular employee and the dispatched worker utilizing the "Employment Status Survey". Two things can be understood from this chart: First, the income level of the dispatched worker is well below that of the regular employee. Secondly, compared to the income of a regular employee which increases up to the late 40s, the income of a dispatched worker has little increase beyond the mid 30s or hits a plateau.

This situation is reflected in the consciousness of the dispatched worker. Table 2-18 shows the satisfaction level of the regular employee, part-time worker, and dispatched worker with wages, based on the "General Survey on Diversified Types of Employment". It also indicates that the satisfaction level of the regular employee is the highest, followed by that of the part-time worker, and the degree of satisfaction is the lowest with the dispatched worker.

3.3 Lack of Human Resources Development

The third structural problem facing worker dispatching is that the human resources development for dispatched workers is not being carried out smoothly. "Basic Survey of Human Resources Development" by Ministry of Health, Labour and Welfare, which is regarded as a comprehensive survey on the skill development for Japanese workers, does not have a classification for "dispatched worker" in the survey sheets. Therefore there is no data for comparing the actual status of the human resources development for dispatched workers

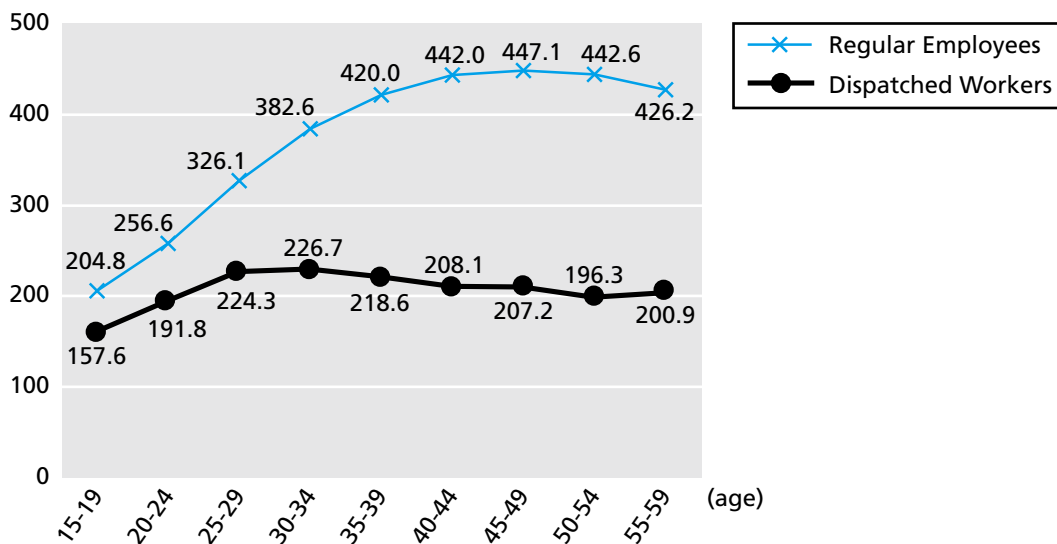
Figure 2-16 Hourly Wage Comparison of Dispatched Workers and Part-time Workers



Sources: Hourly wage of dispatched workers is based on "Collective Data from the Report on Worker Dispatching Business" by Ministry of Health, Labour and Welfare, and hourly wage for part-time workers is based on "Basic Survey on Wage Structure" by Ministry of Health, Labour and Welfare.

Note: Time point for dispatched workers is fiscal year, and that for the part-time workers is calendar year.

Figure 2-17 Average Income by Age Bracket of Regular Employees and Dispatched Workers (Unit: 10,000 Yen)



Source: Projection by the author based on "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

Notes: 1) The average income by age bracket is projected using the class value of the income class.

2) Although the classifications of income class are different between regular employees and dispatched workers, the income class of regular employees is statistically matched to that of dispatched workers in this figure.

3) Differences in the number of work days and working hours between regular employees and dispatched workers should be noted.

Table 2-18 Satisfaction Level with Wages

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	Unknown	Satisfaction index
Regular employees	12.0	27.5	25.1	24.6	10.0	0.8	6.9
Part-time workers	12.9	21.4	29.2	24.3	11.1	1.1	0.7
Dispatched workers	7.3	24.0	24.8	25.8	17.1	0.8	-21.4

Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare
 Note: Satisfaction index is calculated by "Satisfied" × 2 + "Slightly Satisfied" – "Slightly Dissatisfied" – "Dissatisfied" × 2.

Table 2-19 Satisfaction Level with the Education Training and Human Resources Development

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	Unknown	Satisfaction index
Regular employees	8.7	17.7	47.7	18.7	6.1	1.2	4.2
Part-time workers	4.5	8.0	60.2	14.0	6.3	7.0	-9.6
Dispatched workers	4.5	10.4	54.5	16.7	11.8	2.1	-20.9

Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare
 Note: Satisfaction level index is calculated by "satisfied" × 2 + "slightly satisfied" – "slightly dissatisfied" – "dissatisfied" × 2.

and workers of other employment formats. In view of this, hereinafter we will use the satisfaction level for the "style of training/human resources development" surveyed in "Survey of the Diversification of Employment Status" as a proxy indicator for the current status of the human resources development.

The results are shown in Table 2-19. The results indicate that a relatively high proportion of the regular employees replied they were "satisfied" or "slightly satisfied"; however a relatively high proportion of the dispatched workers replied "dissatisfied" or "slightly dissatisfied".

This consciousness structure is consistent in the time-series comparison. Figure 2-20 shows the satisfaction index of the "style of education training/human resources development" from the aforementioned survey, dating back historically. At every point in time, it is showing that the satisfaction level of the regular employees is the highest, followed by that of the part-time workers, and the satisfaction level of the dispatched employees is the

lowest.

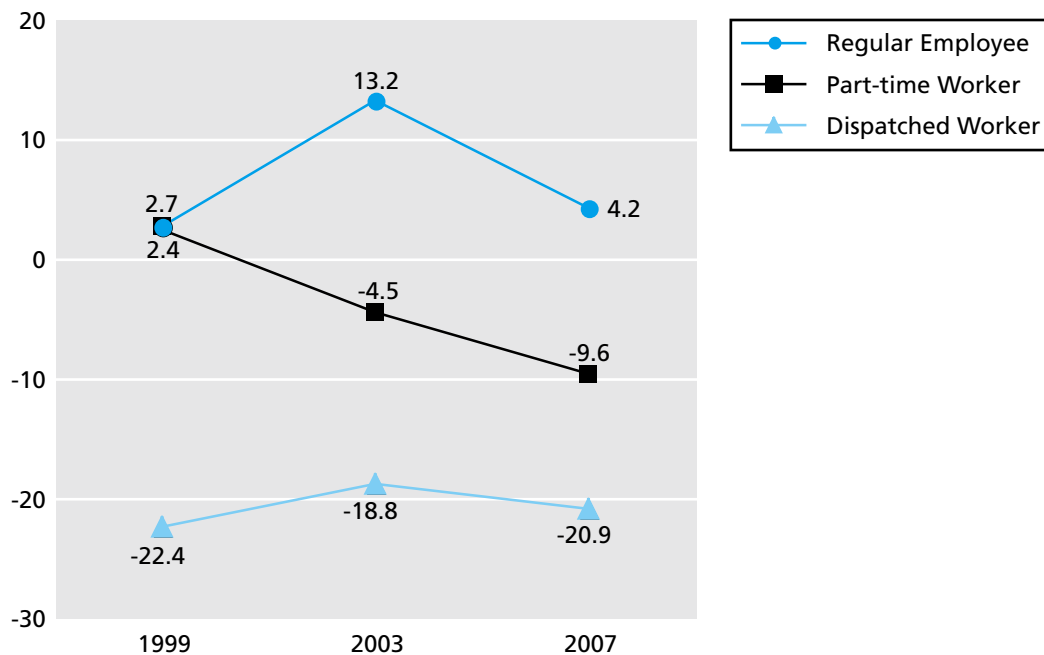
Thus, worker dispatching is faced with problems that cannot be ignored in terms of employment stability, wages, and human resources development.

3.4 Dispatched Workers with Open-ended Contract

In the aforementioned 3.1, 3.2 and 3.3 we have been discussing the dispatched workers in an all-inclusive manner. However, as previously described there are several types of contracts for dispatched workers. Attention is particularly focussed on the existence of two contrasting types of contracts, namely regularly employed/ open-ended contract type, and registration-type. Are there any differences between these two types in terms of employment stability, wages and human resources development? Hereinafter, we will confirm these points using the recounting of the results of a survey the author has conducted in the past.

First we will look at the stability of employment.

Figure 2-20 Trends for the Satisfaction Level with the Education Training/Human Resources Development (Index Number)



Source: "Survey of the Diversification of Employment Status" by Ministry of Health, Labour and Welfare
 Note: The calculation method of the satisfaction index is the same as Table 2-19.

Table 2-21 shows the differences in the level of satisfaction concerning the "stability of employment and work" between a regularly employed/ open-ended contract type and a regularly employed/ fixed-term contract type, or registration type. Caution is required due to the low numbers of replies concerning the regularly employed/ open-ended contract type; however we can see here that a relatively high proportion of those in regularly employed/ open-ended contract type with an open-ended contract have replied "satisfied" or "slightly satisfied", while a relatively high proportion of those in regularly employed/ fixed-term contract type with a fixed-term contract or registration-type have answered "dissatisfied" or "slightly dissatisfied".

Next we will look at wages. Figure 2-22 shows the average wage by age brackets of the technical dispatched workers regularly employed with an open-ended contract and registration-type clerical dispatched workers. This indicates that for the technical dispatched workers regularly employed with an open-ended contract, the wage increase was

over 40%, compared to the less than 10% wage increase in accordance with age in the case of registration-type clerical dispatched workers. Although the special characteristic of the occupation type in this case the technical occupation needs to be taken into consideration, the technical dispatched workers regularly employed with an open-ended contract should be able to expect more than a slight increase in wages.

Lastly we will look at human resources development. Table 2-23 shows how the satisfaction level of "the opportunities to gain the abilities and knowledge useful for work" differs among regularly employed/ open-ended contract type, regularly employed/ fixed-term contract type and registration-type. This shows that a relatively high proportion of those engaged in regularly employed/ open-ended contract type replied "satisfied" or "slightly satisfied", while those engaged in regularly employed/ fixed-term contract type and registration-type replied "dissatisfied" or "slightly dissatisfied".

From an overall viewpoint, worker dispatching

Table 2-21 Satisfaction Level of the Contract Type and “Stability of Employment and Work”

(%)

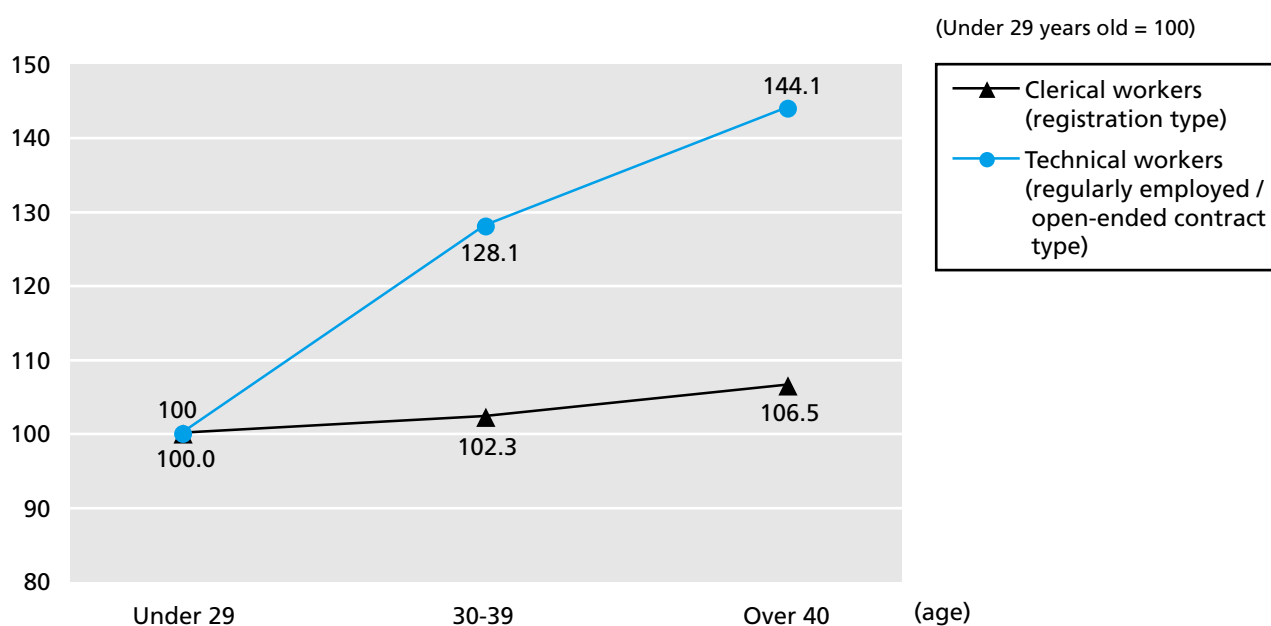
	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	(n)	Satisfaction index
Regularly employed / open-ended contract type	10.5	42.1	31.6	15.8	0.0	19	47.3
Regularly employed / fixed-term contract type or registered type	12.7	23.8	31.7	15.9	15.9	63	1.5

Source: Recounted by the author using the data in “Survey on Japanese Work Attitude (August–September, 2005)” by The Japan Institute for Labour Policy and Training.

Notes: 1) In the survey sheet, those who replied “has an open-ended employment contract” were classified as engaged in regularly employed/ open-ended contract type, and those who replied “has a fixed-term employment contract” were classified as engaged in regularly employed/ fixed-term contract type, or registration-type

2) The satisfaction level index is calculated by “satisfied” × 2 + “slightly satisfied” – “slightly dissatisfied” – “dissatisfied” × 2.

Figure 2-22 Contract Type and the Average Wage by Age Bracket



Sources: Regarding regularly employed/ open-ended contract type, the data of “The first Survey on the Way of Working of the Technical Engineer and their Careers (January–March 2008)” by Department of Research on the Staffing Industry, Institute of Social Science, The University of Tokyo was recounted by the author, and regarding the registration-type data of “Survey on the Way of Working of the Dispatched worker and Their Consciousness (October 2005)” by the said Department of Research on the Staffing Industry.

Note: The value is calculated by making the wages for under 29 years old as 100.

has issues that cannot be ignored, such as the stability of employment, wages and human resources development. However, when focusing solely on regularly employed/ open-ended contract type, the problems seem to be relatively small in scale.

4. Direction of the Legal Amendment—Focus on Stability of Employment

4.1 Focus of the Proposed Amendment

Under these circumstances in March 2010, the draft amendment of Worker Dispatching Act was

Table 2-23 Satisfaction Level with the Contract Type and “the Opportunities to Obtain the Skills and Knowledge Useful for Work”

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	(n)	Satisfaction index
Regularly employed / Open-ended contract type	5.3	31.6	31.6	21.1	10.5	19	0.1
Regularly employed / fixed-term contract type or registered type	7.9	17.5	41.3	22.2	11.1	63	-11.1

Source: Recounted by the author using the data in “Survey on the Japanese Work Attitude (August–September, 2005)” by The Japan Institute for Labour Policy and Training.

Notes: 1) In the survey sheet, those who replied “has an open-ended employment contract” were classified as engaged in regularly employed/ open-ended contract type, and those who replied “has a fixed-term employment contract” were classified as engaged in regularly employed/ fixed-term contract type, or registration-type.

2) The satisfaction level index is calculated by “satisfied” × 2 + “slightly satisfied” – “slightly dissatisfied” – “dissatisfied” × 2.

approved in a Cabinet meeting and was presented to the Diet. This amendment is to remain under deliberation at the extraordinary Diet session in autumn 2010, and the main points are outlined as follows.

First, in order to eradicate the breeding grounds for unstable employment, business regulations such as the ban in principle of worker dispatches to manufacturing firms and the ban in principle of registration-type worker dispatches have been put in place. However there is some exclusion from the ban, such as dispatching of “regularly employed workers” is permitted to manufacturing firms and registration-type of dispatch workers is permitted with the “List of 26 Job Categories stipulated in the Government Ordinance”.

Secondly, from the point of view of promoting the stability of dispatched worker employment, it is stipulated that a temporary employment agency will have a duty to make reasonable efforts to promote the changes from a dispatched worker employed on a fixed-term basis (dispatched worker engaged in regularly employed/ fixed-term contract type or registration-type) to a dispatched worker employed on an open-ended basis.

Thirdly, it is stipulated that in terms of improving the working conditions of the dispatched workers, a dispatching company must pay necessary attention in

deciding wages, carrying out educational training and welfare programs by taking into consideration the balance between the workers engaged in the same type of jobs at the company the dispatched worker is sent to.

To sum up, the aim is to tighten up the regulations for the worker dispatching system, which has been following the path of the relaxation of regulations up to now.

4.2 Opinions of Interest Groups

Japan Staffing Services Association, which is the industry organization of the worker dispatching agencies, put forward their “fundamental view on the amendment of the Worker Dispatching Act” in September 2010, and manifested the opinion of the Association regarding the proposed revision. The Association is opposing the enhanced regulations based on their fundamental understanding that worker dispatching is “an essential system for the development of the economy”. Concerning the ban on the dispatches to manufacturing firms, the Association is pointing out that it will have adverse effects such as “harm the competitiveness between companies, lead to a decline in hiring, and encourage the production system to shift overseas”.

Nippon Keidanren has for some time been taking the stance of promoting the easing of the regulations

on worker dispatching, for example to include the request to lift the upper limit on the employment period of a dispatched worker in the “Regulatory Reform Initiative” in June 2007. Furthermore, in the “Report of the Committee on Management and Labor Policy 2010 Version” released in January 2010, it has expressed its opposing position on the tightening of the regulation by stating “the move to ban registered type worker dispatching could put the labor market into disarray when considering the needs of both the companies and the side offering labor, such as the requirement for swift manpower supply and working methods.”

Japanese Trade Union Confederation, on the other hand, is taking a different stance from the other two and has for some time been taking the position of promoting the tighter regulations on worker dispatching. In the “Rengo White Paper” published in December 2009, it has welcomed the talks moving in the direction of stronger handling of the “*Haken-giri*” issue, and also stated that wage gap problems and human resources development problems are pressing issues that need to be addressed.

4.3 Brief Summary

There is some debate over how the strengthening of the regulations on worker dispatching will affect people who are working as dispatched workers, the workers at the client companies, and eventually, Japanese society as a whole. Thus, it is not possible to make a sweeping judgement about whether the legal amendment is suitable or not. Therefore, I would like to conclude by summarizing the issues we have been looking up to now concerning the trends for the worker dispatching market, the current status of worker dispatching, and by contrasting them with the proposed revision.

The worker dispatching industry has been facing vast changes since autumn 2008, with a string of “*Haken-giri*” occurring among the manufacturing occupations. Moreover, even prior to that, many registration-type dispatched workers have been

suffering from employment instability. The proposed revision defines, while maintaining the exemptions, the ban in principle of the worker dispatching to manufacturing firms and ban in principle of registration-type dispatched workers, and the promotion of the dispatched workers employed on a fixed-term basis to an open-term basis (=converting from being a dispatched worker engaged in registration-type or regularly employed/ fixed-term contract type to a dispatched worker engaged in regularly employed/ open-ended contract type). In this regard, the proposed revision addresses the trends for the worker dispatching industry and the actual realities of worker dispatching.

On the other hand, looking at the actual reality of the worker dispatching industry, in spite of around 90% of the temporary agency staff working more than 35 hours per week, there were problems such as the income level being far lower than those of the regular employees, the income level not increasing according to age, and human resources development not actively being pursued. In connection with these problems, the proposed revision stipulates that the worker dispatching agencies should take into consideration the balance between the workers in the same type of occupation at the dispatched worker destination when dealing with issues on wages and training, etc. However, the current wage gap between a regular employee and a dispatched worker is extremely wide and it is unlikely that the provisions of the proposed revision will solve the issue early. Furthermore, as for education and training by the worker dispatching agencies, there are issues such as the burden of expenses, and therefore it is unclear how effective these efforts will be.

As a whole, the main purpose of this proposed revision is the employment stability of dispatched workers. It can be said that there is a need to address the issues related to wages and human resources development in a way other than the present proposed revision.

This paper discusses the situation and issues concerning the distinctively Japanese school graduates employment system that has underpinned the stable transition of high school graduates from education to work in Japanese society using data from an interview survey conducted by the Japan Institute for Labour Policy and Training (JILPT) in 2007 and the Japan Education Longitudinal Study (JELS), and focuses in particular on vocational counseling for high school graduates.

It was found that although the ongoing relations between high schools and enterprises that are the linchpin of the Japanese school graduates employment system are less continuous than they were in the 1980s, the change according to the present survey is not as great as that observed during the early 1990s. The system changed structurally in the early 1990s, since when it may be regarded as being maintained as it is. It was also found that the scale of the change in the system tends to vary according to region. While policies suited to each region are required, the JELS data indicate that social class has a particularly major impact on female high school graduates in the provinces, placing them in a socially disadvantageous position. What is needed is the social development of means of facilitating the movement of young people in the provinces from school into work to ensure social equity in order to ensure that opportunities in life do not depend on social attributes.

I. Purpose of Study and Outline of Data Sources

1. Purpose of Study

The purpose of this paper is to examine present developments in the distinctively Japanese high

school graduates employment system that has underpinned the stable movement of high school graduates into employment in Japanese society, focusing in particular on high school career guidance.

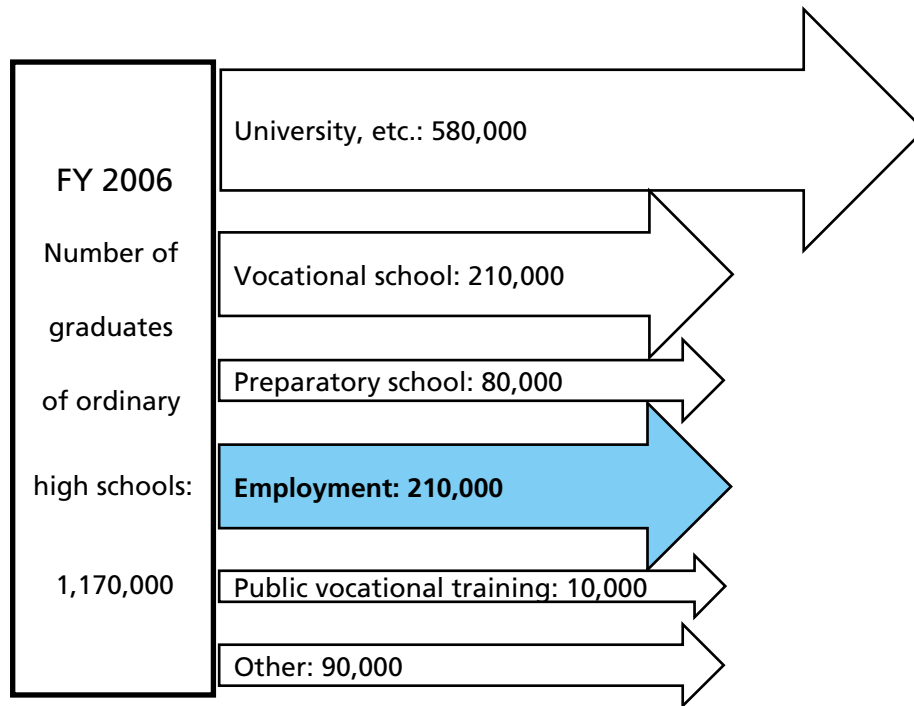
The transition from school to work of young people who do not enter higher education became a serious social problem in developed countries from the late 1970s, when there began to occur a shift in industrial structure from secondary industry centered on manufacturing to tertiary industry. Only in Japan and Germany, which had mechanisms enabling young people who leave education at an early stage to move from school to work, was the problem of youth unemployment long avoided.¹

In Japan, this role was played by good rule-based relations between public employment security offices, high schools, and companies. Despite considerable regional variation, these relations are known to be characterized by the development of the high school graduate labor market by the labor authorities and relations between high schools and companies, and a particularly important role is considered to have been played in Japan in facilitating the movement of high school graduates from school to work by ongoing “proven” relations between high schools and companies (Kariya 1991). In this paper, we define the system by which students decide on their jobs in an environment of ongoing, stable relations between schools and companies based on the practices of “referral by designated schools” and “one application per student” as comprising the Japanese high school graduates employment system.

From the mid-1990s, however, the career paths of high school students underwent a major transformation. The proportion of high school graduates entering employment fell from 40% to just

¹ At the “Transition Support Policy for Young People with Low Educational Background—2007 JIPLT International Workshop” held by JILPT in 2007, the difficulty encountered by young people who do not proceed to higher education in making the transition to work was discussed as a challenge faced by all developed countries.

Figure 3-1 Post-school Paths of Ordinary High School Graduates (Graduating March 2007)



Source: Compiled from Ministry of Education, Culture, Sports, Science and Technology of Japan (MEXT), *Gakko Kihon Chosa* (Basic Survey on Schools).

Note: Percentage of students enrolling in ordinary high school: approx. 97%.

20%, and the proportion enrolling in universities rose sharply. The high school graduate labor market was also hit by the recession, causing major changes in both the quantity and quality of job openings for high school graduates, and the result was that out-of-work school graduates who neither enrolled in higher education nor entered employment after high school became a social problem. It was at this time that there began to emerge a strong recognition that the formerly healthily Japanese high school graduates employment system was ceasing to function properly.

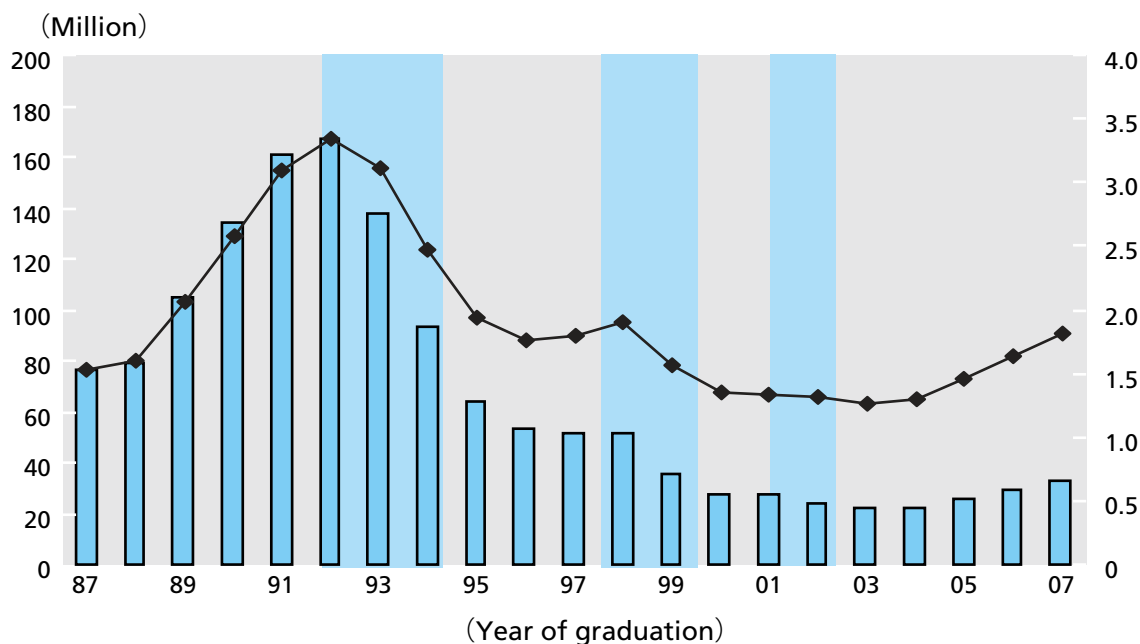
Figure 3-2 depicts the number of job openings and the ratio of job openings to job applicants for prospective new high school graduates. From this it can be seen that, despite recent indications of an economic downturn, job openings for high school graduates are recovering following a period of recession in the late 1990s. However, the true picture of employment of high school graduates in knowledge society where over 70% of high school graduates is unclear, and it may safely be said that the

general economic recovery has not necessarily led to an improvement in employment conditions in all regions.

Using data from past and present interview surveys, this paper therefore examines the present state of the Japanese high school graduates employment system focusing on an analysis of regional variables, and it concludes with a tentative analysis of young people's employment choices in the provinces.

As variables of regional employment conditions, we use types of high school graduate labor market. Labor markets are classified into three types based on labor force mobility, the state of supply and demand, and the category of job openings for high school graduates (Table 3-3). In this paper, we perform our analysis using these three types as variables.

This paper is composed as follows. In the following section, I confirm the data, and in section II I review the shrinkage of the high school labor market and the mechanisms by which high school

Figure 3-2 Number of Job Openings for Prospective New High School Graduates and Ratio of Job Openings to Applicants

Source: Annual editions of Ministry of Health, Labour and Welfare of Japan (MHLW), Employment Security Bureau, *Shinki Gakusotsusha (Koko/Chugaku) no Shokugyo Shokai Jokyo* [Employment referrals for new junior and senior high school graduates].

Note: Final estimates for June following graduation. As recruiting activity occurs before graduation, there is an approximately six-month lag before the effects of the economic downturn become apparent.

Table 3-3 Types of High School Graduate Labor Market

Type	Labor mobility	State of supply and demand	Category of job openings	Regions covered
1	Inflow	Good/ intermediate	Services/ distribution	Tokyo, Saitama, Osaka
2	Balance	Good/ intermediate	Manufacturing	Nagano, Niigata
3-i	Outflow/ balance	Shortage	Services/ distribution	Aomori, Kochi, Hokkaido
3-ii	Outflow	Good/ intermediate	Manufacturing	Shimane, Oita, Akita

graduates find employment. In section III, I review the literature and analyze school-employer relations. In section IV, I present four types of high school career guidance, and in section V I present an overview of the employment choices of young people in the provinces. In the closing section, I expand on the implications of the findings.

2. Outline of Data Sources

The data sources used were “Kosotsu shushoku shien chosa” [Survey of employment support for high school graduates] conducted by the Japan Institute for Labour Policy and Training (referred to below as the JILPT Survey) and a survey of third-year high school students in AREA-Y of the Japan Education Longitudinal Study (JELS) conducted in autumn 2004 by Ochanomizu University COE.

The former is a survey of 11 public employment security offices, 24 high schools, and 23 companies. The geographical scope of the survey is shown in Table 3-3. Some high schools surveyed in 1997 were included, and eight schools were used for a longitudinal comparison based on Table 3-7.

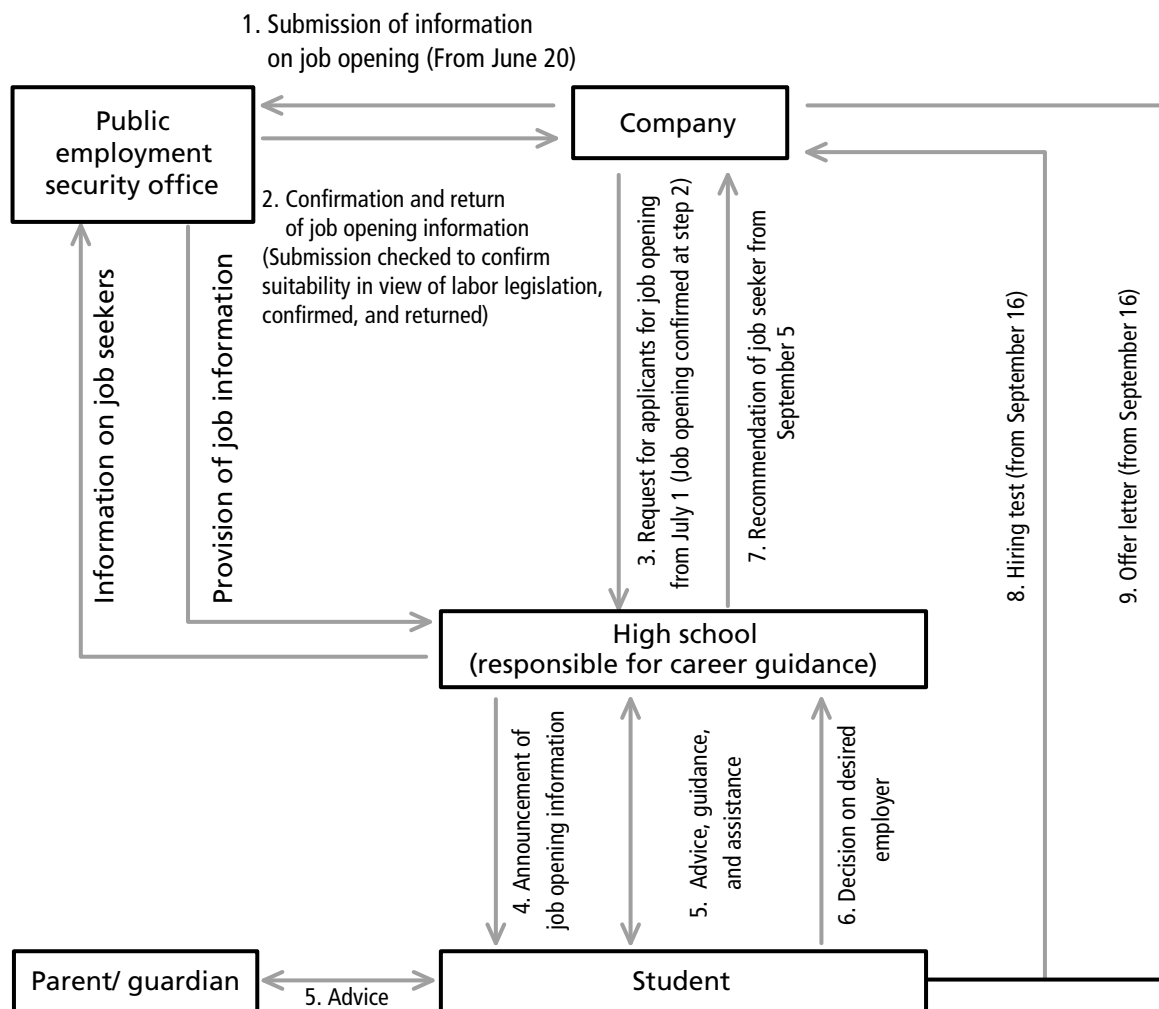
High schools were selected with the assistance of the public employment security offices in each region. As a rule, the high schools with most students who found employment in each office's area were chosen, as a consequence of which the vocational

schools selected tended to consist of the more prestigious schools in the region. The JELS survey covered 947 persons, and the survey method and sample are described below.

II. Shrinkage of High School Graduate Labor Market and Mechanisms of Employment of High School Graduates

Before proceeding to the analysis, I first describe the present state of the high school graduate labor

Figure 3-4 Framework for Employment of New High School Graduates through High Schools



Dates of commencement of recruitment screening, etc.

- 1. Commencement of acceptance of requests for applicants for job openings by public employment security offices (June 20)
- 3. Commencement of requests for applicants for job openings and visits to schools (July 1)
- 7. Commencement of submission of student application documents to companies (September 5)
- 8 & 9. Commencement of screening and offers (September 16)

Source: Reproduced from the final report of *Kosotsusha no Shokugyo Seikatsu no Iko ni kansuru Kenkyu* [Research on transition of high school students to working life] (MEXT/MHLW 2002).

market in Japan as a whole and the mechanisms of employment of high school graduates.

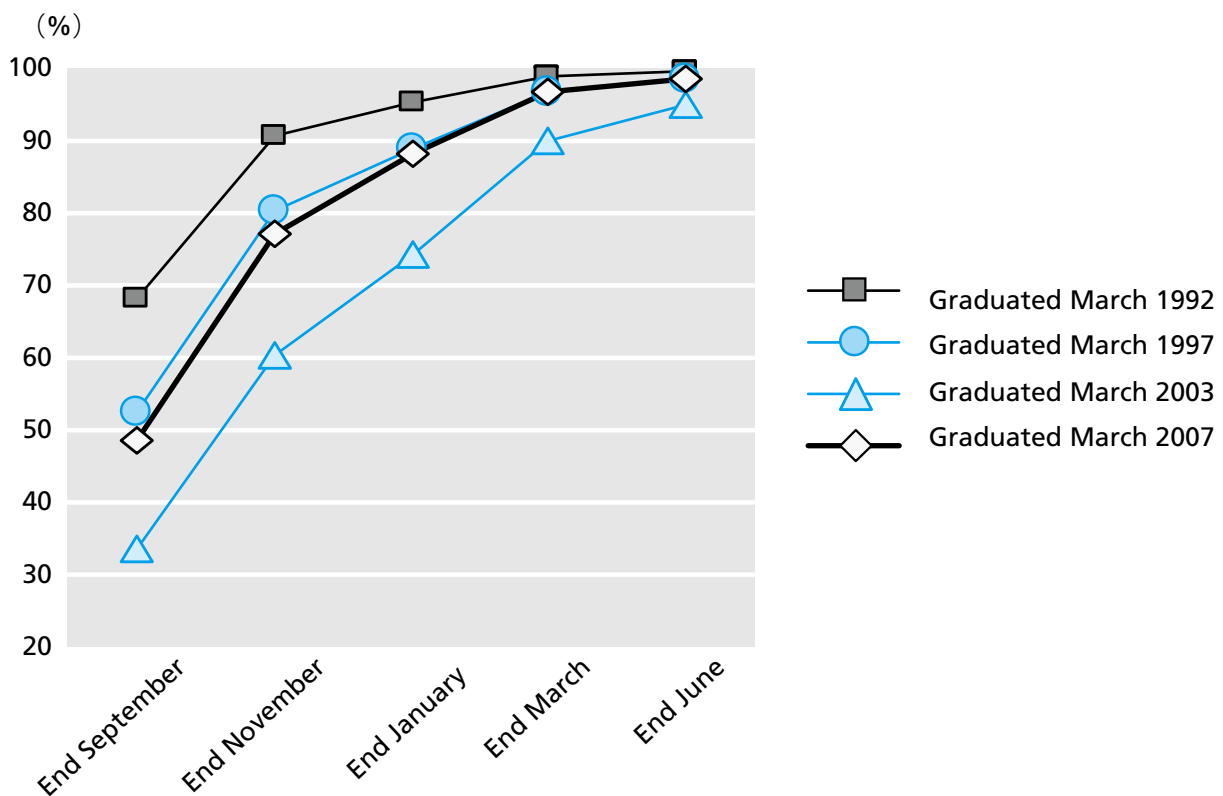
From the late 1990s, the 18-year-old population decreased and three changes in the career choices of high school students were observed (Hori 2007). Firstly, there was a rise in the proportion of students enrolling in higher education. Due to the change in direction in higher education policy and the decline in the size of the 18-year-old population, there occurred an increase in the proportion of students entering university. Secondly, there was a rise in the proportion of high school graduates who neither enrolled in higher education nor found employment. This proportion rose until 2002, and then began to decline from 2003. Thirdly, the proportion of job finders declined. The number exceeded 600,000 in the 1980s and fell sharply in the 1990s, but since around 2003 has remained at around 210,000. The number of job openings for high school graduates similarly declined rapidly following the collapse of the economic bubble, though it has followed a

recovery trend since 2003. While demand at large manufacturers is presently temporarily high, the scale of employers of high school graduates is declining overall, and openings are mainly for factory manual workers (Further data on this are omitted due to constraints of space).

As Figure 3-4 shows, moreover, the employment of high school graduates is prescribed by institutional arrangements.

Firstly, companies are unable to have direct contact with high school students, who instead seek employment through public employment security offices or high schools. Secondly, the timing of disclosure of job openings is governed by recruitment agreements. Job openings are disclosed to high schools on July 1 and selections made by September 16. In the 1980s, over 600,000 high school students decided which companies they wanted to apply to and over half decided on their jobs during this short period. Thirdly, students can only apply to one company at a time, a practice that is regarded as

Figure 3-5 Change in Timing of Offers



Source: The Japan Institute for Labour Policy and Training (2008)

being intended to enable as many students as possible to be interviewed by their first-choice employer.

Out of this institutional environment there developed the practice among companies of designating particular high schools to recommend students for job openings. There thus formed ongoing transactional relations between specified schools and companies.

In order to maintain their status as designated schools under this system, high schools seek to recommend the students that companies want. Before sending students to companies, therefore, they screen them internally based on their grades. If there are more students than job openings, the number is whittled down by internal screening, and no recommendation is made if students' ability is not up to the level required by a company. In order to continue to be supplied by high schools with good students, companies hire the students recommended

to them by high schools without performing further screening themselves.

Now, however, more job information is shared via a system run by public employment security offices that provides online access in high schools to a database of information on job openings for high school graduates received by these offices. The date from which job openings can be advertised also varies according to region and, although it has become institutionally possible for students to make multiple applications, the "one application per student" approach still predominates.

One further change is the increasing variation in the timing of offers. At the beginning of the 1990s, 70% of students decided their jobs at the end of September (when the results of applications to companies made soon after openings could be advertised and presumably the companies whose hiring tests were taken first). By 2003, by contrast,

Table 3-6 Timing of Receipt of Information on Job Openings and Number Received (by Prefecture)

	March 2007 graduates			March 2003 graduates			2003-2007
	Number of job openings at end March	Number received end July or later	Proportion of late job openings	Number of job openings at end March	Number received end July or later	Proportion of late job openings	Change in proportion of late job openings
Osaka	23,580	3,945	16.7%	14,173	4,214	29.7%	-13.0%
Tokyo	44,861	10,897	24.3%	29,632	11,963	40.4%	-16.1%
Saitama	12,227	2,591	21.2%	7,041	2,238	31.8%	-10.6%
Niigata	6,932	2,221	32.0%	4,298	2,636	61.3%	-29.3%
Nagano	4,553	1,126	24.7%	3,761	1,741	46.3%	-21.6%
Hokkaido	10,054	6,901	68.6%	10,477	7,872	75.1%	-6.5%
Kochi	761	392	51.5%	637	391	61.4%	-9.9%
Oita	4,804	1,293	26.9%	2,805	1,606	57.3%	-30.3%
Aomori	2,460	1,614	65.6%	2,365	1,817	76.8%	-11.2%
Akita	2,532	1,375	54.3%	2,521	1,703	67.6%	-13.2%
Shimane	1,507	604	40.1%	1,234	680	55.1%	-15.0%

Source: The Japan Institute for Labour Policy and Training (2008)

this proportion had fallen to 33%. Despite returning to 48% in 2007, it is no longer the case that everyone finds jobs at the same time.

The change in the timing of offers is dictated by companies' recruitment activities, and an examination of the timing of receipts of information on job openings shows that the proportion of job openings appearing in July differs considerably according to prefecture. According to JILPT (2008), while there are large proportions of early job openings in areas of high demand such as Tokyo and Osaka, the proportion of "late job openings" appearing latter than July exceeded one half in Aomori (65.6%) and Hokkaido (68.6%) (both sets of figures are for March 2007). In regions where employment conditions are poor, it is not unusual for job openings to appear toward the end of the year or later. When economic conditions worsen, job openings appear later. The difference in timing of recruitment activity is due to the fact that while large companies in areas of high demand can engage in periodic hiring, most companies in the provinces are small businesses that rely mainly on recruiting workers as and when needed.

From the above, it may be concluded that the tendency for jobs to be found during the same short period of time is weakening, as up to the first half of the 1990s, and that the timing has grown especially more diverse in regions where demand is weak.

III. Review of Literature and Current State of School-employer Relations

Career guidance for high school graduates has to date been regarded as centering on "*jisseki-kankei* (proven relations)" in the sense of ongoing trust-based transactional relations between high schools and companies. These proven relations are "networks that help to stabilize employment, recruiting, and job placement through the exchange of highly definite information based on trust in the context of an ongoing transactional relationship, and are associated with the norm of one party's actions being controlled by others against the backdrop of the continuity of relations" (Kariya 1991). "Proven relations" in the form of ongoing relations founded on trust between

high schools and companies are an effective means of enabling the smooth transition of high school students from school into jobs, and are considered to have operated in unison with the spread of meritocracy through internal screening by schools based on grades.

The Japan Institute of Labour (JIL) (1998) astutely observes, however, that the identification of such "proven relations" depends solely on the perceptions of high school teachers, and their existence has not been properly demonstrated from objective data. There thus arises a need to investigate relations between schools and companies based on actual data on job finders, and analysis has demonstrated that such relations are not as strong as had previously been assumed. Terada (2004) did an analysis of several vocational high schools in Aichi Prefecture, where school-employer relations are considered strong, and he found that the number of companies with which schools had proven relations was extremely small, accounting for only around 30% of the number of school graduates who found employment. He concludes that proven relations "could not be described as a decisive mechanism of employment of high school graduates in Japan."

So are school-employer relations, which weakened in the 1990s, weakening further? This analysis employs the same methodology used by JIL (1998); that is to say, school-employer relations are measured based on actual data on jobs found, rather than teachers' impressions of proven relations. As data for the same observation period as last time could not be obtained, however, comparisons should be treated with caution.

Companies that recruited only once during the observation period were defined as "single hirers," a lower proportion of which (calculated by dividing the number of such companies by the number of companies at which jobs were found) was interpreted as indicating a greater continuity in the school-employer relationship. "*jisseki kigyo* (Proven hirers)" were defined as companies that hired continuously for five or more years. "*keizoku kigyo* (Ongoing hirers)" were defined as companies that hired for at least half of the years during the observation period.

The results are summarized in Table 3-7.

Although the proportion of single hirers tends to be slightly higher than on the last occasion, the change is not as great as that observed in the 1997 survey, and the scale of the change varies, moreover, according to high school. The large structural change in relations between high schools and companies occurred in the early 1990s, and there appears to have been no substantial change since then to the present.

From the above, it is evident that while school-employer relations have weakened slightly overall, ongoing relations are being maintained by some. Avoiding simple generalizations, therefore, the next task is to identify patterns.

IV. Four Types of High School Career Guidance

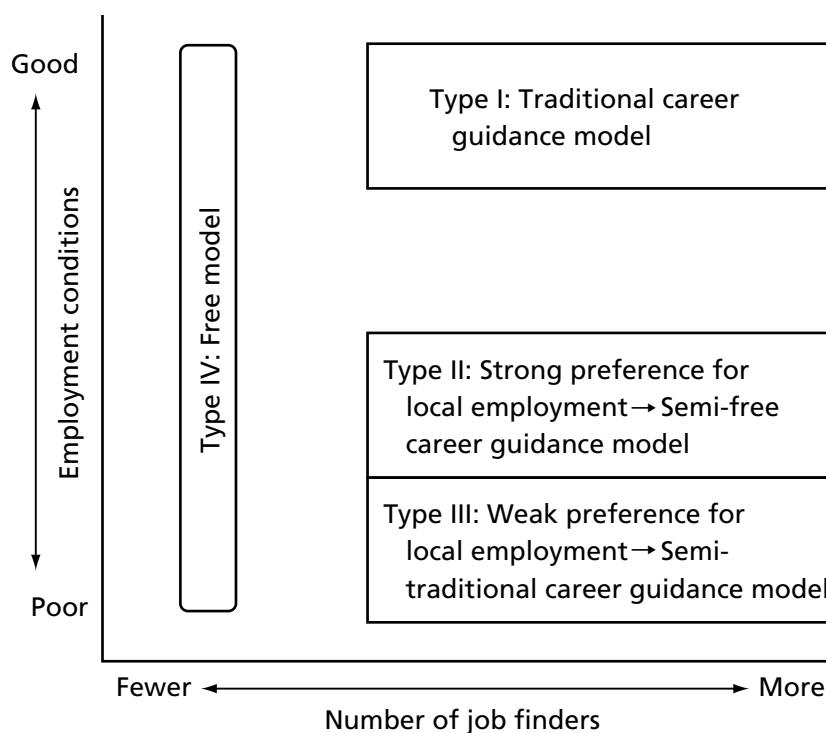
The analysis up to the preceding section employed as a data source information from high schools. In this section, we consider regional differences in high school career guidance using data from interviews with teachers responsible for providing such guidance. High school career guidance varies depending on the number of job finders and employment conditions, and patterns in this variation can be identified tracing along the two axes of employment conditions and number of job finders (Figure 3-8).

Type I is the so-called Japanese high school graduates employment system centered on stable, trusting relations between schools and companies, and this can still be found at vocational schools in

Table 3-7 Proportion of Single Hirers

	% of single hirers in 1997 survey		% of single hirers in 2007 survey		1997 Observation period	2007 Observation period
<i>Tokyo</i>						
High school A	78.8	↑	98.5		11 years (1986-1996)	11 years (1996-2006)
<i>Saitama</i>						
High school D	70.4	↑	83.6		10 years (1987-1996)	10 years (1997-2006)
Vocational high school E	77.3	↓	76.8		5 years (1992-1996)	5 years (2002-2006)
Vocational high school F	43.2	↑	66.2		15 years (1981-1996)	11 years (1996-2006)
<i>Nagano</i>						
High school K	84.9	↑	93.7		10 years (1986-1996; 1990×)	8 years (1996-2006; 2001-2003×)
High school L	63.5	↑	73.2		12 years (1985-1996)	11 years (1996-2006)
Vocational high school N	49.1	↑	65.1		11 years (1985-1995)	11 years (1996-2006)
<i>Shimane</i>						
Vocational high school R	55.9	↑	66.2		8 years (1989-1996)	8 years (1999-2006)

Note: × denotes years for which no data were obtainable.

Figure 3-8 Four Types of High School Career Guidance

regions where the job market is still buoyant (Tokyo, Saitama, and Nagano).

Type II is the model of career guidance observed at schools with comparatively large numbers of job finders that are located in regions where employment conditions are poor and there is a quite strong preference for working locally. Although in prefectures such as Hokkaido and Akita, for example, teachers described not screening internally for job openings in the prefecture due to the small number involved, the likelihood of traditional career guidance being maintained falls as the desire of students to remain in regions where employment conditions are poor increases, resulting in a “freer” career guidance model in comparison with traditional career guidance prescribed by practices to date.

Type III is the model of career guidance observed at schools where job finders are comparatively numerous in regions where employment conditions are poor and the preference for local employment is relatively weak (as in prefectures such as Shimane and Kochi). As the local orientation is not that strong, students at such high schools can be sent out to

regions where employment conditions are better, making it easier to maintain traditional career guidance.

Type IV is found principally at general schools with extremely few job finders. It may be classed as a “free career guidance model” in the sense that hardly any features of traditional career guidance are apparent regardless of whether employment conditions are good or bad.

V. Who Gets a Job after High School Now in Japan?

While differences can thus be observed in career guidance for high school graduates according to region, can regional variation in the career choices of high school students also be detected? We turn to the survey of third-year high school students in AREA-X and Y for the Japan Education Longitudinal Study (JELS) conducted in autumn 2004 by Ochanomizu University COE in order to attempt a tentative analysis.

We begin with the relationship between academic

Table 3-9 Grades and Career Plans: Area-X

Grade	Employment	Vocational school	Junior college	University	Freeter	Don't know	Others	No answer	Total
Male									
Good	15.4	8.1	2.1	72.6	0.4	0.0	0.9	0.4	234
Middle	22.1	18.2	2.6	53.9	0.0	0.6	0.6	1.9	154
Not good	22.9	14.3	1.2	53.9	1.6	1.2	3.7	1.2	245
Total	19.9	13.0	1.9	60.8	0.8	0.6	1.9	1.1	633
Female									
Good	10.4	18.0	14.7	55.4	0.0		1.1	0.4	278
Middle	14.0	27.0	16.3	38.8	2.2		0.6	1.1	178
Not good	23.0	30.9	8.6	29.7	3.1		2.0	2.7	256
Total	15.9	24.9	12.9	42.0	1.7		1.3	1.4	712

Table 3-10 Grades and Career Plans: Area-Y

Grade	Employment	Vocational school	Junior college	University	Freeter	Don't know	Others	No answer	Total
Male									
Good	26.5	6.2	1.9	63.6	0.0	0.0	1.2	0.6	162
Middle	36.1	9.3	1.9	48.1	0.9	0.0	1.9	1.9	108
Not good	40.9	13.6	2.8	36.4	0.6	1.1	2.3	2.3	176
Total	34.5	9.9	2.2	49.1	0.4	0.4	1.8	1.6	446
Female									
Good	27.6	11.8	11.8	48.8		0.0	0.0		170
Middle	23.8	23.8	8.5	42.3		0.0	1.5		130
Not good	30.3	21.1	7.4	39.4		0.6	1.1		175
Total	27.6	18.5	9.3	43.6		0.2	0.8		475

performance and the types of careers chosen in Area-X (Table 3-9). According to our analysis, those high-school graduates who enroll in university obtain higher academic grades, and those who seek for jobs have poorer grades.

We next turn to Area-Y. We make two observations here. First, the ratio of employment in Area-Y is higher than Area-X. Second, while male students exhibit the same feature as that we observed in Area-X, we find that female students in Area-Y behave differently for those achieve the “middle” academic performance; those female students tend to go for vocational school.

We next consider the relationship between student’s carrier path and his/her father’s education in both areas. Overall, we find that students with good academic performance proceed to university;

however, we find the following two differences between Area-X and Y.

(i) The ratio of going to university in Area-X is higher than in Area-Y.

(ii) In Area-X, both female and male students have gap on father’s education with same grade. In Area-Y, father’s education seems to play more important role in on the carrier choice made by female rather than male. Only 25.6% of female student with good grade and low social background enter the labor market after high school, while 37.6% of female students with good grade and low social background enter the labor market after high-school graduation.

From our analysis, (i) social background better explains the high-school graduates’ carrier choices in Area-X, rather than Area-Y; (ii) gender gap in

Table 3-11 Grades and Career Plans and Father's Education: Area-X

Grade	Father's education	Employment	Vocational school	Junior college	University	Freeter	Don't know	Others	No answer	Total
Male										
Good	Junior/ high school	18.8	12.5	0.0	67.7	1.0		0.0		96
	Univ./ junior/ vocational school	6.9	5.0	2.0	84.2	0.0		2.0		101
	Total	12.7	8.6	1.0	76.1	0.5		1.0		197
Middle	Junior/ high school	34.4	19.7	1.6	42.6		1.6		0.0	61
	Univ./ junior/ vocational school	7.5	9.0	1.5	80.6		0.0		1.5	67
	Total	20.3	14.1	1.6	62.5		0.8		0.8	128
Not good	Junior/ high school	30.8	13.2	0.0	47.3	2.2		5.5	1.1	91
	Univ./ junior/ vocational school	10.6	11.5	2.9	72.1	0.0		1.9	1.0	104
	Total	20.0	12.3	1.5	60.5	1.0		3.6	1.0	195
Female										
Good	Junior/ high school	15.3	18.4	22.4	42.9			1.0		98
	Univ./ junior/ vocational school	5.8	14.4	9.4	69.8			0.7		139
	Total	9.7	16.0	14.8	58.6			0.8		237
Middle	Junior/ high school	20.3	31.3	14.1	29.7	1.6		1.6	1.6	64
	Univ./ junior/ vocational school	3.8	21.8	14.1	60.3	0.0		0.0	0.0	78
	Total	11.3	26.1	14.1	46.5	0.7		0.7	0.7	142
Not good	Junior/ high school	33.9	29.4	8.3	16.5	4.6		3.7	3.7	109
	Univ./ junior/ vocational school	8.2	30.6	6.1	52.0	2.0		0.0	1.0	98
	Total	21.7	30.0	7.2	33.3	3.4		1.9	2.4	207

Table 3-12 Grades and Career Plans and Father's Education: Area-Y

Grade	Father's education	Employment	Vocational school	Junior college	University	Don't know	Others	Total
Male								
Good	Junior/high school	25.6	5.8	3.5	64.0		1.2	86
	Univ./ junior/ vocational school	20.0	2.2	0.0	77.8		0.0	45
	Total	23.7	4.6	2.3	68.7		0.8	131
Middle	Junior/high school	46.0	8.0	0.0	46.0		0.0	50
	Univ./ junior/ vocational school	15.2	12.1	3.0	66.7		3.0	33
	Total	33.7	9.6	1.2	54.2		1.2	83
Not good	Junior/high school	42.9	15.4	3.3	35.2	1.1	2.2	91
	Univ./ junior/ vocational school	36.2	8.5	2.1	48.9	0.0	4.3	47
	Total	40.6	13.0	2.9	39.9	0.7	2.9	138
Female								
Good	Junior/high school	37.6	10.6	10.6	41.2			85
	Univ./ junior/ vocational school	15.4	7.7	13.8	63.1			65
	Total	28.0	9.3	12.0	50.7			150
Middle	Junior/high school	30.6	27.4	4.8	37.1		0.0	62
	Univ./ junior/ vocational school	12.8	14.9	10.6	59.6		2.1	47
	Total	22.9	22.0	7.3	46.8		0.9	109
Not good	Junior/high school	35.9	21.4	9.7	33.0	0.0		103
	Univ./ junior/ vocational school	12.5	14.6	6.3	64.6	2.1		48
	Total	28.5	19.2	8.6	43.0	0.7		151

Area-Y is larger than that in Area-X.

VI. Conclusion

The school-company relations that are the linchpin of the Japanese high school graduates employment system are weaker now than during the 1980s, but have changed little since weakening in the first half of the 1990s. In an examination of “regional migration” in the employment of high school graduates from a geographical perspective, Tani (2000) argues that there occurred structural change in the regional migration of high school graduate job finders in the early 1970s and early 1990s. Although this paper does not analyze regional migration, this identification of a structural change in the employment of high school graduates in the early 1990s coincides with the findings described here.

A further finding of this paper is that forms of employment of high school graduates in Japanese society are diversifying, and there is some variation in the extent of changes in the Japanese high school graduates employment system. While this paper mainly concerned high school graduate vocational guidance for school graduates, it is known from surveys of companies conducted simultaneously that ways of responding also differ according to size of companies (JILPT 2008). Though being maintained overall, the Japanese high school graduates employment system is beginning to exhibit increasing diversity.

While policies need to be tailored to suit individual regions, it is especially important to focus on support for young people in the provinces. According to the findings of this paper, an examination of the career choices of young people in a certain region in Area-Y shows that women’s choices are particularly affected by social class, restricting their chances of advancing to higher education. In addition, job openings for high school graduates consist increasingly of factory manual worker, and there is little demand for female

graduates. Accordingly, female high school graduates in the provinces may be described as being in a socially disadvantageous position. Support for high school graduates in the provinces is therefore also important from the point of view of social equity in order to ensure that opportunities in life do not depend on social attributes.

In Japanese society, it is impossible for everyone to advance to higher education. There remains a certain proportion of school graduates who go straight into work after leaving high school, and they are especially concentrated in the provinces. What is needed is the societal development of means of guiding young people in the provinces to ensure a smooth transition from school to work.

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This paper investigates and discusses the reality and issues of the diversification of working places and working hours. I conducted a questionnaire survey involving approximately 6,400 regular employees and carried out interviews with companies that already put in place the home-based work system. In this study, I found the following: The apparent flexibility of working hours leads to longer hours of works. In Japan, the “flexibility” of working hours contributes to longer working hours for many regular employees. In addition, a worker having more than one working place or a worker working at his/her own home tends to work longer. Many of those who work at home, in reality, perform, at their discretion, “overtime work at home.” Measures to reduce such overtime work at home include the utilization of the home-based work system which allows workers to perform their jobs at their homes. Yet, in order to avoid lack of communication, to alleviate a sense of unfairness and to prevent long hours of works, the flexibility in designing and implementing the home-based work system will be of importance.

I. The Aims and Objectives of This Study

If the “diversification” means more options for working people and if such “diversification” can more appropriately address their needs for work and lifestyle, the “diversification” would benefit them. It seems that, in discussion of the “diversification”, its “positive effects” are frequently emphasized. A major issue concerning “the diversification of employment types” is, of course, the equal treatment of regular employees and non-regular employees, and the

reality of “the diversification of employment types” by far falls short of “equal pay for equal work”.

The introduction of “de facto working hours (deemed working hours)” stipulated in the Labor Standards Act as revised in 1987 is intended to relax the working time management of regular working hours in a certain number of job categories for which it would be inappropriate to measure job performance based on working hours.¹ According to the General Survey on Working Conditions conducted by the Ministry of Health, Labour and Welfare, the ratio of enterprises with 30 or more employees adopting a “de facto (deemed) working hour system”² rose from 8.1% in 2003 to 10.5% in 2008. In addition, the wider use of information communication devices and the development of information and telecommunication infra-structures allow workers to carry out their jobs without always having to go to work. “Telework”, including home-based work systems, also attracts increasing attention. Traditionally, many of on-the-go salespersons have more than one workplace. In short, in recent years, “working hours” and “workplaces” as well as “employment types” are increasingly “diversified”.

To date, however, few research studies clearly identified the reality and problems of the “diversification” of workplaces and of working hours. “The diversification of working places” attracts attention mainly for so called “telework” which provides various ways of work by allowing workers to flexibly arrange when and where to work with the use of telecommunications equipment. Preceding research studies focused mainly on “working at home”, which is typical among independent contractors and SOHO workers.³ In other words, few

1 It is still necessary that increased wages for overtime work are paid for hours worked at night and on statutory holidays.

2 The total of companies that have adopted the system of “de factor working hours outside the workplace”, “discretionary labor systems for specialists” and “discretionary labor systems for planning-type jobs”.

3 Ogura and Fujimoto (2008) reviewed preceding studies on “telework”, and this paper reflects the findings from Ogura and Fujimoto (2008).

have studied the “diversification of working places” for those employed by companies or organizations. While some preceding research studies referred to home-based work (telecommuting) systems adopted by certain companies, it is still necessary to discuss, in the context of “the diversification of working places”, ways of working for on-the-go sales representatives and others whose working places are not always fixed and for managers and those in professional positions who often perform overtime work at home at night or on holidays. In addition, although a number of studies and discussions have been carried out concerning “the diversification of working hours”, little is known about actual conditions of a wider range of workers, including managerial employees who often work overtime without receiving regular overtime payments as well as sales representatives and those engaged in discretionary labor to whom “the de facto working hour system” applies.

Aren't there problems associated with the “diversification” of workplaces and of working hours? A few studies on “the diversification of working hours” already pointed out that the superficial “diversification” would rather lead to longer working hours.⁴ Then, how about “the diversification of working places”? If it is possible to work at home without having to go to work several days a week, workers' needs for both work and living may be satisfied. Yet, in the case where a worker working at a workplace during regular working hours takes his/her work home, the work performed at home outside of regular working hours may result in longer working hours.

The main purpose of this study is to examine the reality of the “diversification” of workplaces and working hours for workers employed by companies and organizations to identify problems associated with the “diversification”, based on the awareness of

the issues mentioned above. In order to achieve the main purpose, I used questionnaires involving regular employees. I also carried out interviews with companies that already put in place the home-based work system for their regular employees to understand the details and the current circumstances of their home-based work arrangements that could not be identified by the questionnaires. Companies interviewed in this study are generally considered as “forward-thinking” companies in terms of the introduction of the home-based work arrangements. This study attempts to examine, by investigating the reality of “the diversification” in details, what kind of system and what kind of application of the work-at-home system will really benefit workers and their employers and what kind of issues should be addressed in introducing and implementing the system.

II. Summary of Research Results

1. Summary of the Questionnaire Survey of Workers

(1) Purpose

The purpose of the questionnaire survey is to understand the reality of the diversification of working places and of working hours for employed workers (regular employees) to identify issues to be addressed.⁵

(2) Method of the Survey

As evident from previous studies (Ogura and Fujimoto 2008), only a small number of businesses adopted the “home-based work” system, and accordingly, the number of employees who are permitted to “work at home” is estimated to be small. For this reason, it is appropriate to conduct a relatively large-scale survey. I conducted a survey by mail, with due consideration to budgetary

4 In this regard, Ogura and Fujimoto (2007) concluded that “workers under relaxed control of working hours” tend to work longer hours.

5 This survey targeted only regular employees. Though non-regular employee also experience the diversification of working places and working hours, in this paper I limit the discussion on regular employees, who represent the majority of workers, because no survey of this kind (concerning employed workers) has ever conducted before and because I give due consideration to the efficiency of the survey. I expected that, in so doing, I could, to a certain degree, eliminate outliers in terms of working hours, incomes and the like, from survey responses to enhance the reliability of the survey results.

considerations.

(3) How to Select Survey Respondents

I set the sampling rate to survey “regular employees”, according to the distribution by age and sex of “employed people” aged between 20 and 59 years who responded in the census “engaged in work” based on the National Census findings in 2005. Then I selected 8,000 people among all survey cooperators (mail survey cooperators only, excluding Internet survey cooperators) who were thought to be “regular employed workers”.⁶ There was no individual attribute category of “regular employee” in the survey cooperators, yet I identified details of individual attributes as far as possible to select survey targets. Unlike a complete enumeration such as a national census, I cannot say that the representativeness of such survey samples is not questionable at all. I can, however, say that this survey is meaningful enough when due consideration is given to different constraints in carrying out the survey and other constraints, based on findings from previous studies concerning the validity of findings from research studies which also employed mail-in surveys (The Japan Institute for Labour Policy and Training 2005).

(4) Timing of the Survey and the Number of Responses Collected

I sent the questionnaires by mail and collected responses in September, 2008. I collected 7,057 responses from 8,000 people surveyed (The response rate was 88.2%). The number of valid responses (i.e. the number of responses from those considered to be regular employees) obtained was 6,430. The survey results presented in this report are based on the responses of these 6,430 regular employees.

(5) Major Survey Items

Basic attributes of individual workers and companies they work, items concerning working hours (including the working hour system applied, how the times to start and finish work are being managed, the length of working hours, etc.), items concerning places to work (including “whether one has jobs at places other than his/her regular workplaces”, types of workplaces other than regular workplaces and how often jobs are performed at workplaces other than regular workplaces, working hours spent to perform such jobs, etc.) and workers’ attitudes concerning their works and lifestyles (For more details, see the questionnaires at the back of this paper).

Table 4-1 Responses Collected in This Survey and Comparison with Findings from Employment Status Survey (Regular Employees) by Age and Sex

	Survey Results in This Study			Employment Status Survey (2007)		
	Total	Men	Women	Total	Men	Women
20 to 29 years old	18.3	14.4	27.8	22.0	18.5	30.1
30 to 39 years old	25.7	26.1	24.9	30.4	31.6	27.7
40 to 49 years old	28.7	30.6	23.9	24.2	25.5	21.3
50 to 59 years old	27.3	28.9	23.4	23.3	24.3	21.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
(n)	(6,430)	(4,562)	(1,868)	(32,122)	(22,410)	(9,713)

*Figures in parentheses in Employment Status Survey are in thousands of persons.

6 There was no individual attribute category of “regular employee” in the survey cooperators surveyed by a research firm, so I selected those who were grouped by the research firm as “company employees (general)”, “company employees (managerial positions)”, and “public servants” only, and sent questionnaires to them at a ratio of 8:1:1. I also took into account the possibility that they were no longer regular employees at the time of the survey, and for this reason, I included, in the questionnaires, questions concerning their working styles and employment type as of the time of survey. In this way, I selected only regular employees for aggregation and analysis. The total of more than 300,000 mail survey cooperators are being registered with the research firm.

Table 4-2 Responses Collected in This Survey and Comparison with Findings from Employment Status Survey (Regular Employees) by Sex and Industry Sector

	Survey Results in This Study			Employment Status Survey		
	Total	Men	Women	Total	Men	Women
Agriculture, forestry, fisheries, mining	0.3	0.3	0.3	1.0	0.9	1.4
Construction	6.4	7.0	5.0	8.7	10.9	3.7
Manufacturing	24.1	27.9	15.0	21.7	24.9	14.3
Electricity, gas, heat supply and water	2.1	2.6	0.9	1.0	1.3	0.2
Information and communications	5.6	6.5	3.5	4.5	5.2	2.9
Transport and postal services	5.9	7.4	2.2	6.2	8.1	1.9
Wholesale and retail trade	10.1	9.6	11.1	14.3	13.7	15.4
Finance and insurance	6.3	4.7	10.4	3.5	2.7	5.2
Real estate/Goods rental and leasing	1.3	1.3	1.2	1.1	1.0	1.2
Eating and drinking places, accommodations	1.5	1.5	1.6	2.4	2.2	2.8
Education, learning support	4.5	3.5	7.0	5.2	4.0	7.7
Medical, health care and welfare	8.5	3.8	20.0	10.3	3.7	25.4
Compound service (post office, cooperative associations)	0.6	0.6	0.5	1.1	1.2	1.0
Services not elsewhere classified	13.3	13.5	12.7	11.0	10.8	11.4
Government	6.6	7.2	5.1	5.6	6.7	3.1
Others	2.9	2.6	3.6	2.5	2.6	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
(n)	(6,394)	(4,541)	(1,853)	(34,324)	(23,799)	(10,526)

*Figures in parentheses in Employment Status Survey are in thousands of persons. The classification of job categories above corresponds to that in Employment Status Survey in 2007.

(6) Distribution of the Survey Respondents

Tables 4-1 and 4-2 show the distribution of the survey respondents in this survey. Table 4-1 demonstrates that, according to this survey, there was not so much difference, in spite of a relatively high age distribution. As Table 4-2 shows, there was not so much difference, either, in spite of some differences among “manufacturing”, “wholesale and retail trade” and “financial and insurance”.

2. Major Survey Results

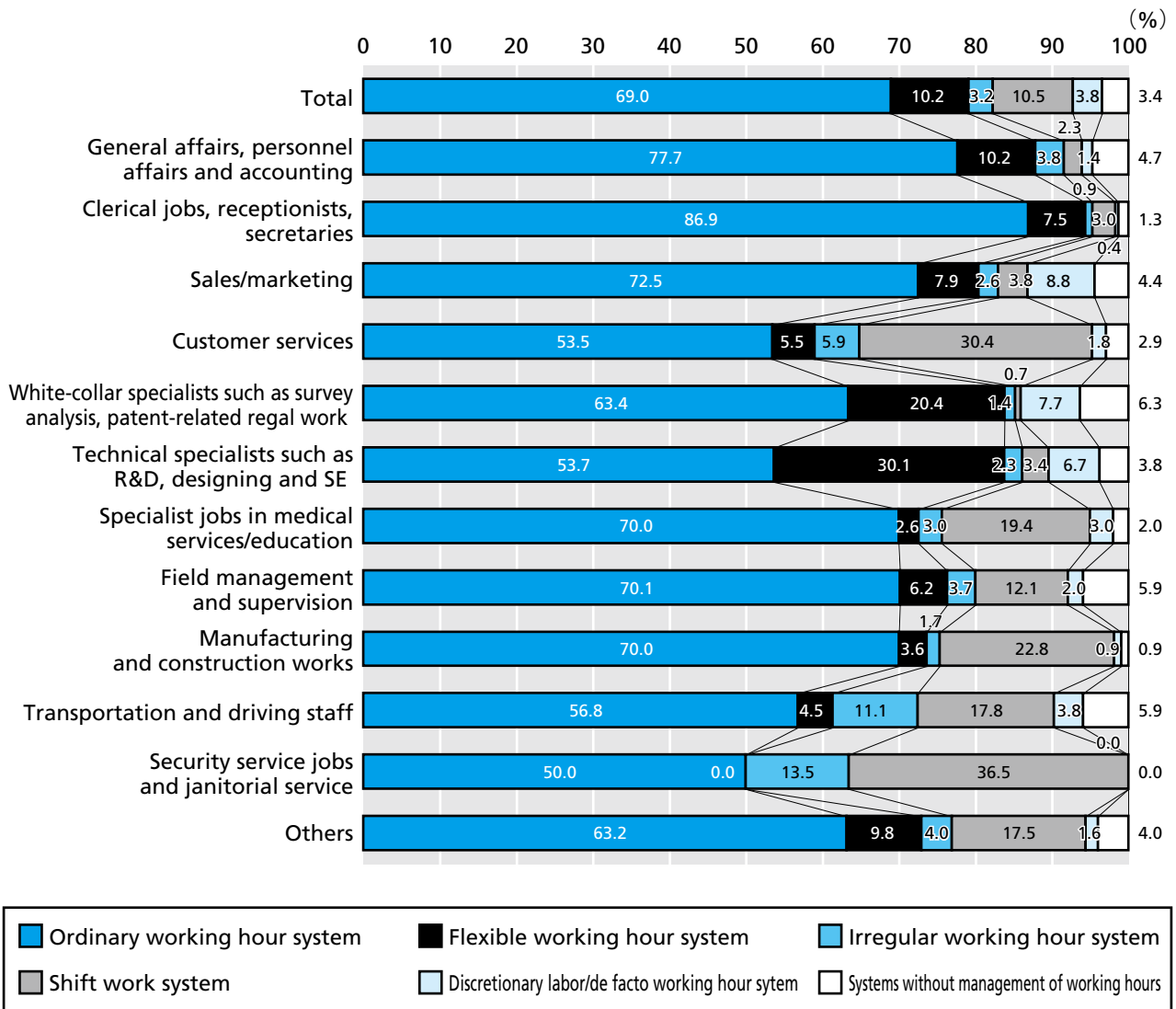
(1) Diversification of Working Hours

I took into account that “the diversification of working hours” leads to the workers’ freedom to

“work whenever they want” to a certain extent, with no fixed time to start or finish the work. Accordingly, first of all, I focused on working hour systems. In this study, I considered “the discretionary work system and de facto working hour system” and “systems without management of working hours” as especially “flexible” working hour systems among a number of working hour systems.⁷ As Figure 4-3 shows, the ratio of workers under “the discretionary work system and de facto working hour system” is the highest in “sales and marketing (8.8%)”, followed by “white-collar specialist jobs (7.7%)” and “technical specialist jobs (6.7%)”. The ratio of workers under “systems without management of working hours” is high in

7 In the questionnaires, works performed under “the discretionary labor system and de facto working hour system” were defined as “professional jobs, marketing jobs, planning jobs that are subject to law”, and workers under “the system without management of working hours” as “workers in managerial positions and the like other than those working under the discretionary labor system and de facto working hour system”. I consider that those working under systems “without management of working hours” include those who can carry out self-certification of their working hours.

Figure 4-3 Working Hour System by Job Category



several sectors, including “white-collar specialist jobs (6.3%)”, “field management and supervision jobs (5.9%)” and “transportation and driving staff (5.9%)”.

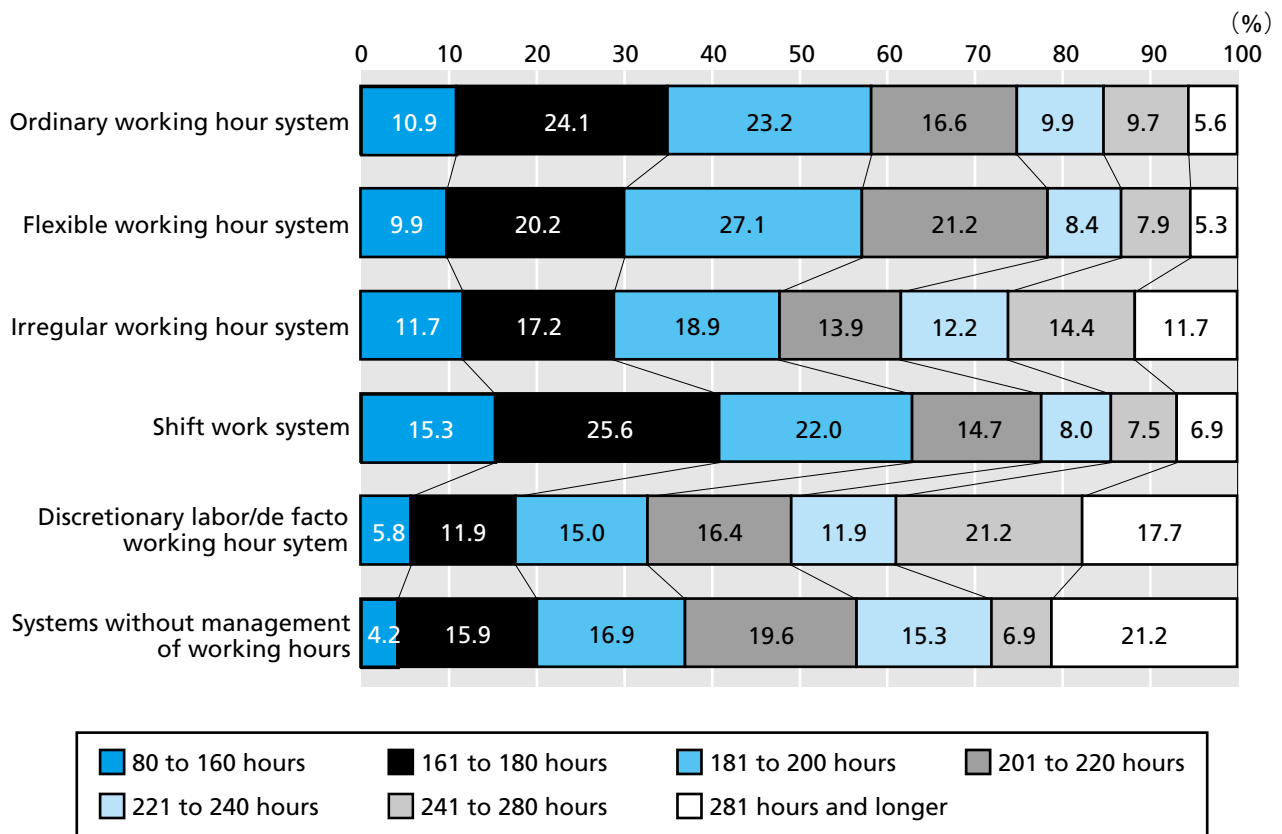
Figure 4-4 shows the relationships between working hour systems and “the total hours worked”.⁸ The ratio of categories of “longer working hours” is high among workers under systems which are considered as “flexible” working hour systems. More precisely, the ratio of workers working for “241 to 280 hours” and “281 hours or longer” is high among those under “the discretionary work system and de facto working hour system”, and the ratio of those working for “281 hours or longer” is also high among

those under “systems without management of working hours”. Accordingly, the ratio of workers working for shorter hours is low among those under “the discretionary work system and de facto working hour system” and “systems without management of working hours”. This indicates the possibility that “flexibility” in working hours may result in longer hours of works.

In addition, findings from analysis examining the causal relationship between the diversity of working hours and the total hours worked, on the assumption that various attributes of employers and individuals were constant, demonstrated that workers under a

⁸ “Total hours worked” include working hours per month including unpaid overtime working hours.

Figure 4-4 Total Working Hours by Working Hour System



seeming “flexible” working hour system or those having a number of working places tend to work longer. This paper is not concerned with details of findings from the analysis.

Under present conditions, “ways of working that allow workers to work whenever they want” often contribute to long working hours. In addition, it is highly possible that ways of working where workers have more than one workplace and those that allow people to work at home also lead to longer hours of works.

The diversification of working hours essentially should serve to respond to fluctuating business needs and to better satisfy the personal needs of individual workers. However, overall, the diversification contributes to longer working hours. This is a serious problem we have to address, and I believe that reducing long hours of work is a top priority.

Flexible working hour systems should essentially allow workers to increase or reduce the number of hours worked, as the situation demands, but on the contrary the systems actually tend to increase hours worked. It is necessary that the flexibility of working hours should serve the purpose of “reducing hours worked, when the situation permits”.

(2) Diversification of Working Places

In this study, I broadly defined “the diversification of working places” as “having an opportunity to work at places other than one’s usual workplace of an organization or a business one works for”. Based on this broad definition, in the questionnaires, respondents who said that they had such opportunities were asked to answer questions about the types of their working places and how often they had such opportunities.⁹

9 It is theoretically possible that one never shows up at the office, if his/her “usual working place of an organization or a business he/she works for” is solely “his/her own home”. In other words, precise information about such employees (For example, precise information about “works performed at home” of employees in a completely “work-at-home” position who always work at their own home) is not available. As previous studies demonstrated, however, I can hardly find such regular employed workers. In the first place, nearly all of workers in a completely work-at-home position are independent contractors or self-employed persons who perform “work at home”. In this study, respondents who said that they had “no opportunity to work at a place other than their regular workplaces” were asked to give their reasons, and none of them cited “completely home-based work” as their reasons.

Previous research studies concerning working places focused mainly on telework, and the primary concern of many of them is home-based work (telecommuting). Telework works can be grouped into several types according to the place of work (working at a worker's own home, by facility utilization, or in a mobile environment) and according to how often one carries out "teleworking" (Ogura and Fujimoto 2008, 6). Many studies have lumped together all the cases as "teleworking". A study concerning employers conducted by JILPT in 2008 asked questions about details of teleworking, by grouping places of work into four: "completely home-based work", "partly home-based work", "mobile work" and "working at one's second office".¹⁰ Findings from the study showed that less than 10% of the companies surveyed already institutionalized teleworking systems or effectively allowed their employees to carry out "teleworking", for each place of work.¹¹ In addition, other studies concerning individual workers demonstrated that the number of people making use of home-based work systems was still small (Sato 2008).

As above mentioned, however, many workers, including on-the-road salespersons, managerial employees and specialist employees, are more likely to work outside of their usual workplaces of organizations or businesses they work for, regardless of whether home-based work systems are available or not. In the light of the above, in this study, I do not use the term "telework" to examine the reality of workers having opportunities to work at places "other than" their usual workplaces. I assume seven different working places other than workers' usual workplaces, including "home", "other offices of the employer", "offices or plants of customers", "when travelling by transportation or at accommodation facilities" and "others" after having referred to classifications found in other studies on enterprises and corporate case examples.

Figure 4-5 shows "whether workers have opportunities to work at places other than usual workplaces"¹² by job category. The ratio of workers having opportunities to work at places other than their usual workplaces is high among "sales and marketing (61.7%)", followed by "white-collar specialist jobs such as survey analysis and patent-related legal work (57.3%)", "technical specialist jobs such as research and development, designing and system engineering (59.2%)" and "field management and supervision jobs (50.0%)".

Table 4-6 shows whether workers work at places other than usual workplaces, for each working hour system. The ratio of respondents who answered that "they have workplaces other than usual workplaces" is high among those working under the "discretionary labor system and de factor working hour system (73.7%)" and those working under "systems without management of working hours (67.7%)", and low among those working under the "shift work system (23.8%)". This indicates a correlation between the "flexibility" of the working hour system and working places.

Figure 4-7 shows the ratio of workers working at places other than usual workplaces, by total hours worked. It indicates that the longer the total hours worked, the higher the respondents who answered that they had workplaces other than usual ones. This indicates the possibility that the "diversification" of workplaces will lead to longer hours of works. While this study is not concerned here with details of findings from the survey, the survey results showed that the more working places other than usual workplaces workers had, the longer the total hours worked would be.

Table 4-8 illustrates the types of workplaces other than usual ones and the frequency of working at such workplaces. First, I would like to focus attention to the percentage of those who answered "Never work there". The ratio is the lowest for "other offices of the

10 For the definition of each working place, see JILPT (2008).

11 For the detailed findings, see JILPT (2008).

12 More precisely, it means "places other than their usual workplaces of organizations or companies they work for", and hereinafter referred to as "places other than usual workplaces".

Figure 4-5 Ratio of Workers Working at Places Other Than Usual Workplaces, by Job Category

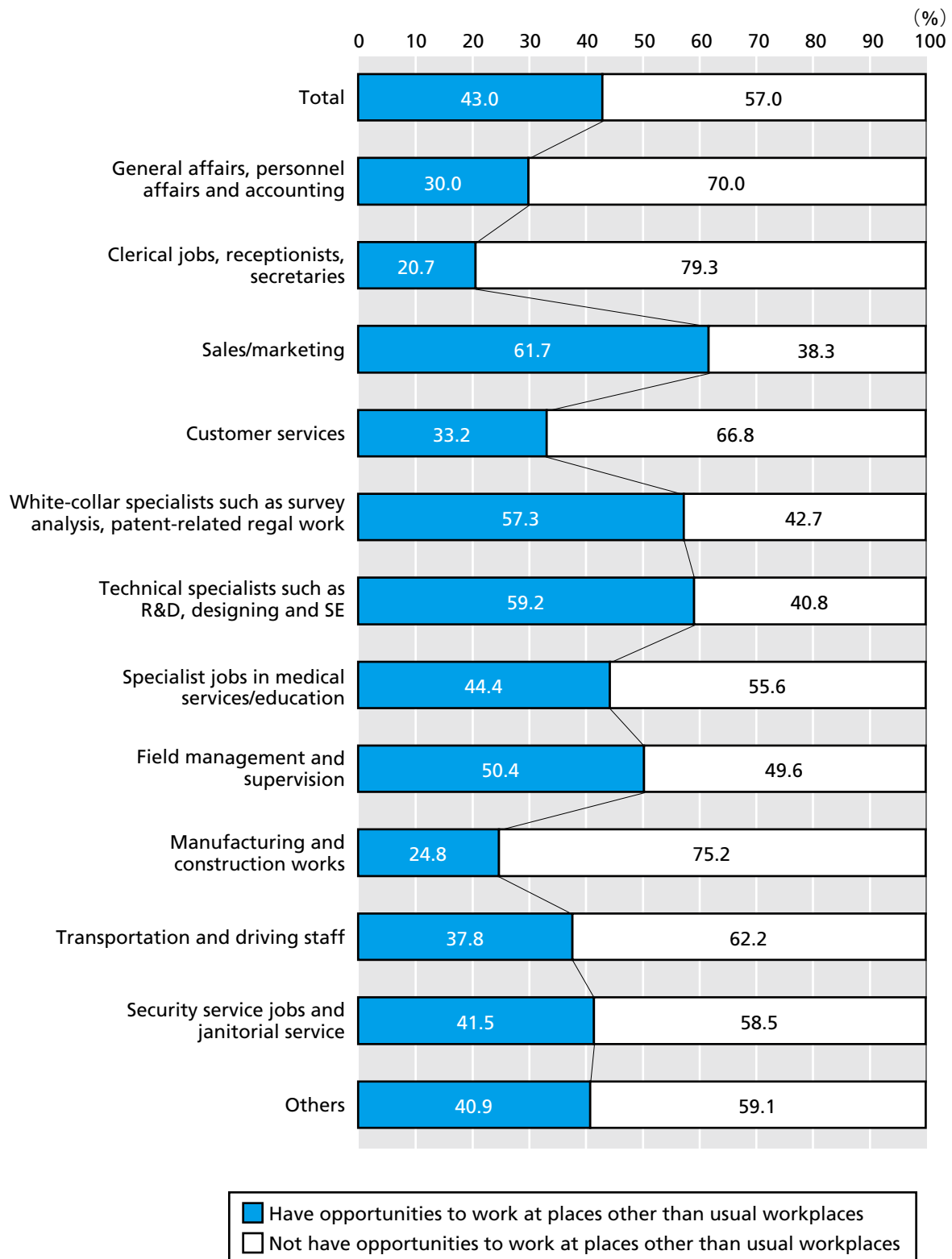
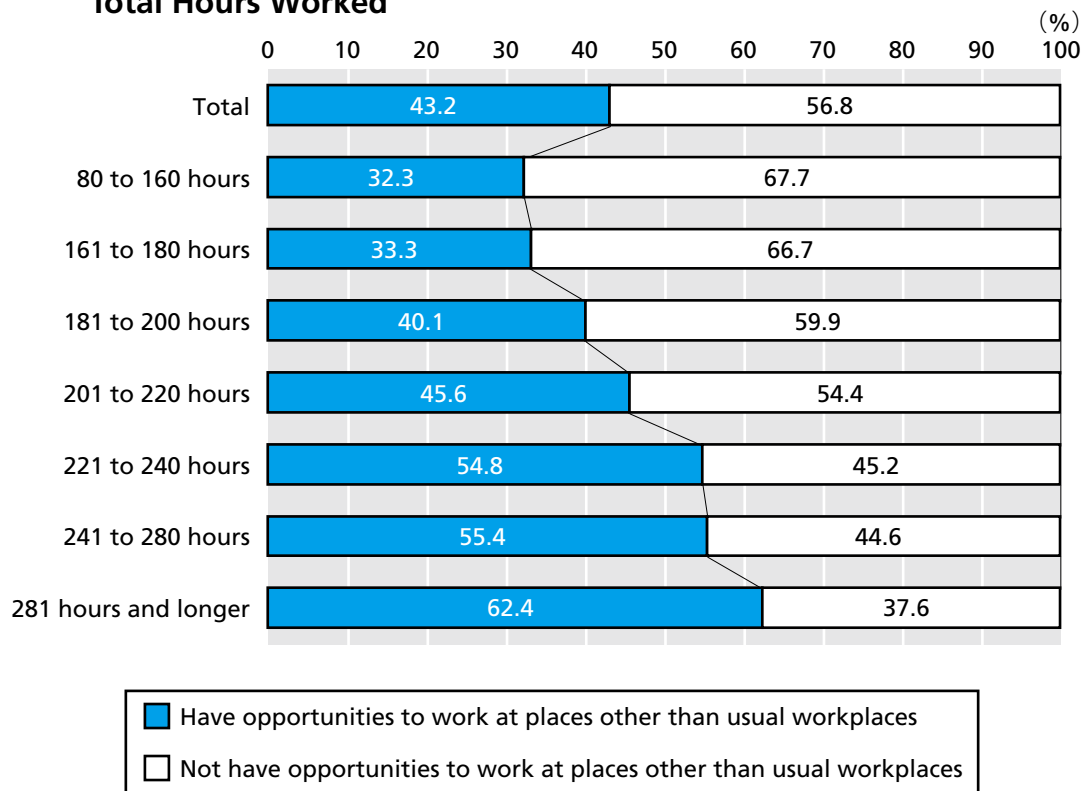


Table 4-6 Ratio of Workers Working at Places Other Than Usual Workplaces, by Working Hour System

	Have opportunities to work at places other than usual workplaces	Not have opportunities to work at places other than usual workplaces	Total	(n)
Ordinary working hour system	41.1	58.9	100	(4406)
Flexible working hour system	54.2	45.8	100	(650)
Irregular working hour system	50.5	49.5	100	(202)
Shift work system	23.8	76.2	100	(669)
Discretionary labor/de facto working hour system	73.7	26.3	100	(243)
Systems without management of working hours	67.7	32.3	100	(220)

Figure 4-7 Whether Workers Work at Places Other Than Usual Workplaces, by the Total Hours Worked



employer” at 35.6%, followed by “offices or plants of customers” at 49.5% and “home” at 63.2%. The ratio for “all other places” exceeds 80%. In other words, the respondents frequently worked at the three types of working places above mentioned. The ratio of those working “almost every day” at “offices or plants of customers” is relatively high at 12.0%. This

probably reflects how sales representatives and others visit their customers.

Although figures and tables are not shown in this paper, when asked about the advantages of working at places other than usual workplaces, the largest number of respondents (46.0%) answered “productivity and efficiency increase” for working at

Table 4-8 Workplaces Other Than Usual Workplaces and How Often They Work There (%)

	Almost everyday	3-4 days a week	1-2 days a week	1-3 days a month	Less than one day a month	Never work there	Total	(n)
Other offices of the employer	4.7	3.6	9.6	19.9	26.5	35.6	100	(2,449)
At home	4.7	3.4	8.0	12.3	8.3	63.2	100	(2,324)
Offices or factories of customers	12.0	6.5	8.3	11.8	12.0	49.5	100	(2,368)
When traveling by transportation	3.3	1.8	3.0	5.0	4.7	82.3	100	(2,267)
At accommodation facilities	0.4	0.2	1.3	5.2	8.1	84.7	100	(2,259)
At coffee shops	0.2	0.4	1.6	2.8	3.5	91.5	100	(2,247)
Others	4.9	1.7	1.4	3.9	5.4	82.6	100	(1,981)

“other offices of the employer”, and the largest number (48.1%) also answered “productivity and efficiency increase” for working “at home”. Asked about working “at offices or factories of customers”, the largest number (39.6%) cited “customer service improves” as the most important advantage. At the same time, 34.8%, 27.0% and 30.1% of the respondents found no advantage in working at “other offices of the employer”, “at home” and “at offices or factories of customers”, respectively.

Asked about the disadvantages of working at places other than usual workplaces, as the most important disadvantage, the largest number (43.2%) of workers working “at other offices of the employer” cited “working hours tend to be longer”; 59.1% and 55.9% of those working at “home” cited “it is difficult to separate work from private time” and “working hours tend to be longer”, respectively; and 32.6% of those working at “offices or factories of customers” cited “working hours tend to be longer”.

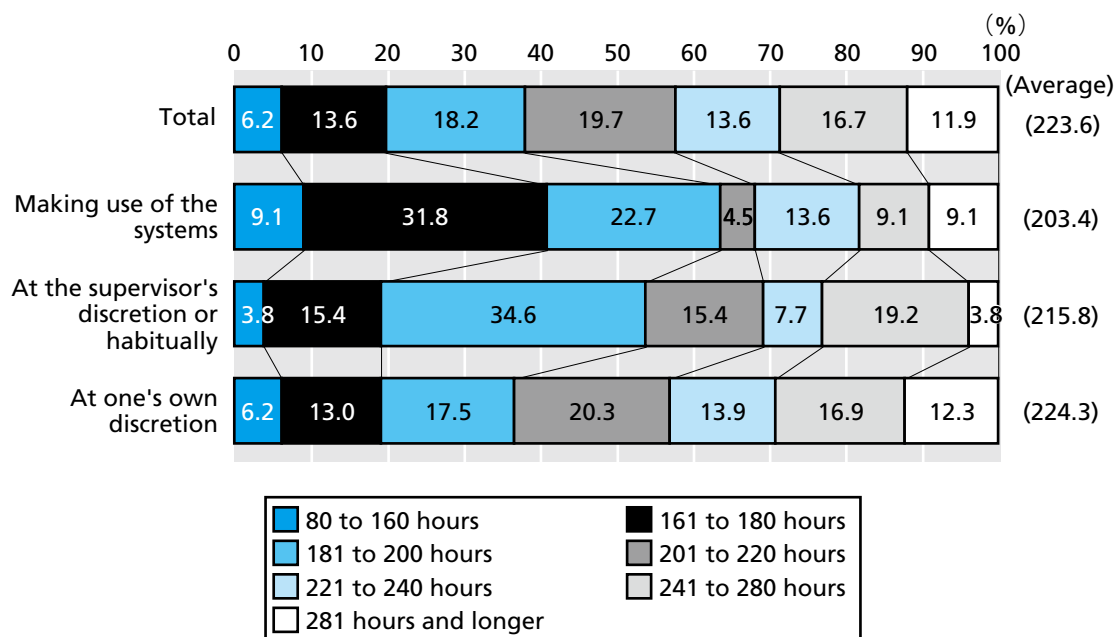
There are still needs for home-based works. 24.2% of the respondents who were working neither at usual workplaces of the employer nor at home said that they hoped to work “at home”. As for other places, only few people, or less than 10% of the respondents, expressed such hope. This indicates that those who are not allowed to work “at home” wish, more or less, to work at “home”. The same tendency was observed among those who were working at places other than usual workplaces. 36.0% of the all

respondents wished to work “at home”.

The total hours worked among those who “make use of the work-at-home system” tended to be shorter than the total hours among those who “work at home at the supervisor’s discretion or work at home habitually” or among those who “work at home at own discretion” (See Figure 4-9).

As discussed above, a worker who has a variety of workplaces works in flexible ways of working to some extent. However, among those who were working at home, many “took their works home” at their own discretion, and this practice tended to contribute to longer working hours. To reduce longer working hours spent for work taken home by workers’ discretion, it is considered essential to institutionalize “work taken home and performed at home” as a system concerning working hours. This is probably because such a system would allow workers to more easily distinguish various ways of working in many ways. According to the findings from this survey, however, only a limited number of respondents actually made use of the work-at-home system. Accordingly, I cannot draw any decisive conclusion, but I can suggest that we have to discuss the ways of working at home, for the purpose of preventing long working hours which result from the practice of “taking work home”, because many of the respondents who were not working at any place other than their usual workplaces cited “home” as the place where they wished to work if possible and there are

Figure 4-9 Total Hours Worked by System concerning Work-at-home



seemingly needs for home-based work.

3. Findings from the Interviews with Companies

I carried out a survey on teleworking works performed mainly at home by interviewing 10 private-sector enterprises (in the manufacturing, information communications and service sectors) in 2007 and 2008. These 10 enterprises were all considered as forward-looking case examples in preceding studies and researches.

All of the 10 enterprises interviewed in this study were considered to relatively smoothly implement the system of teleworking or the system of home-based work. In discussion on the system of home-based work, we have to pay special attention to the fact that every company surveyed allowed institutionally their employees to partially work at home once or twice a week, for example, by making use of existing internal rules. It is also noteworthy the system of partial work-at-home was adopted and being implemented as a system which addressed different values of each

company, including changes in working styles, diversified ways of working, and employees' needs, and as a system, in particular, which served to allow employees responsible for child rearing or elderly care to fulfil such responsibilities while performing their work duties at the same time. In other words, as far as I have learned from case examples of the interview data, the practice of partial home-based working is a working pattern designed and established as a system aimed at contributing to the work-life-balance¹³ (hereinafter referred to as "WLB") of employees, and also as a form of working at home included in the category of "teleworking" which utilizes information communication devices.

Based on the above discussion, I conclude findings from the interviews and surveys, concerning the effects of working at home, supportive facts, efforts to address problems and challenges for the future home-based work, as follows.

13 There is no official and clear definition of "work-life-balance". It has been interpreted in broad sense as "to cope with both work and family life" and is often used as a term which refers to the conditions which allow people to cope with the both and a system or measure to support people who have to cope with the both. In this section, in particular, it is used as a term referring to the conditions which enable workers to fulfil their responsibilities for child rearing and elderly nursing care while performing their work duties at the same time.

(1) Effects of Home-based Work Arrangements

The introduction of home-based work arrangements enables employers to better meet employees' needs in terms of WLB, and allows employees to spend more time in child rearing or elderly care and with family as they can save time by not having to go to work everyday. It was also observed that home-based work arrangements allowed employers to better prevent employees, in particular, female employees, from quitting their jobs for reasons of child rearing or elderly care, and benefited employees because they did not have to quit their jobs thanks to home-based work arrangements. In addition, home-based work arrangements enabled employees doing home-based work to perform their individual-based jobs in a better-planned and efficient manner and to better concentrate (and enhance productivity) when working at home.

A number of prior studies and researches¹⁴ already pointed out the above mentioned effects, and this interview survey again confirmed them. Then what kind of factual factors support the above mentioned positive effects of home-based work?

(2) Facts and Factors That Support the Implementation of Home-based Work Arrangements

Findings from the interviews with the companies show that the employers interviewed in this study which seemingly introduced and operated work-at-home arrangements in a relatively favorable manner have the following characteristics:

(i) Giving the highest priority to employees' job satisfaction (in order to allow them to continue to work for the employer, to prevent them from

quitting their jobs, and to promote their willingness to work);

- (ii) Considering the introduction of or actually having introduced home-based work arrangements in response to strong needs of employees, and implementing such arrangements and policies underlying them in a top-down manner (regardless of whether the top-down manner directly led to the introduction of work-at-home arrangements);
- (iii) Making work-at-home systems as user-friendly as possible, by easing requirements and procedures for eligible applicants; and
- (iv) Leaving the actual operation of the arrangements to each department (supervisor) to which a person making use of work-at-home arrangements belongs.¹⁵

In some cases, work-at-home arrangements are implemented in a favorable manner even when not all of the above factors are put in place. Accordingly, these factors are believed to be mutually complementary.

All of the above mentioned are factors involving how employers (including general affairs or personnel affairs departments or other sections responsible for work-at-home systems) consider the introduction of home-based arrangements, and how they introduce and actually operate them. Then what is important for employees making use of home-based work arrangements and for their supervisors who are actually responsible for implementing the arrangements? Though I did not interview such employees or their supervisors concerning the arrangements (while in some cases, persons who answered my questionnaires happened to be employees using such arrangements and their

14 The most recent studies in this regard include Ogura and Fujimoto (2008) and The Japan Institute for Labour Policy and Training (2008).

15 On the contrary, though it is only a speculation, we can consider that in cases where the employer sets up a short-term and concrete financial profit or business models (commercialization of work-at-home arrangements as ways of working), where the employer has not introduced work-at-home arrangements in a top-down manner, where such arrangements are difficult to make use of (because of being designed in too much detail in order to avoid having troubles), or where the actual operation of such arrangements is not left to a section to which an employee who makes use of such arrangements belongs to, such systems/arrangements are not being operated in a favorable manner in relative terms. This is also an important consideration when introducing a work-at-home system designed to better contribute to WLB.

supervisors), as findings from the interviews and the requirements for the use of home-based work systems show, it is important that

- (v) an applicant for or a user of such home-based work arrangements daily maintains good communication in the workplace;
- (vi) an applicant for or a user of such home-based work arrangements is considered by his/her supervisors and colleagues to be a person who works hard even when no one sees him/her;
- (vii) an applicant for or a user of such home-based work arrangements is a person trusted by his/her supervisors and colleagues and has trust and good relationships with them.¹⁶

As one's supervisor is a person responsible for receiving applications for or approving the use of the work-at-home system, one has to obtain the trust of one's supervisor. In addition, building up trust and good relationships with one's colleagues will be of high importance, as uncomfortable feeling of a user of the home-based work arrangements about making use of work-at-home systems is believed to serve as an obstacle to the use of such system.

(3) Challenges for the Future of the Companies Interviewed

Though each employer surveyed is currently operating home-based work arrangements in a favorable manner, I believe that the companies surveyed still have issues to address. While the above mentioned positive effects of the arrangements are considered as "bright sides", there still remain negative effects of such arrangements, as listed below.

Management working hours, issues of overwork and of mental health, work-related accidents, personnel evaluation systems, establishment and reform of good work climates, ensuring of security, ensuring of a feeling of fairness among employees, understanding of the parent company, explanation to employees working under different forms of

employment, elimination of prevailing concern that work-at-home arrangements may negatively affect the efficiency of a company as a whole, possible expansion of eligible job categories and possible application of such arrangements to all employees, enhanced publicity to encourage the use of such arrangements, promotion of the use of communication tools, measurement of the effects by conduction questionnaire surveys, and discussion on job types eligible for home-based-work arrangements and on the number of employees eligible for such arrangements at certain sections.

As above listed, there still remain a number of issues, and one can say this means that such arrangements are still under development even in companies that implement such arrangements relatively smoothly. Accordingly, continued researches and studies as well as active collection and provision of relevant information, including forward-looking case examples, will play important roles in the wider use and promotion of home-based-work systems.

III. Conclusion of Policy Challenges

Under present conditions, "the diversification of working places and working hours" results in long working hours for many people, as typically observed in "work taken home and performed at home". They often work at home and elsewhere at night or on holidays, while working during ordinary working hours as well, in spite of the diversification of working hours.

The diversification of working hours essentially should serve to respond to fluctuating business needs and to better satisfy the personal needs of individual workers, by allowing them to decide "when to work" to a certain degree. In other words, it should essentially allow workers "to increase or reduce the number of hours worked, as the situation demands". However, for most of workers, the diversification does not provide the option to "reduce working hours." Likewise, the diversification of workplaces is

16 These observations have affinities with the suggestions presented in surveys on individual businesses conducted in Yanagihara (2007).

likely to lead to longer hours of works if it simply increases “work taken home and performed at home”.

As the surveys in this study showed, however, the implementation of home-based work arrangements which allow workers to perform their works at home one or two days a week have positive effects to some extents. One can say that such arrangements will avoid lack of communication and other issues which are possible negative effects in “completely home-based work” where employees have not to go to work at all, and at the same time, such arrangements will serve to enhance efficiency, prevent employees from quitting their jobs, partially solve issues concerning commuting, and alleviate the burden concerning family affairs and child care. This benefits both the employer and the employee.

In conclusion, I should not that, the political implication of this study is that one is required to adopt and implement flexible working structures, including partial home-based work arrangements, while paying careful attention so that the diversification of working places and of working hours will not result in longer hours of works. It is important that the administration should provide information on specific matters, including “what kind of home-based-work arrangements is desirable”,

“how such arrangements should be introduced” and “what are important considerations in the introduction”.

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JILPT carried out a major-scale questionnaire survey with a view to 1) find out the situation of the human resources divisions of Japanese companies from the aspect of them being the adjustment mechanism for labor management relations, and 2) to get a clear picture of the changes in the employment system of companies behind the labor management relations which are progressing towards individualization.

The survey was carried out on companies that were listed on the corporate register of a private credit company at the moment of September 2004. The top 11,856 companies with the most number of employees and that have an industry in the Industries/Major groups division of the Japan Standard Industry Classification as their primary economic activity were selected (excluding those involved in mining, agriculture/forestry/fishery, cooperatives, medical services, religion, education, social insurance, social welfare, academic organizations, or political/economic/cultural organizations). The survey was conducted using questionnaire sheets sent by post. Questionnaire sheets were sent to the human resource managers of the companies, and they were asked to send the sheets after filling in the answers directly back to JILPT by post. The survey period was between February 5 and March 31, 2008, and the time of survey was as of February 1, 2008. The number of valid replies was 924. The response rate was 7.9% (excluding 188 replies which included bankruptcy, disappearance of a company due to discontinued business or a merger, and undelivered mail due to an incorrect address).

In this report, “Previous Survey” refers to a large scale survey conducted from 2004 to 2005, and which included the same target population as this survey.

Here we present the findings of the survey on the “overview of the labor-management relations and labor-management joint communications” and the

“actual status of the performance-based wage system”.

I. Overview of Labor-management Relations and Labor-management Communications

1. Labor Union and Labor-management Joint Consultation Organization

When we asked whether or not a labor union existed in the company, the percentage of the companies that said they had a labor union was 51.0%, while those without labor unions accounted for 48.7% (Figure 5-1).

Next, when asked whether or not a labor management joint consultation system existed, the companies that said they had a labor management joint consultation system accounted for 71.1%, while those without a labor management joint consultation system accounted for 28.1% (Figure 5-2). However, please note that in the survey we asked, labor, “Even if your company does not have a labor union, if some kind of mutual consultation is carried out between the management and the employee representative, then please answer ‘yes, it exists”.

With regard to the existence or the non-existence of labor unions and labor-management joint consultation mechanisms, we will look at these two combinations (Table 5-3). The UWC types that have both labor unions and labor-management joint consultation mechanisms accounted for 50.9% of the total cases (excluding the unknown cases), the percentage of WC types that did not have labor unions but had labor-management joint consultation mechanisms was 20.9%, Open Field types that did not have labor unions or labor-management joint consultation mechanisms accounted for 27.7%, and U types that had labor unions but did not have labor-management joint consultation mechanisms constituted 0.5%.

Figure 5-1 Existence and Non-existence of a Labor Union

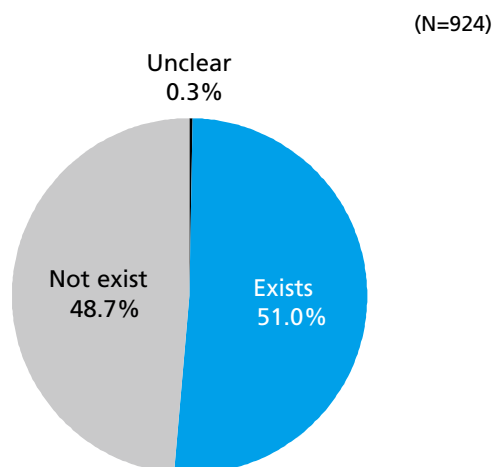


Figure 5-2 Existence and Non-existence of a Labor-management Joint Consultation

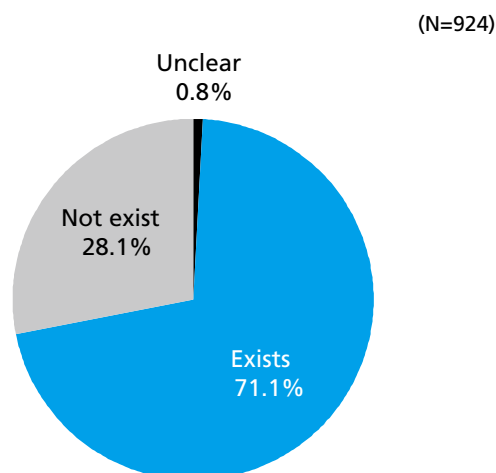


Table 5-3 Cross Tabulation of the Existence and Non-existence of Labor Unions and Labor-management Joint Consultation Mechanisms

(n=913, Values excluding unknowns)

		Existence and non-existence of labor-management joint consultation mechanisms		
			Exists	Not exist
Existence and non-existence of labor unions	Exists	Types and frequency distribution	UWC type (466)	U type (5)
		% of summation	50.9	0.5
	Not exist	Types and frequency distribution	WC type (191)	Open field type (254)
		% of summation	20.9	27.7

2. The Role of Labor-management Consultation

For companies that do have a labor-management joint consultation mechanism, what is the role of labor-management joint consultation? Table 5-4 is a comparison of collective bargaining and a labor-management joint consultation system carried out by Kazuo Sugano (2002/2004). It suggests that although the main objective of a labor-management joint consultation system is information sharing and mutual consultation of management and production issues, it could play a substantial role in the

negotiation of labor conditions, which were collective bargain issues shown with heavy lines in Table 5-4.

Moreover, aside from the institutionalized labor-management joint consultation mechanisms or labor-management joint consultation organizations, worker's organizations could also function as a mechanism for speech and play various roles in labor-management negotiations. Although work group meetings that exist in many companies as a semi official means of labor-management communication were set up with the aim to promote friendliness and mutual aid, sometimes they can also fulfil (although not equal) a similar function as a labor union¹.

1 For example, Keisuke Nakamura (1988) and Yasunobu Tomita (1993)

Table 5-4 Collective Bargaining and a Labor-management Joint Consultation System

	Collective bargaining	Labor-management joint consultation system
Premise	Labor Union Act (Article 28 of the constitution)	Agreement between the parties
Parties in interest	Labor unions, employers or employers' associations	Labor unions – employers (Employee meetings – employer)
Objective	"Negotiation of working conditions on equal standing (Paragraph 1 of Article 1) Conclusion of collective agreements and other matters (Article 6)"	Participation in management, improvement of production, information sharing, exchange of opinions
Subject matter	Working conditions (the treatment of workers), and other matters (rules on labor-management issues etc.) (Paragraph 1 of Article 1, Article 6, Article 16)	Management/production matters (status/direction of management, production plan/methods etc.)
Person in charge	Representatives of a labor union or those to whom the authority has been delegated by the labor union, representatives of the employer or those to whom the authority has been delegated by the employer (Article 6)	Agreement between the parties
Deadlock	The right to carry out acts of dispute which are justifiable acts (Article 28 of the Constitution, Paragraph 1, Article 2 of the Labor Union Act, Article 8)	No planned labor dispute actions, the differentiations between "description report" "hearing of opinions" "mutual consultations, agreement"
Legal protection	The duty of the employer to bargain collectively (Article 6, Article 7-2), immunity from prosecution (Paragraph 2 of Article 1), no civil liability (Article 8), bail-out from unfair labor practices (Article 7, Article 27)	Arbitrary procedure between labor and management

Source: Sugeno (2002)p.303 He claims the functions of the bold-lined sections are carried by labor-management joint consultation mechanism.

Furthermore, like the Labor-Management Communications Survey Committee (1994) that paid attention to the diversity of collective labor-management communication channels, some manager's meetings have been found to play a major role.²

In the meantime, there are labor-management

talks established by law, apart from these types of voluntary labor-management consultation based on autonomous labor-management. One is the Labor-Management Agreement in the Labor Standards Act and another is the Labor-Management Committee., These are (1) Labor-Management Committee Concerning the Resolution under the Discretionary

2 For a detailed survey of the existing studies on statement structures within the company please refer to Tsuru (2002) pp.138-43. Tsuru (2002) mentions using the research of Nitta (1992) as an example, the role of the middle management as a different labor-management communication route to the employee organizations and labor-management joint consultation mechanisms.

Working System for Management-related Work (Article 38-4 of the Labor Standards Act), (2) Committee for the Improvement of Establishing Working Hours, etc. (Article 6, Article 7 of the Act on Special Measures for Improvement of Working Time Arrangements), (3) Safety Committee (Article 17 of the Industrial Safety and Health Act), (4) Health Committee (Article 18 of the Industrial Safety and Health Act), (5) Safety and Health Committee (Article 19 of the Industrial Safety and Health Act), (6) Deposit Safeguarding Committee (Article 2 of the Ordinance for Enforcement of the Act on Security of Wage Payment) and (7) Retirement Allowance Safeguarding Committee (Article 5-2 of the Ordinance for Enforcement of the Act on Security of Wage Payment). With the exclusion of the Safety Committee and the Health Committee there are no penalties for not setting these up.³ These Labor-Management Committees may appear to have limited objectives; however the actual agenda (subject of discussion) that come up at these committees could sometimes be on management or labor condition related issues that are not related the purposes of the committee, and therefore may sometimes serve as an alternative to the Labor-Management Agreement.

Meanwhile, in this survey the labor-management consultation has been classified into the following five categories, after the classification of Sugano (2003).

(i) Labor-management joint consultation system prior to the collective bargaining, for the purpose of disclosing information and sounding out the interests before the commencement of the collective bargaining.

(ii) Labor-management joint consultation system alternative to collective bargaining, for the purpose of solving the collective bargaining issues through labor-management joint consultation.

(iii) Labor-management joint consultation system in the style of participative management, for the purpose of discussing management and productivity issues that are different from the collective

bargaining issues.

(iv) Prior consultation system of the human resources issues based on the human resources consultation provisions of the agreement.

(v) Other roles.

The results (Figure 5-5) show that the largest number were the labor-management joint consultation system alternative to collective bargaining, followed by the Labor-management joint consultation system prior to the collective bargaining. Ranking third was the labor-management joint consultation system in the style of participative management. This is for discussing management and productivity issues different from the collective bargaining issues, which is the original purpose of labor-management consultation. This was followed by the prior consultation system of human resources.

3. Frequency of Labor-management Consultations

Of the companies surveyed, when asked how many times they carried out labor-management consultation in fiscal year 2006, the average value was 12.5 times, the standard deviation was 19.0, and the maximum value was 300 times. The average value suggests that labor-management consultations take place at a rate of once every month. Looking at the distribution (Figure 5-6), 1-5 times was the most with 26.3% and 6-10 times was second at 16.1%, with these two combined accounting for over 40%.

4. Are Labor-management Consultations Carried out in a Coordinated Manner?

When labor-management consultations are taking place, in response to whether they are carried out in a coordinated manner or if there are conflicts (Figure 5-7), those who answered “the consultations were generally carried out in a coordinated manner” accounted for more than half at 56.0%. When combined with “the consultations were more likely than not carried out in a coordinated manner,” which was 23.3%, the total figure was over 80%. This

3 However, if measures of safeguarding of savings such as the setting up of a Deposit Safeguarding Committee is not in place, and the orders by the director of the labor standards supervision office concerning the safeguarding of savings are violated, then there is a penalty of 300,000 yen or less.

Figure 5-5 Role of Labor-management Consultation

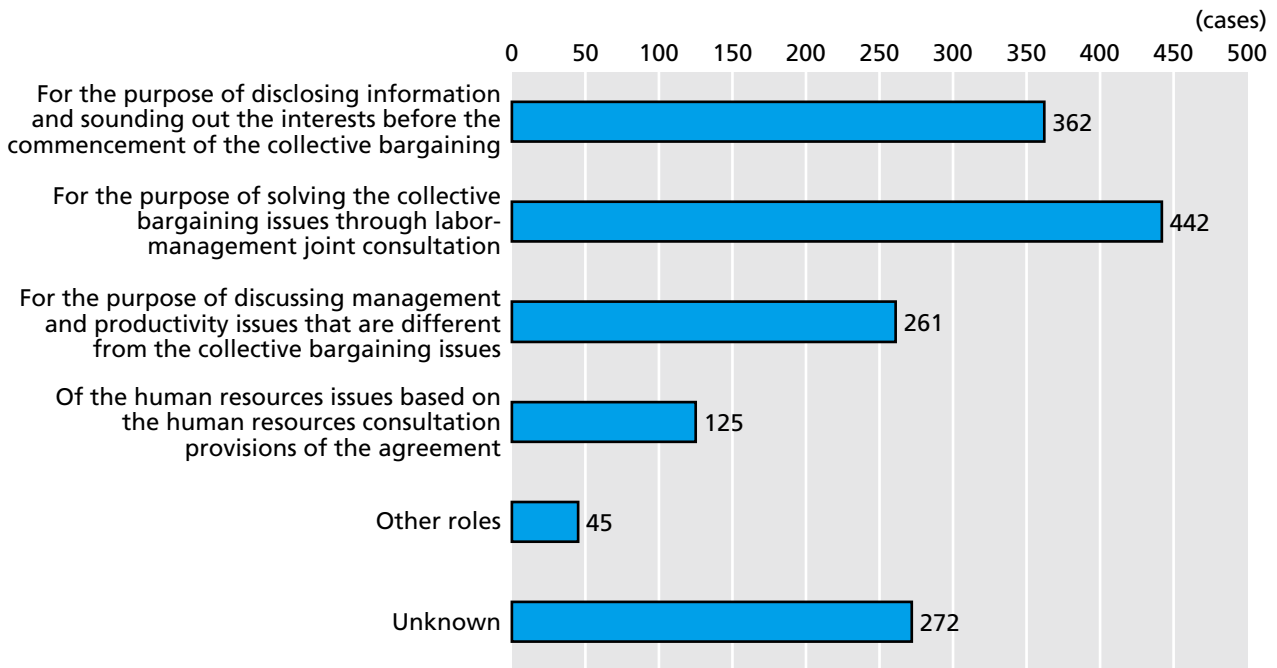
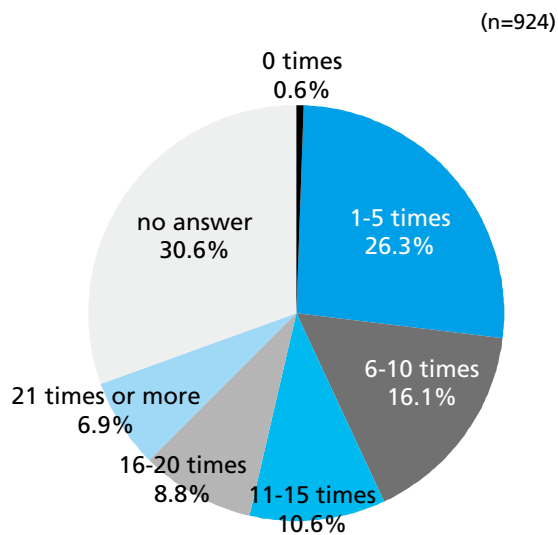
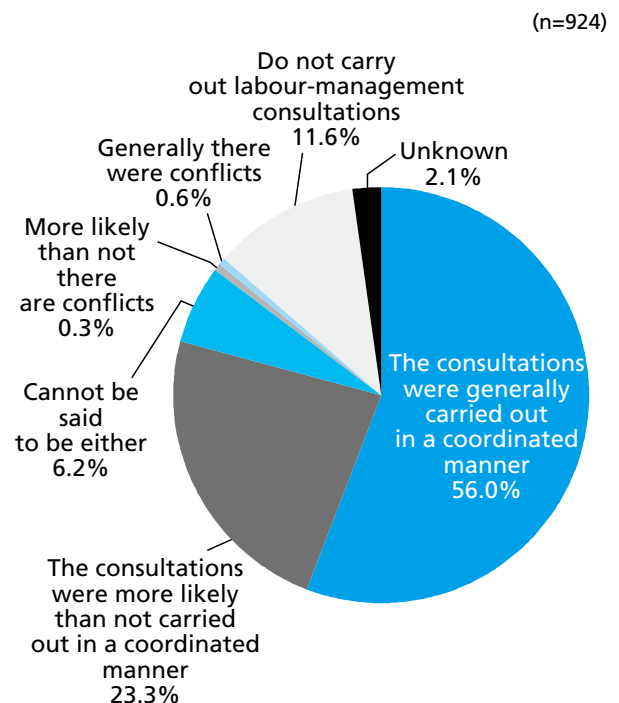


Figure 5-6 Distribution of the Frequency of Labor-management Consultations



shows that the labor-management consultations were carried out in a coordinated manner. In contrast, even if the two answers “more likely than not there are conflicts” and “generally there were conflicts” were combined, they totaled less than 1%. Rather than have conflicts, the percentage of those who chose “do

Figure 5-7 How Labor-management Consultations are Carried out



not carry out labor-management consultations (11.6%)” was higher. In conclusion, the majority favored labor-management consultations being

carried out in a coordinated manner.

5. How Complaints Are Conveyed to the Human Resources Department

We will now turn to the human resources department, which in terms of labor-management relations is instrumental in solving problems within the company. First, concerning the route of how the complaints are conveyed to the human resources department (Figure 5-8), the most popular answer was “the employee makes the complaint to his/her supervisor, and then the supervisor conveys the complaint to the human resources department”. In this instance the supervisor receives the complaints from employees and from there the complaint is transmitted to the human resources department. The next most popular answer was “the complaints are raised directly by the employee to the human resources department verbally (in person) or by email”. The latter means of sending the complaint directly to the human resources department by email suggests that the route to convey complaints has diversified. Moreover, since the complaint is conveyed without having to meet the human resources staff in person, it has also perhaps become easier to make a complaint.

The third most popular answer was “the complaint is conveyed to the human resources department by the employee using a self-declaration system or a complaint-processing mechanism”. This shows that the number of complaints being conveyed to the human resources department through a formal route was lower in percentage compared to the number of complaints made via the supervisor and the direct complaints lodged in person.

The fourth most popular answer was 371 cases for “the employee makes a complaint with the labor union and the complaint is then conveyed to the human resources department”, which was a similar level as the route using the self-declaration and the complaint-processing mechanism.

There are also cases whereby the consultation services internal or external to the company are utilized. These include cases such as “made the complaint to the consultation service within the company not of the human resources department, and

the complaint was conveyed to the human resources department (153 cases; 16.6%)” and “made the complaint to the external consultation service set up by the company, and the complaint was conveyed to the human resources department (180 cases, 19.5%)”.

There were also 157 cases where the complaints were directly made to the top management.

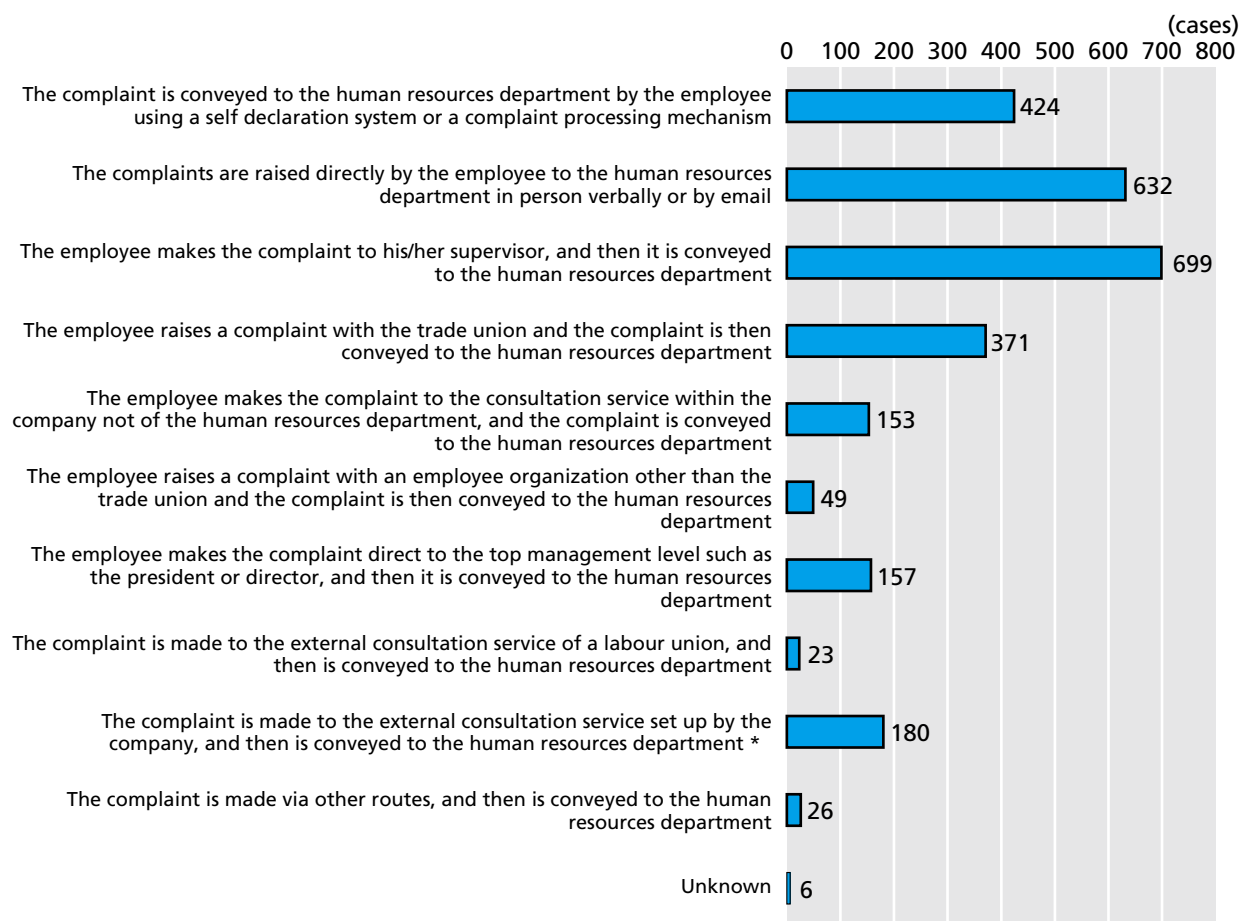
6. How to Coordinate or Provide Consultation on Complaints

When a complaint is filed with the human resources division concerning the individual treatment of an employee, such as “there is a feeling of unfairness regarding the wages”, who do the human resources department coordinate with or consult with? First, within the company (Figure 5-9), the most selected answers were “the head of the business unit the employee who made the complaint belongs to”, followed by “the immediate supervisor of the employee who made the complaint”. It seems the action taken by many human resources departments when problems arise was to talk to the superiors of the employees concerned.

The number of those who answered top management was quite high, with 402 cases. Moreover, the number of cases where the human resources department had consulted or coordinated with the labor union was also fairly high, with 186 cases.

On the other hand, when consulting outside the company (Figure 5-10), perhaps due to the increasing seriousness of the problems, the most popular cases were “lawyers” who are legal experts. The next most popular were the external personnel management experts such as “certified social insurance labor consultants/personnel consultants”, and thirdly the “personnel person of the parent company/related company”. Also with a similar level of popularity to this was the usage of “governmental agencies such as the labor department/labor administration offices etc.” The consultations on legal issues are made with lawyers, but who to consult with on other issues seem to be diversified.

Figure 5-8 Route of How the Complaints are Conveyed to the Human Resources Department



7. The Annual Number of Complaints in Fiscal Year 2006

Looking at the descriptive statistics of how many complaints were made to the human resources department over the entire year in FY2006, the average value was 6.7 times, the standard deviation was 10.4 times and the maximum value was 120 times. Regarding the distribution of the frequency (See Figure 5-11), “1-5 times” was the highest at 48.7% and next was “6-10 times” at 22.3%. When combined, these two accounted for 70%, and it shows the human resources department on average receives 10 or less complaints. This number may seem low.; However, before the complaints reach the human resources department, there may be a tendency for the number of complaints sent on to the human resources to be suppressed, e.g because the

complaints are dealt with by the supervisor in the office by the labor union. This also leads to the suggestion that the complaints that are lodged with the human resources department could include, for some reasons “cannot tell the supervisor”.

II. Present Situation of the Performance-based Wage Systems

1. The Situation of the Implementation of the Performance-based Wage System

Here we will look at the implementation state and operation situation of the performance-based wage system among the companies that were surveyed. The performance-based wage system is operated in various ways by companies. Yoshio Sasajima has organized the numerous variations of the performance-based wage system as shown in Table

Figure 5-9 Who to Consult/Coordinate with Inside the Company When a Complaint is Filed with the Human Resources Department

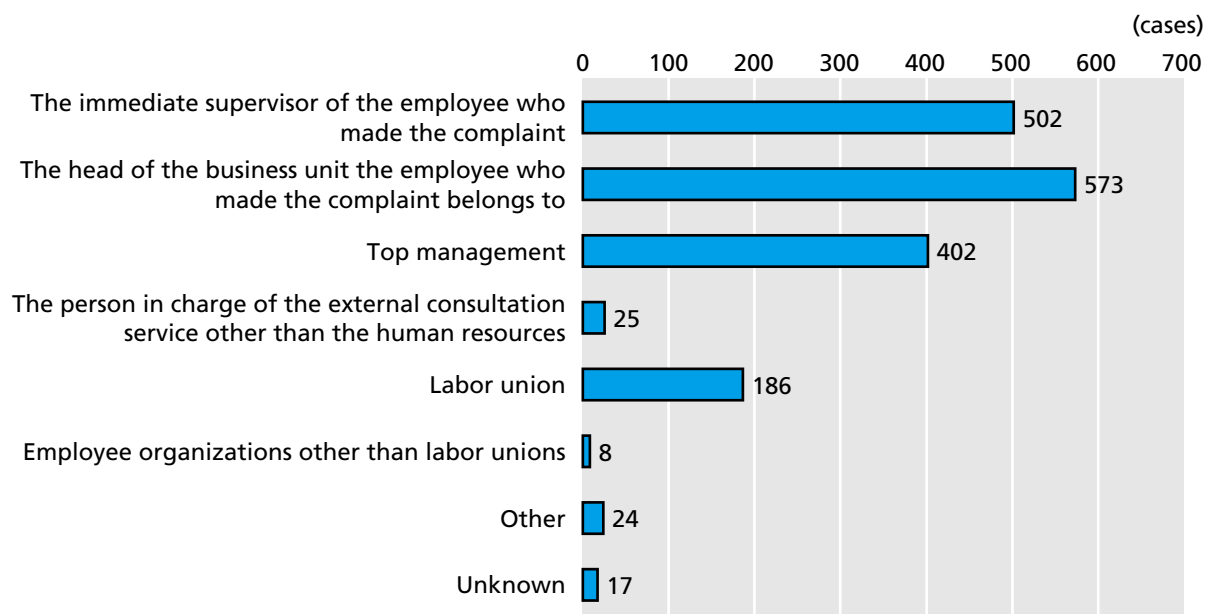


Figure 5-10 Who to Consult/Coordinate with Outside the Company When a Complaint is Filed with the Human Resources Department

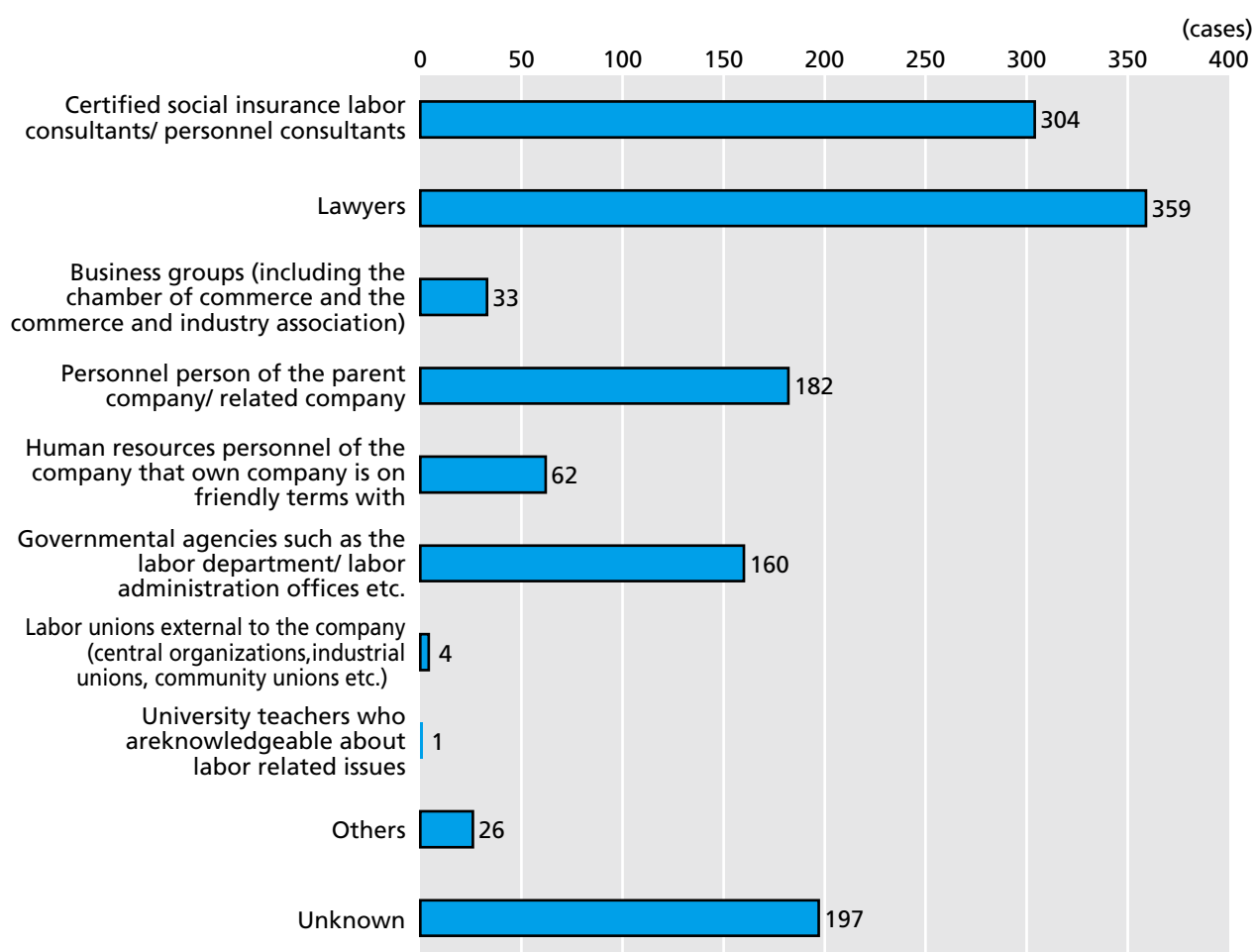
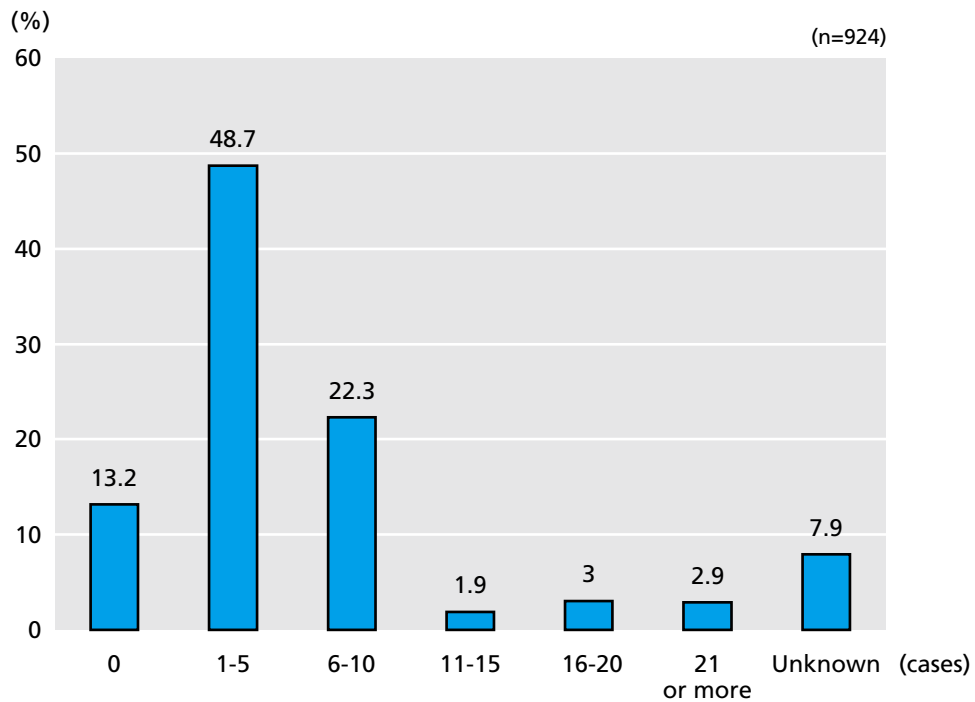


Figure 5-11 Number of Complaints Sent to the Human Resources Department



5-12 (Under the supervision of Yoshio Sasajima 2000).

Since there are numerous variations in the types of companies that are actually implementing the performance-based wage system, the images of the performance-based wage system established by the respondents of the current questionnaire survey are expected to vary.

However in a narrower sense, the core element of the performance-based wage system is the idea to consider the work performance by an individual in a relatively short period as the foundation of the assessment/treatment of employees. However, before the 1980s many companies have evaluated the work performance by an individual, and reflected this in the treatment of employees. How, then, does the recent performance-based wage system differ from that of the previous system in terms of quality?

Tatsumichi and Morishima asserted that “the reform of the assessment/treatment system called the performance-based wage system differs from the previous assessment/treatment systems due to the following three characteristics: (1) Weakening of the seniority structure/ability developing structure, (2)

Proportional wage costs in accordance with performance, and (3) Strict and precise assessment.” (Tatsumichi/Morishima 2006, p.71). Therefore, we will rely on these assertions and define the performance-based wage system in the following way: “A part of the personnel system reform that became widespread since the latter half of the 1990s, which is a structure of the personnel system where relatively short-term work results are linked to assessment and compensation, and which has the following three characteristics : (1) Weakening of the seniority structure/ability developing structure, (2) Proportional wage costs in accordance with performance, and (3) Strict and precise assessment.” However, since data obtained from the questionnaire survey is to be used for analysis, which imposes restrictions, we will draw attention to one scalable aspect of the performance-based wage system. In the survey sheet, we used the wording, “Has your company implemented a human resources management and a performance-based wage system that emphasizes the work performance and achievement more than age and continued services?” In the following sections we will try to identify the

Table 5-12 Types of Personnel Affairs and Wages of Performance-based Wage System

Items of the wage system	Types of Institutional Reforms	
Basic pay	Job ability wages	Minimize/abolish proficiency-linked pay increase, abolish job ability wages, increase promotion-linked pay increase, fixed rate by type of qualification
	Age-linked wages	Minimize/abolish age-linked wages, minimize those who qualify for age-linked wages
	Wages based on total evaluation	Widening of the gap in the wage increase
	Wages based on job evaluation	Introduction of service allowance, job responsibility allowance and compensation by job classification
	Payment by results	Introduction of achievement allowance, performance allowance
Fringe benefits	Transfer livelihood allowances such as family allowances to the base pay	
Annual bonus	Minimize the unified portions, increase the appraisal portions, widening of the gap due to appraisal, introduction of the achievement bonus by section	
Personnel evaluation	Adjustment of the personnel evaluation system, introduction of objective management, utilization of competency (action evaluation)	
Ability based grade system	Change from graduation to entrance method, reduction of the number of qualifications, abolish the retention years, conduct demotion, clarify occupational ability requirements	
Annual pay increase	Reduction/abolishment of the automatic pay increase, expansion of pay increase based on appraisal, abolishment of pay increase/ introduction of minus pay increase	
Wage scale	Single job rate structure, changeover from a simple pay step system to a graded pay step system/ multiple scale of wages	
Others	Introduction of the annual salary system	

Source: The Japan Productivity Center, Yoshio Sasajima (2000)

details of this wording as the definition for a performance-based wage system.

2. Introduction of the Performance-based Wage System

When asked whether they had introduced a performance-based wage system (Figure 5-13), 54.8% answered “yes”, and 44.6% replied “no”.

Comparing the introduction status to the previous survey (2004) (Table 5-14), the percentage of companies introducing a performance-based wage system in the previous survey was three points higher than for this survey, at 57.6%. However, this higher percentage could be due to the fact the ratio of the small and mid-size companies in this survey had increased compared to the previous survey, and such

a change in the composition of the surveyed companies may have affected the outcome. Therefore, some caution is required in its interpretation.

Looking at the introduction period of the performance-based wage system (Figure 5-15), 76.9% replied that they had introduced it after 2000, while those who replied they had during the 1990s were 19.5%. Compared to the previous survey, there was a slight increase this time in the percentage of those who answered that the introduction took place after 2000.

Figure 5-13 Introduction of the Performance-based Wage System

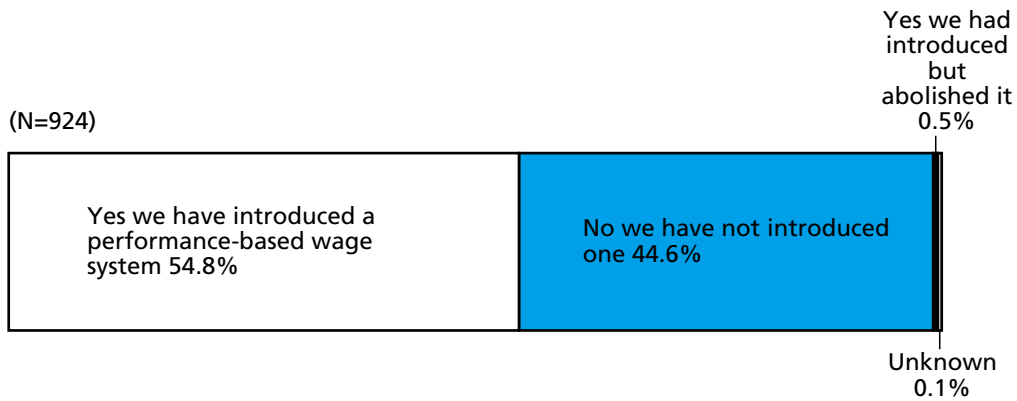
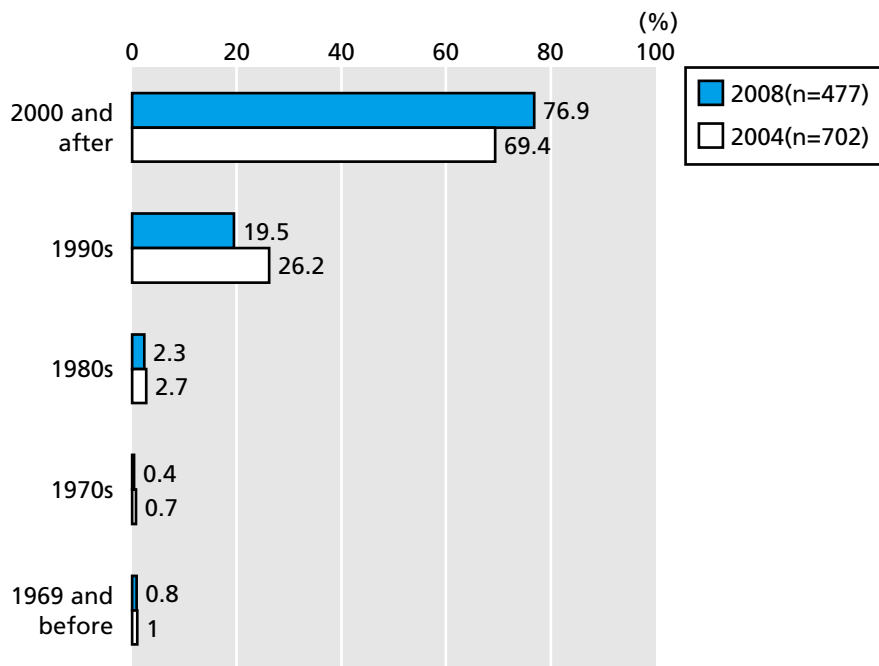


Table 5-14 Comparison with the Previous Survey in Relation to the Introduction Status of the Performance-based Wage System

	2008 Survey		2004 Survey	
	Cases	%	Cases	%
Yes we have introduced a performance-based wage system	506	54.8	737	57.6
No we have not introduced one	412	44.6	538	42.0
Yes we had introduced but abolished it*	5	0.5	0	0.0
Unknown	1	0.1	5	0.4
Total	924	100	1280	100

Note) * is a question not included in the 2004 survey.

Figure 5-15 Introduction Period of the Performance-based Wage System



3. Factors that Affect the Introduction of a Performance-based Wage System

We use a multiple linear regression analysis to confirm what kind of effects factors such as the size and the category of industry of the company, business performances and the existence or non-existence of labor unions are having on the introduction of performance-based wage systems (Table 5-16).

In the construction, transport, wholesale and retail, finance, manufacture of general-purpose machinery, and manufacture of transportation machinery industries, the effect is statistically significantly minus. With these industry categories, the performance-based wage system has not been introduced as much as the reference groups. The annual sales of the fiscal year 2007 seems to have

had a positive effect on the introduction of performance-based wage systems, and it was revealed that the companies with higher sales figures were more likely to be introducing the performance-based wage system. However, even with the same business results, the recurring profits did not have a significant impact on the introduction of the performance-based wage system statistically. Although it is said that the introduction of the performance-based wage system is widespread among large companies, in this survey it showed that this fact this did not have a significant impact statistically. In addition, similar to the previous survey, the presence of the labor union did not have a significant impact on the introduction of the performance-based wage system statistically.⁴

Table 5-16 Factors that Affect the Performance-based Wage System (Analysis in Which the Introduction of the Performance-based Wage System is the Dependent Variable)

	Standardized Coefficients	Unstandardized Coefficients
(Invariable)		-1.463
Construction	-0.118 *	-0.247
Information and Telecommunications	0.030	0.076
Transport	-0.156 *	-0.222
Wholesale and Retail	-0.120 *	-0.156
Finance/ Insurance	-0.119	-0.305
Real estate	0.003	0.016
Service	-0.082	-0.109
General Machinery	-0.147 *	-0.390
Electrical Machinery	-0.039	-0.094
Transportation Machinery	-0.121 *	-0.295
Precision Machinery	-0.020	-0.136
Other Manufacturing	-0.073	-0.101
Industries other than the above	-0.002	-0.006
Regular Employees (logarithm)	-0.015	-0.008
Sales of Fiscal Year 2007 (logarithm)	0.288 ***	0.101
Recurring Profit of Fiscal Year 2007 (logarithm)	0.062	0.053
Labor Union Exists	0.039	0.039
Value F	5.276 ***	
Adjusted R ² (determination coefficient)	0.093	
Case Number	714	

* $\rho < .05$ ** $\rho < .01$ *** $\rho < .001$

(Note) The base groups are of each industry (restaurants/hotels, electric/gas/heat supply/water), existence or non-existence of labor unions (non-existence of labor unions).

4 On this note, similar analysis are carried out in the "Business Strategy and Human Resource Management in Japanese Companies Today" in the JILPT Research Reports No.33, The Japan Institute for Labor Policy and Training (2005) so if you are interested please refer to this.

4. Percentage of Performance-based Wages to the Total Funds to Pay Wages (by Post Stratum)

In deciding the funds to pay wages of the human resources subject to a performance-based wage management system, there are fixed items determined by age, educational background, and ratings such as the ability-based grade system or job class system, and variable items such as fluctuating personal achievements. We asked by post stratum [(1) general manager level, (2) manager level and (3) regular employee level] what percentage the variable items will account for when the total of the two items are 100.

When the funds to pay wages are determined by the job category, we asked them to choose one job type which had the most fluctuation in the personal achievements.

- (1) Percentage of the variable items of the general manager level
Average Value 40.23 Standard Deviation 27.97
- (2) Percentage of the variable items of the section manager level
Average Value 36.83 Standard Deviation 25.88
- (3) Percentage of the variable items of the regular employee level
Average Value 29.81 Standard Deviation 23.63
(N=473)

By post stratum, the variable items of the general manager levels were the largest at 40.2, followed by 36.8 of the section manager level, and 29.8 of the regular employee level. This shows the lower the post is, the lower the percentage of the variable items.

5. Wage Gap Due to Introduction of Performance-based Wage System

What is the level of the wage gap between the workers that have similar personal attributes as a result of the introduction of the performance-based wage system? In the present survey, we asked what differentiation is currently being made between the annual salary of the regular employees of a section manager level in the same section, and between (1) the annual salary gaps possible from an institutional

standpoint and (2) the actual annual salary gaps, when the average level is 100, what are the lowest and the highest levels? We asked them to reply using index numbers. As a result, with (1) the annual salary gaps possible from an institutional standpoint (the gap between the lowest and highest earner from an institutional standpoint) the average value was 41.06, and the standard deviation was 31.57, and with (2) the actual annual salary gaps (the actual gap between the lowest and highest earner) the average value was 30.68, and the standard deviation was 25.09. This showed that the differentiation from an institutional standpoint was greater and also varied widely.

Meanwhile, regarding the factors that affect the gaps from an institutional standpoint and the actual gaps, we conducted a multiple linear regression analysis using the various attributes of a company (industry type, number of regular employees, sales, recurring profits, the existence and non-existence of a labor union) as a dependent variable. However this model did not quite work out and a statistically significant result could not be obtained.

When asked whether these gaps widened after 2000 (Figure 5-17), 40.9% answered "widened", 43.1% said "did not change" and 10.1% responded "reduced". Compared to the previous survey, the percentage of those who answered "widened" dipped 17 points, indicating that after the previous survey, the widening of the actual annual salary gaps have slowed down.

In terms of the widening of the gaps after 2000, we compared (1) gaps from an institutional standpoint, (2) the actual gaps and (3) the gaps from an institutional standpoint minus the actual gaps (Figure 5-18). First, the (1) gaps from an institutional standpoint of the group that saw a widening of the gap was 43.8, however the same of the group that saw the gap reduce was 40.7. This shows that with the group that saw the gap reduce, the institutional gap is smaller. Moreover, the (2) actual wage gap of the group that saw the gap increase was 32.8, however the same of the group that saw the gap reduce as 26.8. Again, with the group that saw the gap reduce the actual gap was also smaller.

Figure 5-17 Widening of the Gaps between the Section Manager Level Regular Employees in the Same Section after 2000

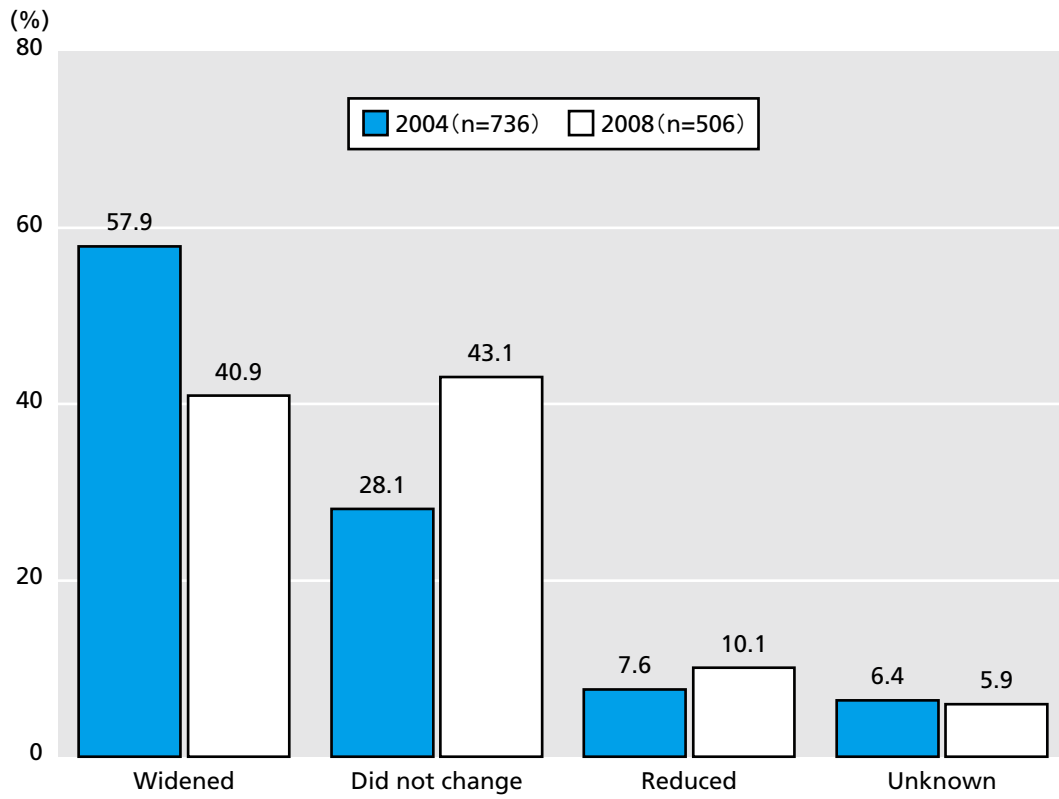
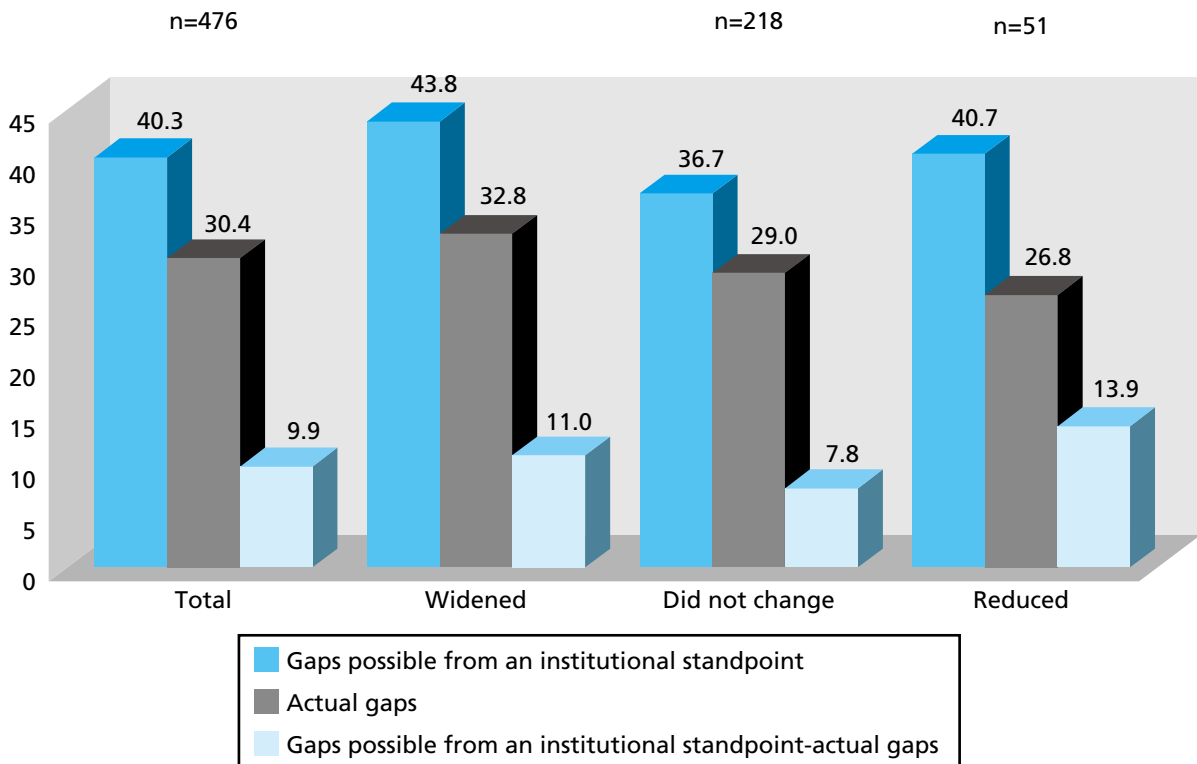


Figure 5-18 Wage Gap by the Level of Widening after 2000

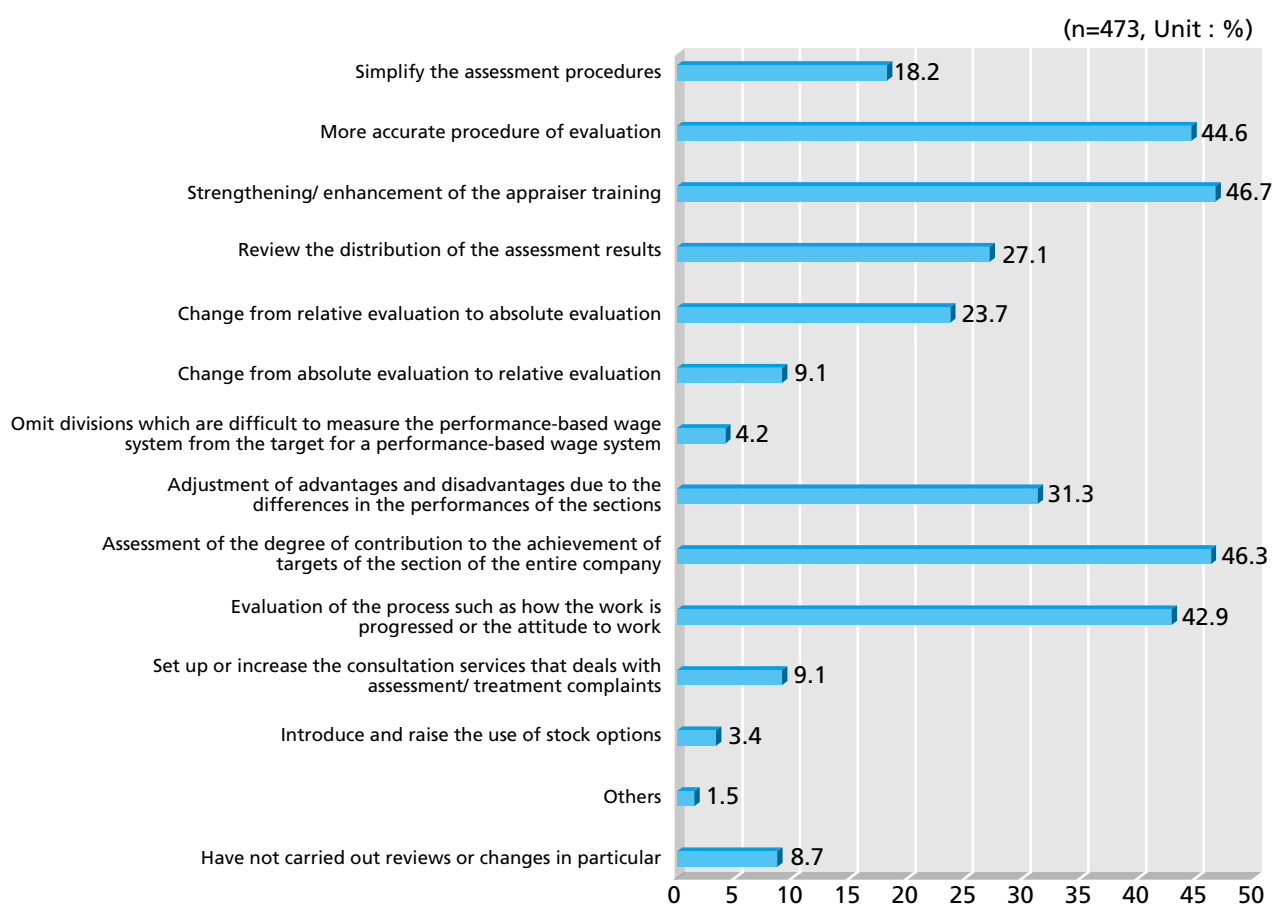


6. Review of the Performance-based Wage System and the Change in Its Operations

When we asked about the reviews of the performance-based wage system and the changes in its operations carried out after 2000 (Figure 5-19), the four issues that were pointed out the most were as follows: “strengthening/enhancement of the appraiser training (46.7%)”, “assessment of the degree of contribution to the achievement of targets of the section of the entire company (46.3%)”, “more accurate procedure of evaluation (44.6%)” and “evaluation of the process such as how the work is progressed or the attitude to work (42.9%)”. Since many companies had introduced the performance-

based wage system after 2000, or because around 2004 there was a trend for criticizing the performance-based wage system, many companies seem to be carrying out reviews and changes in the operations. In particular, in order to solve the major issue that accompanies the performance-based wage system which is achievement of fairness, the results show that there were active movements towards the training of the appraisers who have the role of evaluating, and the reviewing of the institutional design. The aforementioned results indicate that the Japanese companies have already surpassed the introductory stage of the performance-based wage system and entered in its full-fledged growth stage.

Figure 5-19 Review and Changes in the Operation of the Performance-based Wage System Carried out after 2000



I. Summary of Survey

Section 1. Purpose of the Survey

It was decided that consensus building was to be achieved among the government, labor and management at the “Roundtable Tasked with Promoting Strategies for Economic Growth.” This was set up to promote strategies for economic growth through the mid-/long-term minimum wage raise plan with a view to productivity enhancement of small and medium-sized enterprises. In line with this, the relationship between productivity enhancement and minimum wage increase in small and medium-sized enterprises was investigated in the “Investigation Research on the Minimum Wage System” at the request by the Ministry of Health, Labour and Welfare.

The main area of research consists of the basic attributes of companies, the situation of wage decisions and revisions, awareness of minimum wages, influences of the minimum wage increase and countermeasures for its increase, the business conditions and the employment situations of companies, the sales prices and trading conditions of companies, their situations of labor productivity, the situations of the personnel and labor management systems, and the situation of revenue and expenditure.

Section 2. Survey Method

The survey was carried out on 20,000 small and medium-sized companies across the country, which were selected to reflect the corporate composition ratio according to the size and the type of business in each prefectural and city government area, based on the corporate ledger register made by a private research institute. The targeted companies were those having less than 300 employees (less than 100 employees with wholesale companies, less than 50

employees with retailing companies and restaurants, and less than 100 employees with the service businesses).¹ Companies with 300 employees or more (100 employees or more with wholesale companies and the service business, and 50 employees or more with retailing companies and restaurants) are included among the respondents. The main reason for these discrepancies seems that the number of employees in the relevant companies had changed after the latest update of the database.

The survey was made by distributing and collecting survey slips by post, and the survey was executed at the end of March, 2008. The timing of survey is as of March 1, 2008.

The number of valid responses from the companies was 2,987, and the valid collection rate was 14.9%. (The substantive valid collection rate of the substantive 19,839 for the survey is 15.1% since there were 161 addresses unknown among the 20,000 companies to which the questionnaires were sent).

II. Summary of the Survey Results

Section 1. Decision and Revision for Wages

1. Full-time Employee’s Lowest Wage Level

The 2,705 respondent companies with one or more regular employees were asked the following questions: “What is the lowest wage (base pay) level for your full-time workers on an hourly basis? Please convert into an hourly wage in cases whereby the wage is paid on a daily, weekly or monthly basis. Moreover, when there are two or more business offices, please answer the lowest wage level of the business office in the prefecture where the headquarters are located.” In this paper, survey slips were carefully examined in carrying out the summary count, and a so-called “carefully examined” counting result was applied. This means in case (1) that the amount of money is clearly described as “a monthly

1 In accordance with the Japan Standard Industry Classification revised in October, 1993.

wage” and that in case (2) when an hourly wage exceeds 4,000 yen, the written amount of money was classified as “unknown” and was handled as an outlier as a result of taking the standard deviation into consideration.²

Figure 6-1 shows a result of the minimum wage level of regular employees of the respondent companies. Each row of the wage level is made by adding ¥50 from the previous row in cases of ¥600 or more, but rows starting from ¥1,300 or more are shown as ¥1,300-1,399, ¥1,400-1,499, ¥1,500-1,999, and ¥2,000 or more. Therefore attention must be paid to the different ways of segmentation. The peak of the minimum wage level for regular employees is seen at the row for ¥1,000-1,049 (composition ratio: 9.6%) and the average minimum wage excluding “unknown” and “no answer” is ¥1,104.

In this survey the minimum wage of the FY2007 will be applied. According to the regional minimum wage in FY2007, the nationwide weighted average is ¥687, the lowest is ¥618 in Okinawa Prefecture, and the highest is ¥739 in Tokyo.

2. Considerations for Wage Determination for Regular Employees

Out of the 2,705 respondent companies with more than one regular employee, when asked what is taken into consideration when determining wages (multiple answers allowed), the answers that were chosen by a high percentage of companies were as follows: “Years of experience” was relatively high at around 70% (73.1%), next was “The difficulty of the job” (50.4%), “age” was chosen by around half (49.1%), and “The pay rate of employees doing the same job type” was around 40% (38.0%). Due to the fact they are regular employees, such factors as “Regional minimum wage” (11.3%) and “Minimum wage by industry” (6.7%) were chosen by only a few companies when determining wages (Figure 6-2).

Looking at the factors most valued, the two which were chosen the most were “Years of experience” (28.1%) and “The difficulty of the job” (26.4%),

followed by “The pay rate of employees of the same job type” (13.3%). Factors such as “Regional minimum wage” (3.0%) and “Minimum wage by industry” (1.1%) were only chosen by a very low percentage of the companies. Thus, it seems that when deciding wages for regular employees the small and medium-sized companies take into consideration the experience of work and the degree of difficulty of work (Figure 6-3).

3. Status of Wage Increase for Regular Employees

When the 2,705 respondent companies having one or more regular employees were asked whether they increased the wage (base pay) of regular workers this fiscal year compared to the previous fiscal year, the answer that was chosen the most by the companies was “unchanged from the previous year” (48.8%), and next was “wages were increased” at 45.3%. This shows that the percentage of the companies that increased wages and the percentage of those that left wages unchanged were almost the same. Companies that “decreased wages” accounted for only 3.0%.

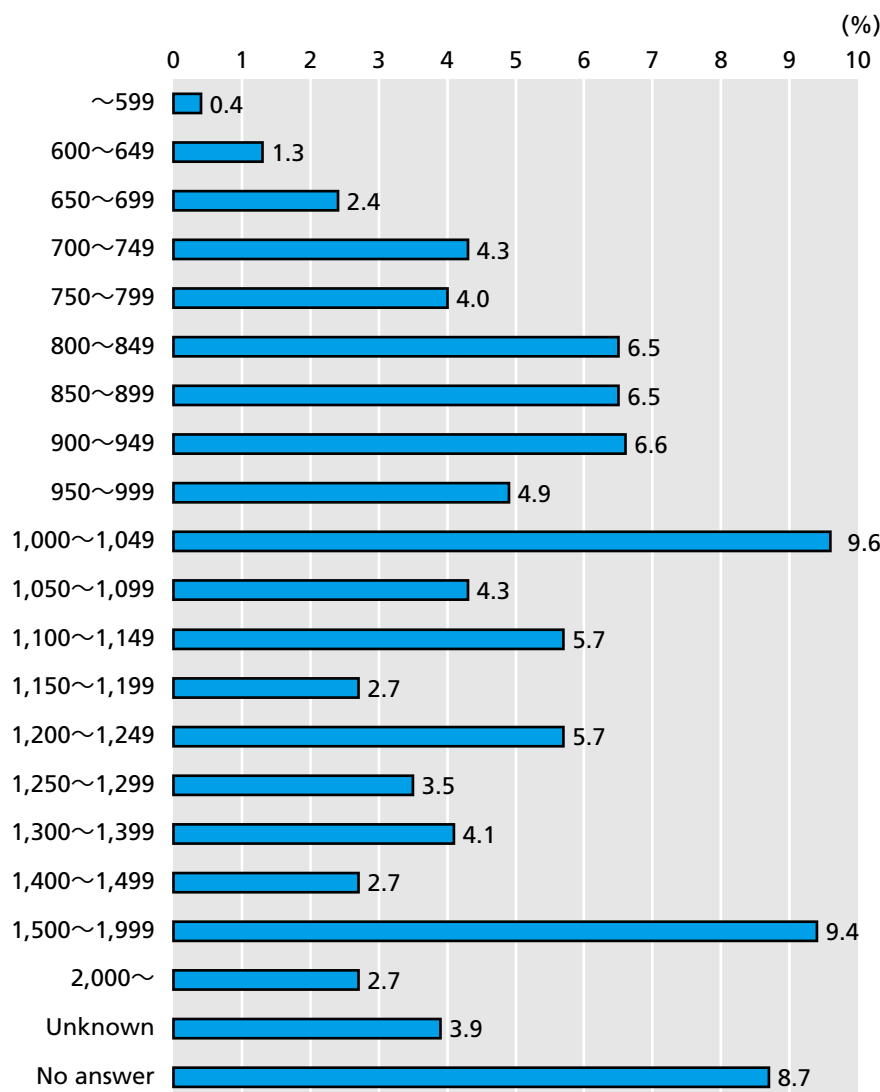
(1) Factors Kept in Mind in Consideration of Wage Increase in Regular Employees

Out of the 1,225 companies that answered that “wages were increased”, when asked what companies kept in mind in consideration of wage increase in regular employees (multiple answers allowed), the answers that were chosen by more than half of the companies were as follows: “Years of experience” (50.4%) and “The business performance of the individual” (50.3%), followed by “Own company’s business performance” (47.2%) and “Improvements in skills” (39.6%) (Figure 6-5). Factors such as “Revision of the regional minimum wage” (2.4%) and “Revision of the minimum wage by industry” (1.2%) were chosen by only a few companies.

Looking at the factors most valued, the one which was chosen the most were: Business performance of the individual” (22.0%), next was “Own company’s

2 Two kinds of summary count for the lowest wage (basic wage) levels are described. One is the summary count of answers of companies without modification, and the other is the so-called “carefully examined” summary count, in which the outliers, or values that have no consistency in terms of small and large/total, are given careful consideration and duly processed. The summary count used in this paper is the “carefully examined” summary count.

Figure 6-1 Minimum Wage Level of Regular Employees (“Carefully Examined” Summary Count)



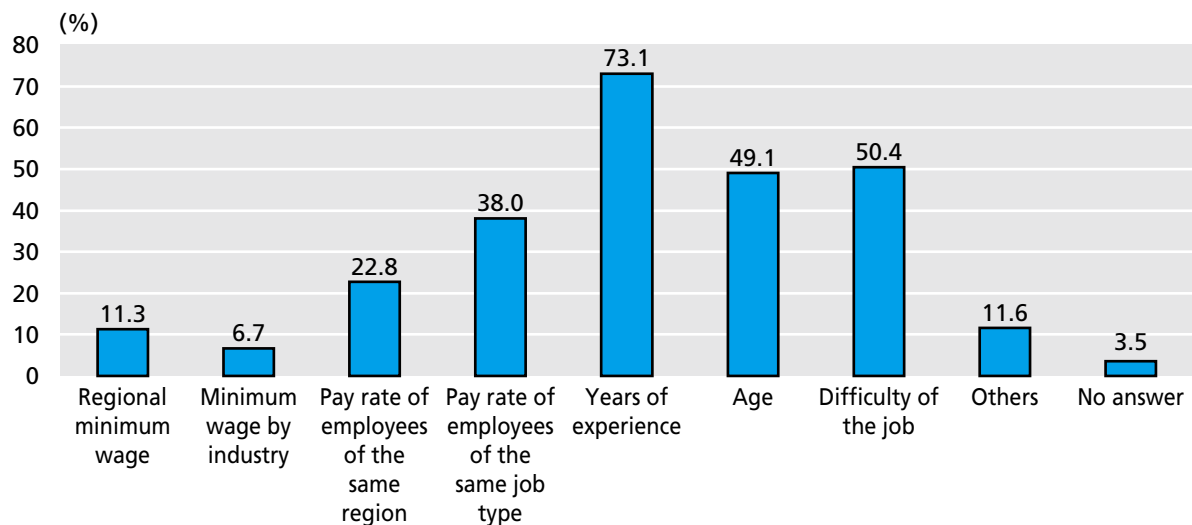
Note: Summary count of companies (2,705) having one or more regular employees

business performance” (17.1%), followed by “Improvements in skill” (12.7%), and then “Years of experience” (10.0%), etc. Factors such as “Revision of the regional minimum wage” (0.7%) and “Revision of the minimum wage by industry” (0.3%) were chosen by only a few companies. The result seems to show that these companies place value on business performance of both individuals and one’s own company when they increase wages (Figure 6-6).

(2) Reasons for Having Left Unchanged and/or Having Reduced the Regular Employees’ Pay

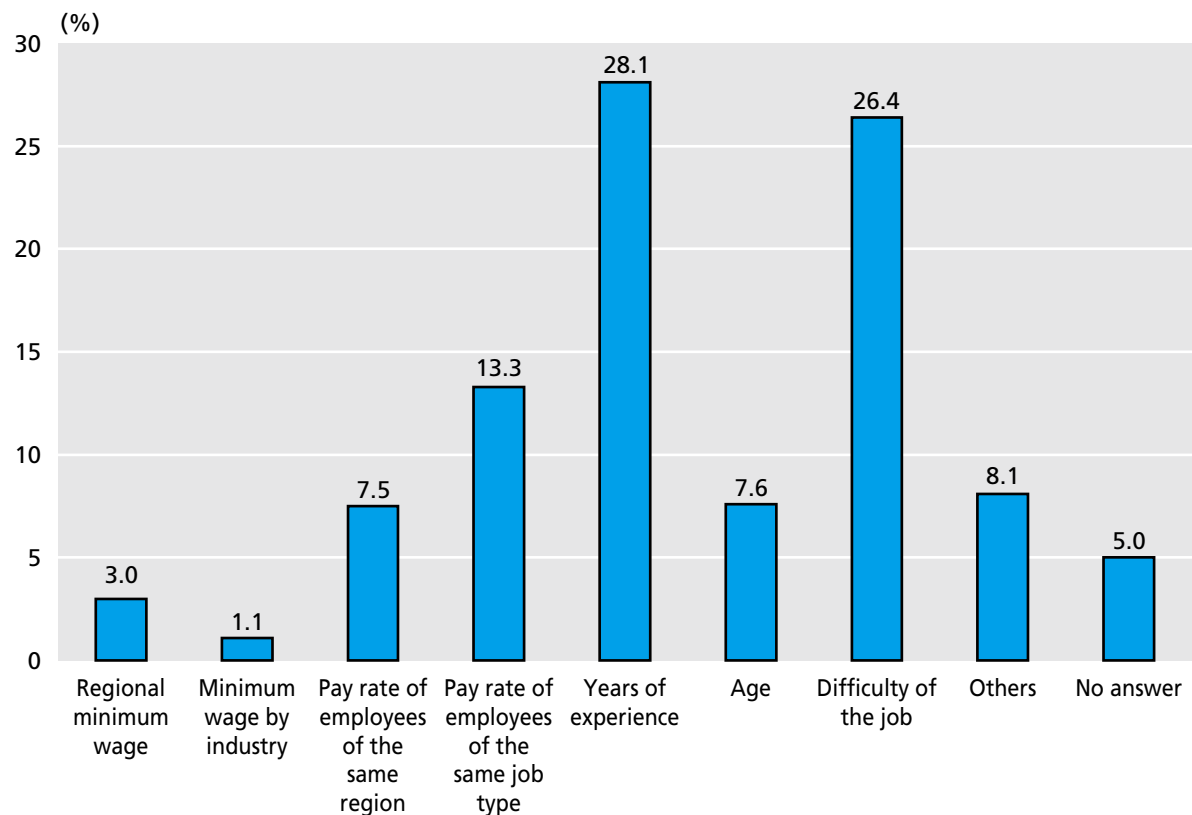
The question asking the reason why the companies left unchanged or reduced regular employees’ pay was put to the 1,401 companies that answered they did not increase the employees’ pay (1,320 companies replied the employees’ pay was “Unchanged from the previous year” and 81 companies replied they “Decreased wages”) (up to two answers allowed). The most common answer was: “Because there was no allowance for raising

Figure 6-2 Factors Considered to Be Important in Deciding Wages of Regular Employees (Multiple Answers Allowed)



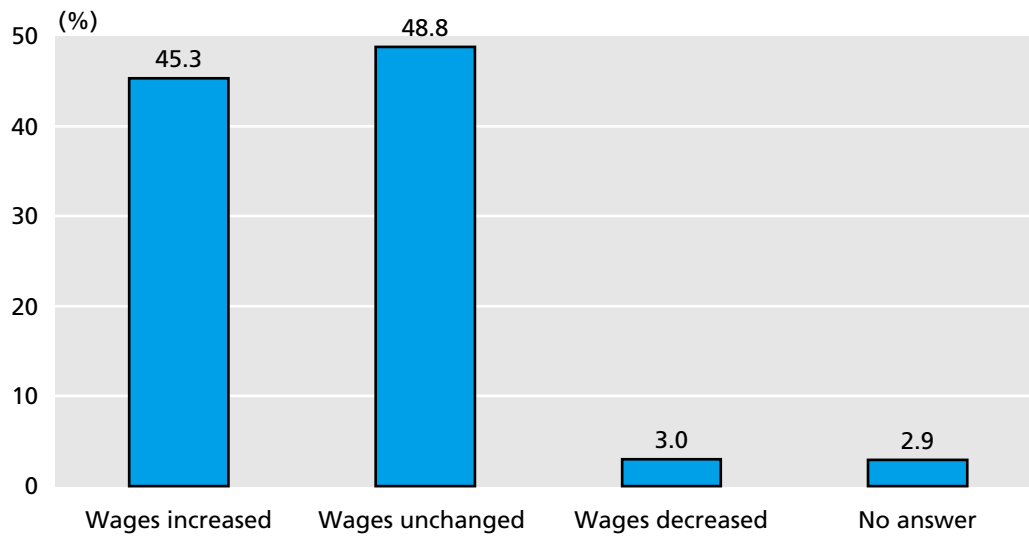
Note: Summary count of companies (2,705) with one or more regular employees

Figure 6-3 Top Priority Item in Deciding Wages of Regular Employees



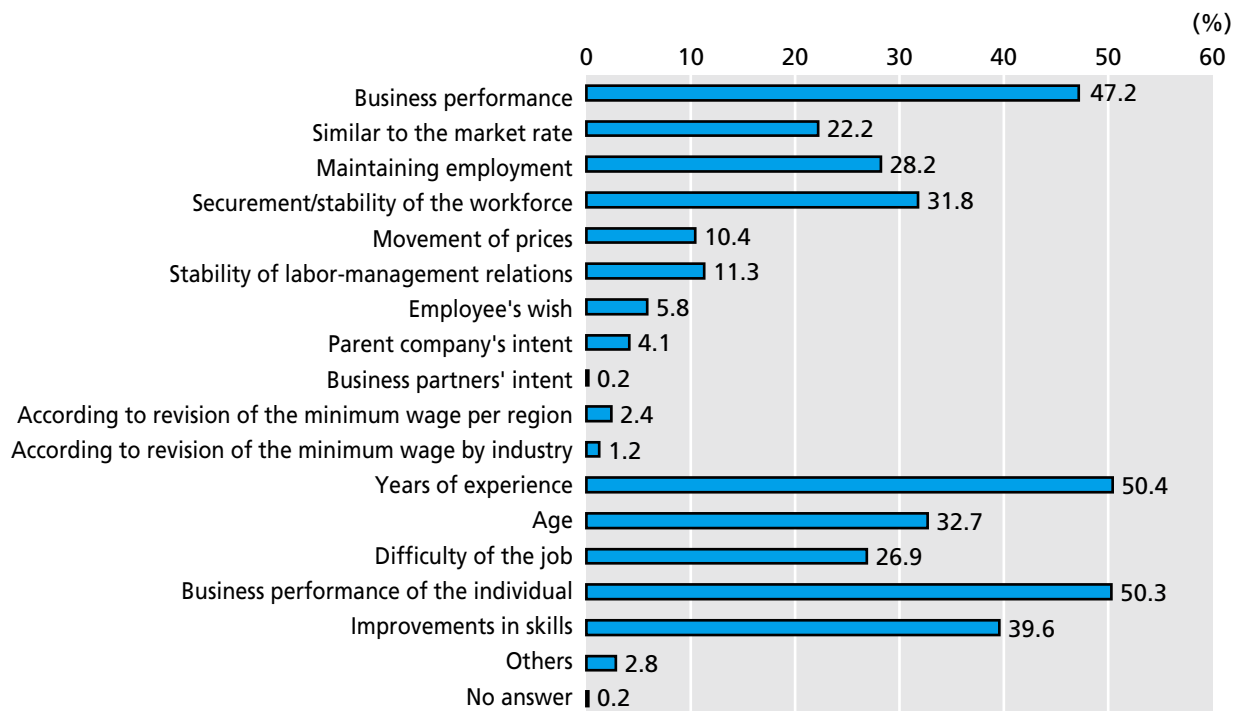
Note: Summary count of companies (2,705) with one or more regular employees

Figure 6-4 Status of Wage (Base Pay) Increase for Regular Employees



Note: Summary count of companies (2,705) having one or more regular employees

Figure 6-5 Factors Kept in Mind When Considering Wage Increases for Regular Employees (Multiple Answers Allowed)

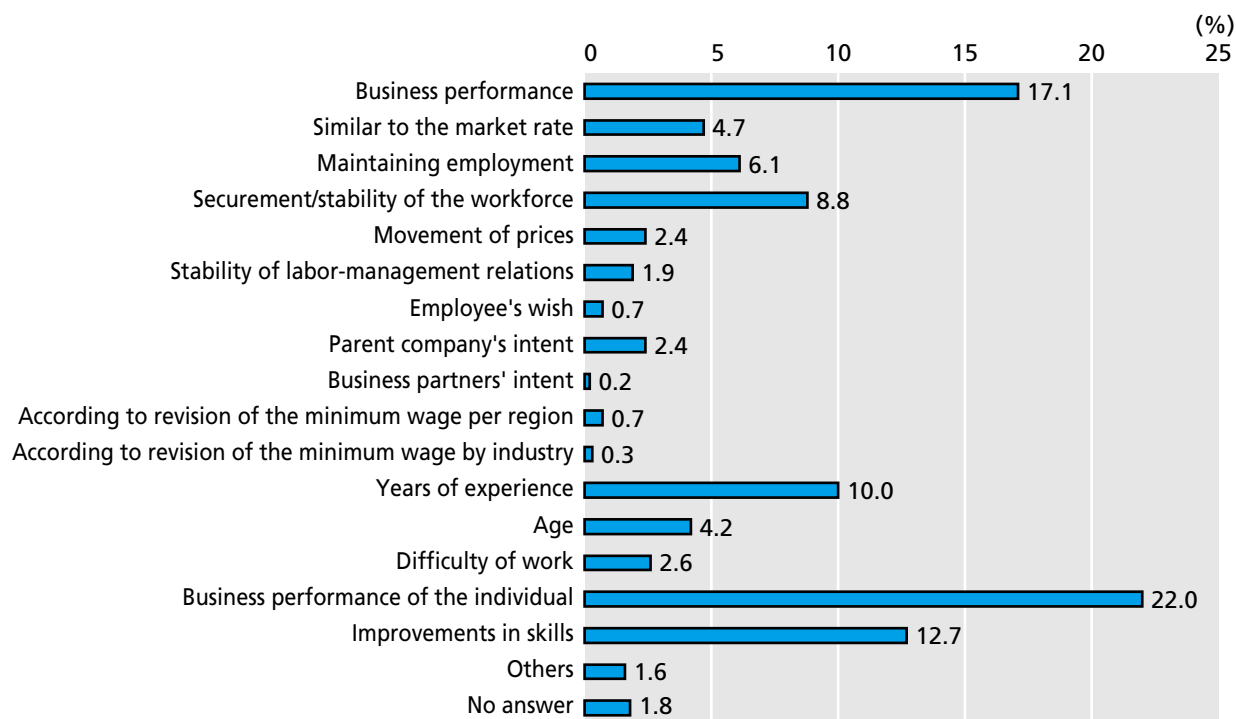


Notes: 1) Summary count of the companies (1,225) that have increased the regular employee's wage
 2) "Own company's business performance" is worded as "Your company's business performance" in the survey.

wages in view of the poor corporate performance" (76.4%) which accounted for three quarters of the total, followed by "Because future financial conditions are unknown" (34.3%) and "Because

wages are not necessarily raised every year" (28.5%). Over ten percent replied that "Because there was no allowance for raising wages, since the customers required reduction in prices and unit prices" (11.4%)

Figure 6-6 Factors Considered Most Important in the Wage Increase in Regular Employees



Notes: 1) Summary count of the companies (1,225) that have increased regular employee's wage
 2) "Own company's business performance" is worded as "Your company's business performance" in the survey.

(Figure 6-7).

4. Minimum Wage Level of Part-time workers

The question on what was the minimum wage (base pay) level for part-time workers was put to the 1,501 companies having one or more part-time workers. The companies converted the wage level to an hourly rate when answering. Moreover, in the same way as in the case of regular employees, "carefully examined" counting results were used in this paper. That is, in cases where (1) the amount of money is clearly described as "a monthly wage" or (2) an hourly wage exceeds 4,000 yen, these cases were classified as "unknown" and handled as outliers.

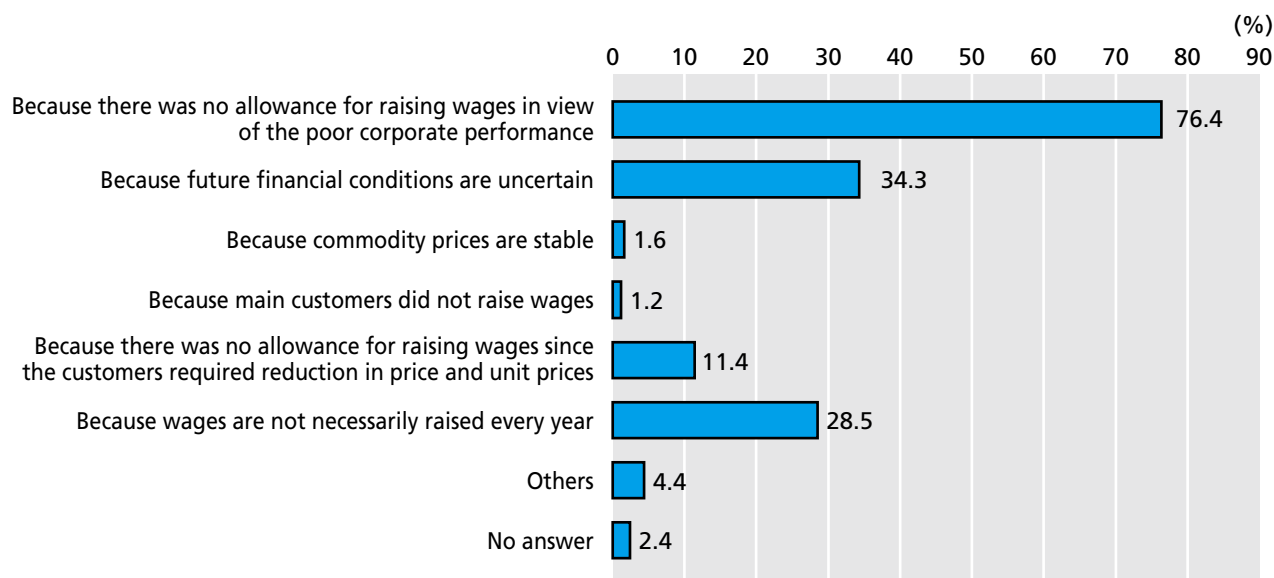
Figure 6-8 shows the distribution of the minimum wage level of part-time workers. The figure in each category of the wage level increases by ¥50 compared to the previous category from the category of ¥600 and more, but the category starting from ¥1,300 and more is shown as ¥1,300-1,399, ¥1,400-1,499, ¥1,500-1,999, and ¥2,000 or more,

respectively. Therefore, attention must be paid to the different ways of categorization. The peak of the minimum wage level for part-time workers is seen in the ¥800-849 category (composition ratio: 20.1%) and the average minimum wage (except for answers classified as "unknown" and "no answer") is ¥863. However, the relative ratio for the ¥1,000-1,049 category is high, and the minimum wage level of many companies is seen in the hourly wage of ¥1,000, which is a round number. Moreover, it is understood that there are a lot of part-time workers in the categories for the low wage level in Figure 6-8 compared with the categories of the low wage level in Figure 6-1, which shows the minimum wage level of regular employees.

5. Factors Considered at the Time of Deciding the Wages of Part-time Workers

Out of the 1,501 companies with more than one part-time workers, when asked what is taken into consideration when determining wages (multiple

Figure 6-7 Reasons for Having Left Unchanged and/or Having Reduced Regular Employees' Pay (Up to Two Answers Allowed)



Note: Summary count of the 1,401 companies that left their employees' pay "Unchanged from the previous year" (1,320) and that "Decreased wages" (81)

answers allowed), the following answers were chosen by a high percentage of the companies: "The pay rate of part-time workers of the same region/job type" was chosen by more than half (56.6%), followed by "Years of experience" (41.3%) and "The difficulty of work" (40.9%), and "Regional minimum wage" (21.3%). Compared to the wages of regular employees, the wages of part-time workers reflected the local pay rate more, which seems to have some influence on the determination of the wages for part-time workers. Thus, the highest percentage of the companies chose "The pay rate of part-time workers of the same region/type of job", while the percentage of the companies that chose "Regional minimum wage" was also relatively high. The percentage of the companies that chose "Minimum wage by industry" for part-time workers (7.5%) was almost the same as that for regular employees (Figure 6-9).

Looking at the factors most valued in deciding the wages of part-time workers, the answer which was chosen most was "The pay rate of part-time workers of the same region/job type" (36.9%), similar to the questions which allowed multiple answers. Factors such as "The difficulty of the job" (22.5%) and "Years of experience" (17.9%) were also chosen by a

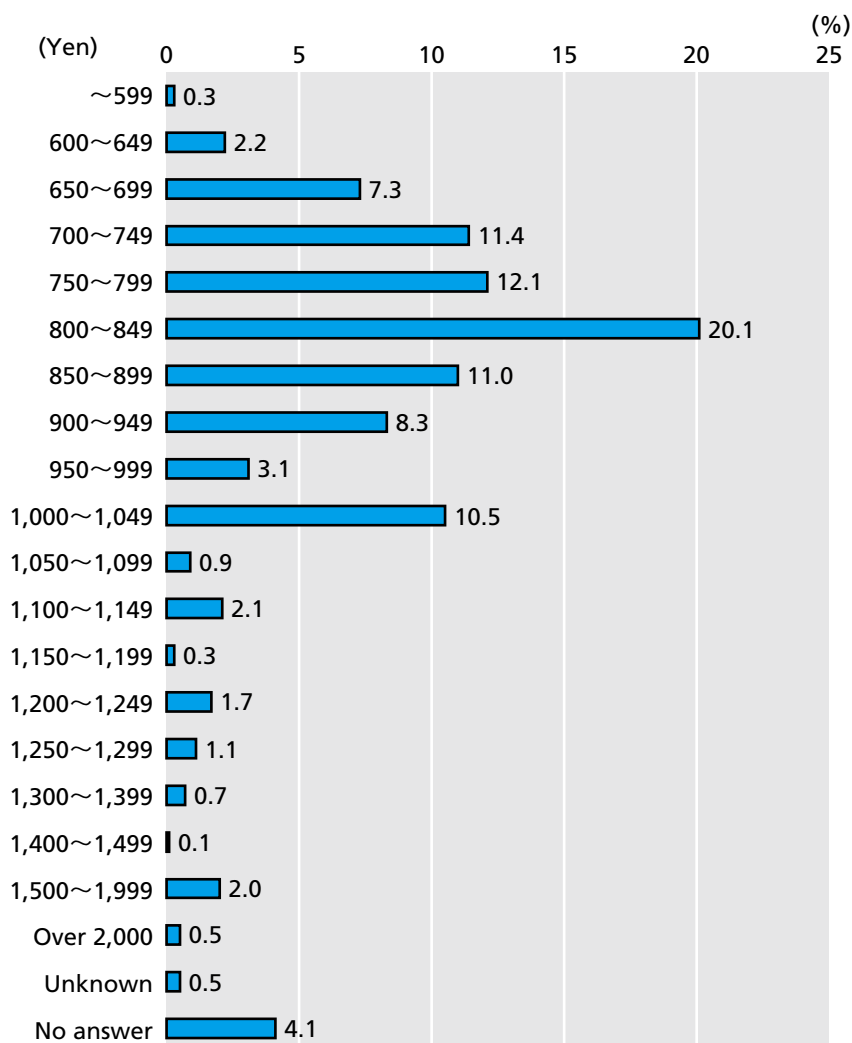
relatively high percentage of companies, and "The regional minimum wage" was 7.7%. "The minimum wage by industry" (1.4%) was chosen by only a few companies (Figure 6-10). Thus, it seems that local pay rates have a significant influence on the determination of the wages of part-time workers and the regional minimum wage has also some bearing on the decision.

6. Status of the Wage Increase for Part-time Workers

The 1,501 companies having one or more part-time workers were asked whether they had increased the wage (base pay) of part-time workers this fiscal year compared to the previous fiscal year. The answer "Did not increase wages" (59.8 %) was chosen by almost 60% of the companies. The answer "Increased wages for all part-time workers" was 16.5% and the answer "Increased wages for some part-time workers" was 19.9%. This shows that the ratio of the companies that increased wages for either all of their part-time workers or a part of them accounted for more than one third (36.4%) of the total (Figure 6-11).

Out of the 546 companies that answered they

Figure 6-8 Minimum Wage Level of Part-time Workers (“Carefully Examined” Summary Count)



Note: Summary count of the companies (1,501) having one or more part-time workers

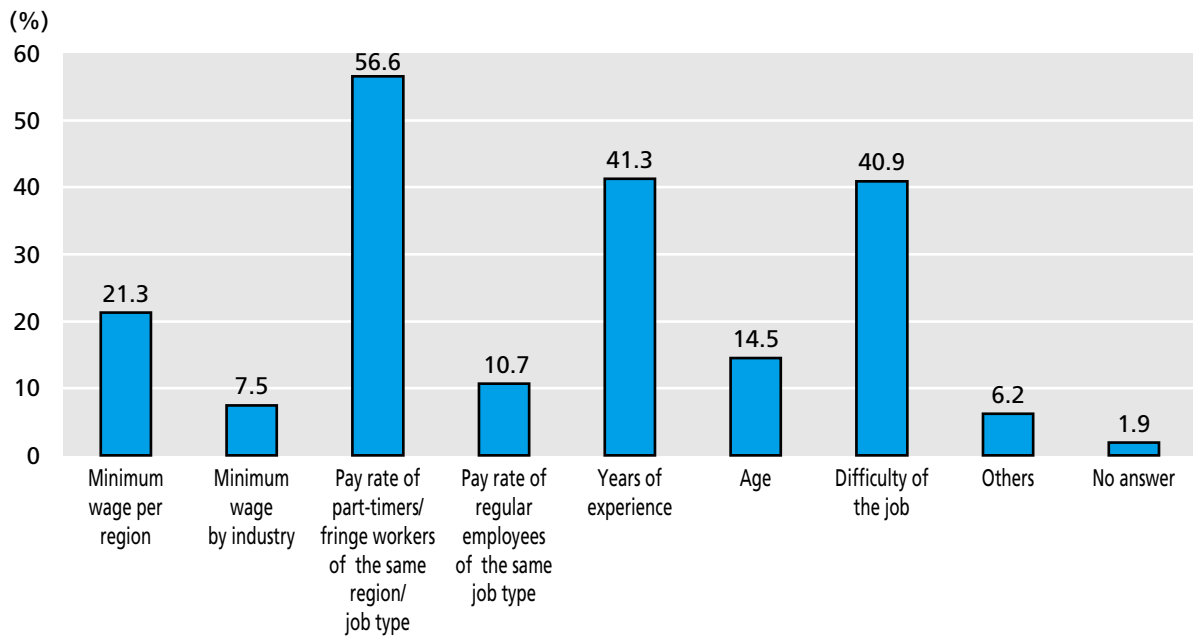
“Increased wages” (multiple answers allowed), when asked what was taken into consideration when determining the wage increase for either all of their part-time workers or a part of them, the answers that were chosen by a high percentage of the companies were “Years of experience” (43.3%) which was the highest, followed by “Securement/stability of the workforce” (36.3%), “Business performance of the individual” (34.2%), “Improvements in skill” (33.9%) and “The pay rate of part-time workers of the same region/job type” (27.8%). Moreover, “According to the revision of the regional minimum wage” accounted for less than 10% (9.7%) and “According to the revision of the minimum wage by industry”

accounted for 4.8% (Figure 6-12).

Looking at the factors most valued for deciding the wage increase, the answer which was chosen the most was “Improvements in skill” (18.7%), followed by “Securement/stability of the workforce” (15.6%), “Business performance of the individual” (15.4%), “Years of experience” (14.1%) and “The pay rate of part-time workers of the same region/job type” (10.4%). In addition, “According to the revision of the minimum wage by region” (5.9%) was chosen by a certain number of companies, while “According to the revision of the regional minimum wage” (1.6%) was chosen by only a few companies (Figure 6-13).

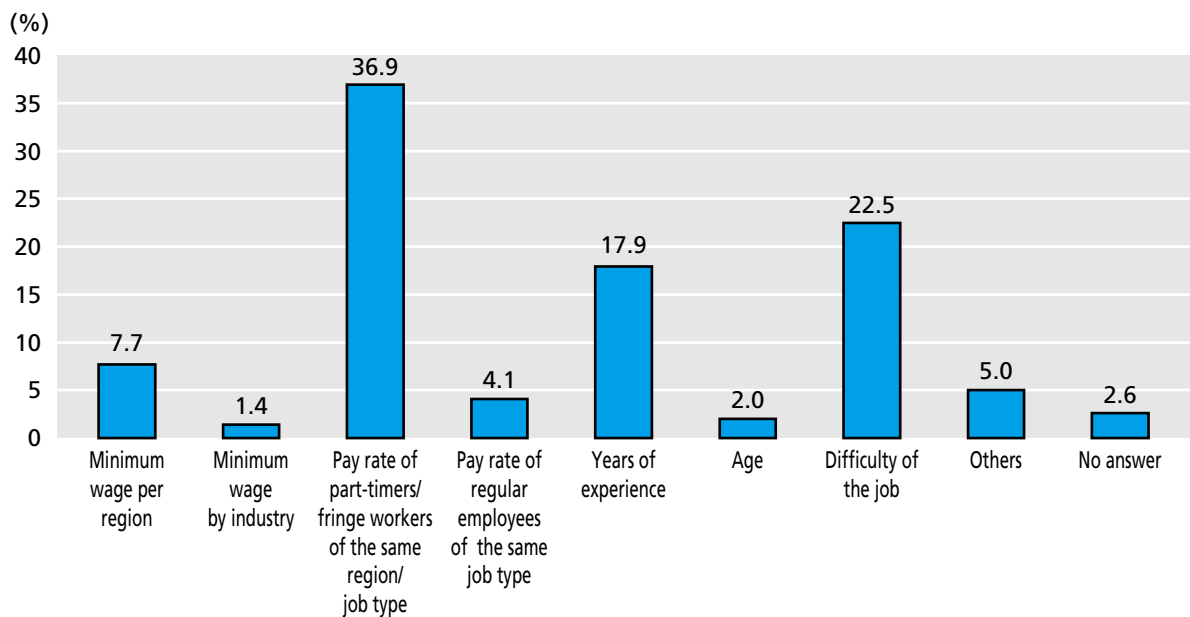
Of the cases of wage increases of part-time

Figure 6-9 Factors Considered at the Time of Deciding Wages of Part-time Workers (Multiple Answers Allowed)



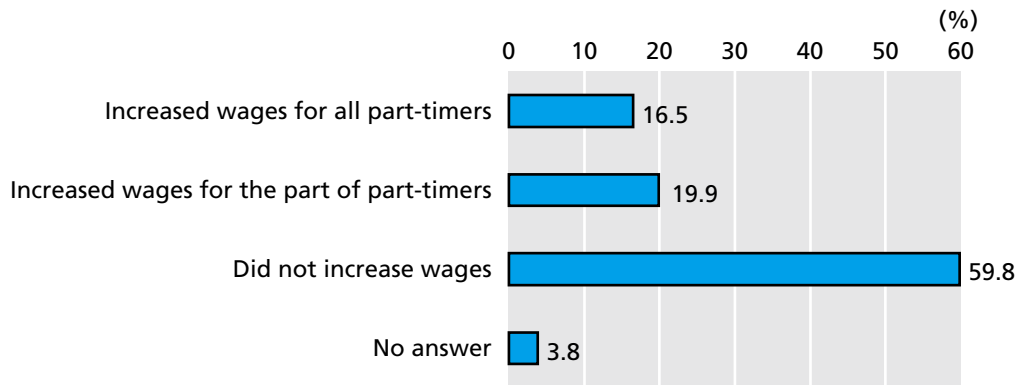
Note: Summary count of the companies (1,501) having one or more part-time workers

Figure 6-10 Top Priority Items in Deciding Wages of Part-time Workers



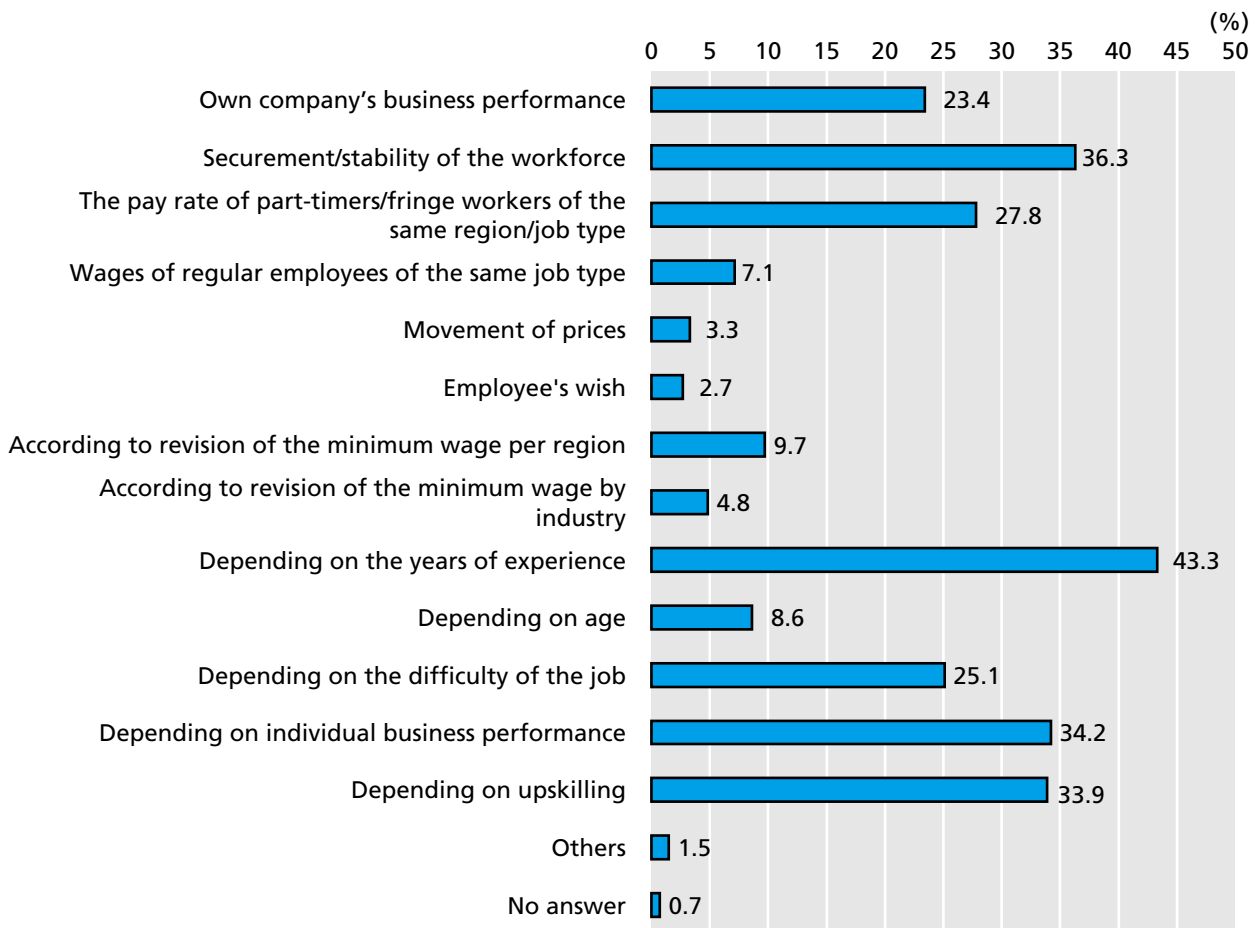
Note: Summary count of the companies (1,501) having one or more part-time workers

Figure 6-11 Status of the Wage Increase for Part-time Workers

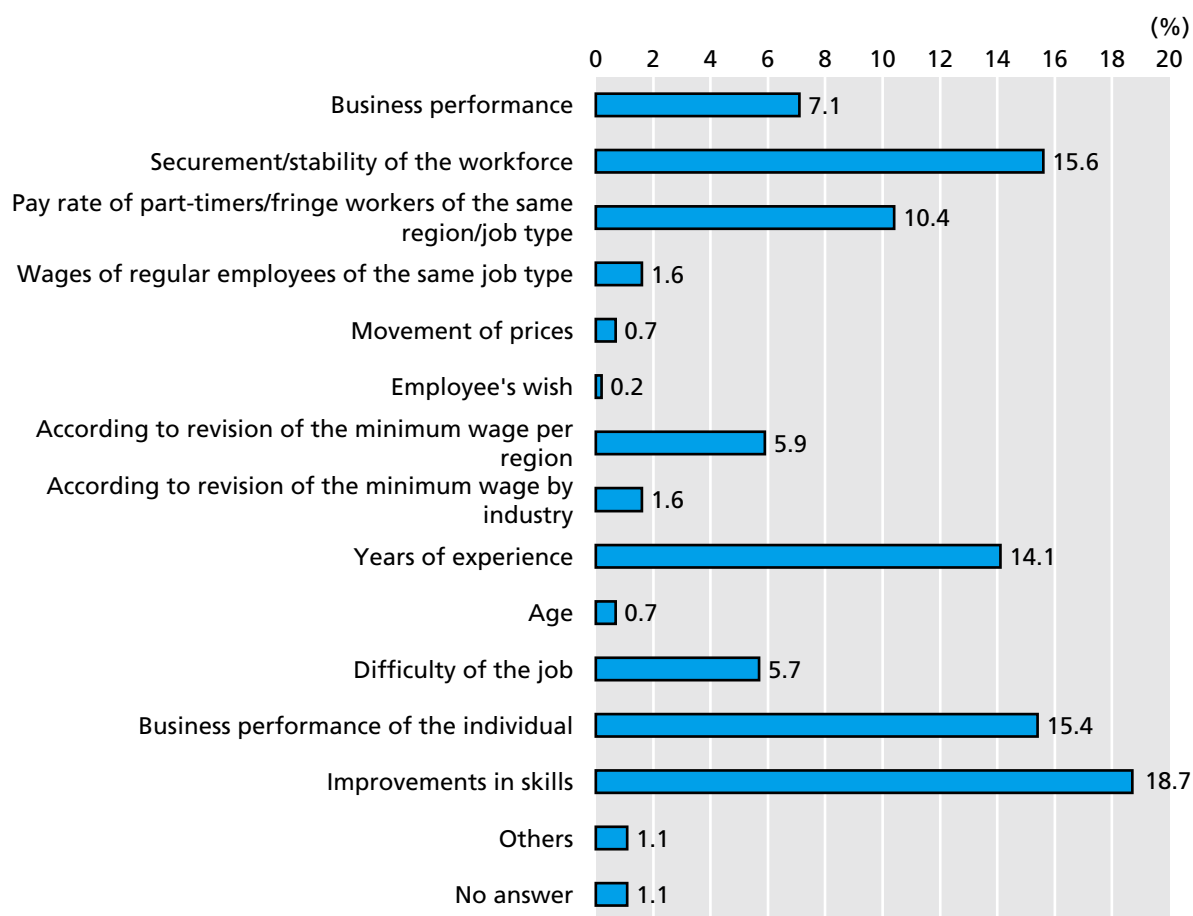


Note: Summary count of the companies (1,501) having one or more part-time workers

Figure 6-12 Factors Considered to Be Important in Deciding the Wages of Part-time Workers (Multiple Answers Allowed)



Notes: 1) Summary count of the companies (546) that increased the wages of part-time workers (for all or a part of those workers)
 2) "Own company's business performance" is described as "Your company's business performance" in the survey questions.

Figure 6-13 Factors Most Valued for the Determination of Wage Increase for Part-time Workers

Notes: 1) Summary count of the companies (546) that increased the wages of part-time workers (for all or a part of those workers)
 2) "Own company's business performance" is described as "Your company's business performance" in the survey questions.

workers, the percentages of companies that chose "Securement/stability of the workforce" and "The pay rate of part-time workers of the same region/job type" are higher compared with those of the cases of wage increases for regular employees. And to some extent, the regional minimum wage has also had an influence on wage increase for part-time workers.

Section 2 Minimum Wage System

1. Recognition Conditions of the Regional Minimum Wage

(1) Degree of Recognition of Regional Minimum Wage

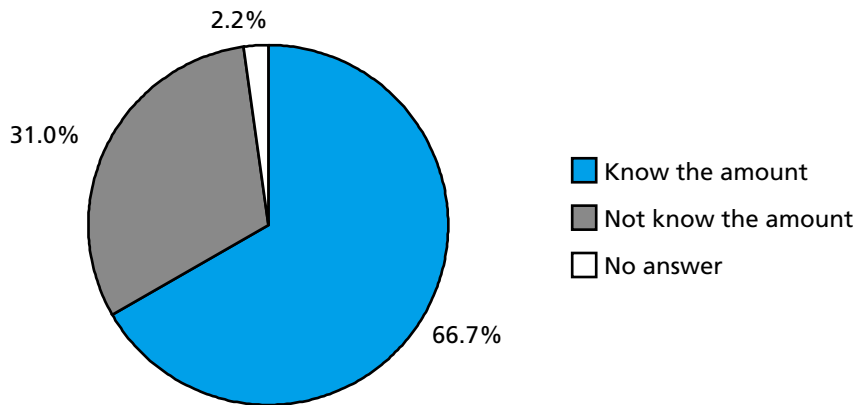
Among all the companies, when asked whether they knew the minimum amount of wage per region in the prefectures where their headquarters are

located (the amount could be confirmed by checking the list of minimum wages per region in each prefecture written at the bottom of the survey paper), the most popular answer was "Know the amount" (66.7%). The answer chosen by 31.0% of the companies was "Do not know the amount" (Figure 6-14). Though "Know the amount" was chosen by two thirds of the companies, there was a possibility that those companies were influenced by the above-mentioned way of questioning.

(2) Recognition Route of Regional Minimum Wage

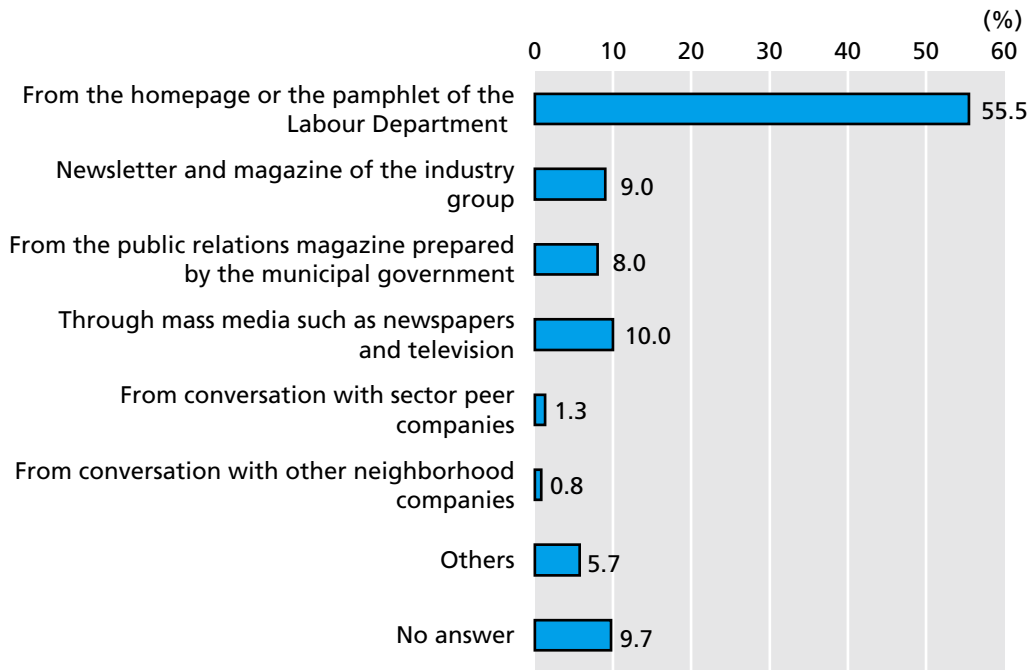
Out of the 1,993 companies that answered they knew the minimum wage per region, when asked where they had learned about it, the answer that was chosen by a relatively higher percentage of the

Figure 6-14 Degree of Recognition of Regional Minimum Wage



Note: Summary count of all the 2,987 respondent companies

Figure 6-15 Recognition Route of the Regional Minimum Wage



Note: Summary count of the 1,993 companies that answered they knew the minimum wage

companies than other answers was “We learned from the homepage or the pamphlet of the Labor Department”, which was over half (55.5%). Next was “Through mass media such as newspapers and television” (10.0%) and then “Newsletters and magazines for the industry group” (9.0%) (Figure 6-15).

2. Status of Workers Whose Wage Is in the Vicinity of the Regional Minimum Wage

In order to study the influence the regional minimum wage has on determining the wage of the employees in the business offices of the prefectures where the company headquarters were located, the following method was used: The question on the status of the employees (classified into regular or

non-regular employees) whose wage was in the vicinity of the regional minimum wage in the relevant prefecture³ was put to the companies, and the companies were asked to reply by referring to the list of the regional minimum wages in each prefecture, written at the bottom of the survey paper. The results were carefully examined, and the ratio of the companies with employees whose wage was in the vicinity of the regional minimum wage is described in this paper, excluding companies that were “unknown”⁴ (“carefully examined” method). The percentage of the companies that have more than one employee, whose wage is less than the minimum wage multiplied by 110%, was 6.6% for regular employees and 21.5% for non-regular employees. The percentage of the companies with more than one employee, whose wage is less than the minimum wage multiplied by 110%~120%, was 7.8% for regular employees and 26.3% for non-regular employees. The percentage of the companies with more than one employee, whose wage is less than the minimum wage multiplied by 120%~130%, was 11.4% for regular employees and 26.6% for non-regular employees. The percentage of the companies that replied they have more than one employee whose

wage is in the vicinity of the regional minimum wage is around 10% for regular employees and around 20~25% for non-regular employees (Table 6-16).

3. Countermeasures to Increase the Regional Minimum Wage

(1) The Existence of Countermeasures or Review on the Increase in the Regional Minimum Wage

When the companies were asked whether they took countermeasures or conducted reviews in terms of the aspects of management, employment or wages (including wage increase) in order to deal with the increase in the regional minimum wage in FY2007, “Countermeasures were taken or reviews were conducted” was chosen by around 20%, but the answer that was chosen by the majority was “Countermeasures were not taken or reviews were not conducted” which was around 75% (Figure 6-17).

(2) Handling of the Increase in the Regional Minimum Wage

When the 628 companies that answered they took some countermeasures or conducted reviews to deal with the increase in the regional minimum wage in

Table 6-16 Ratio of the Number of Companies Having Employees Whose Wage Is in the Vicinity of the Regional Minimum Wage (“Carefully Examined” Summary Count)

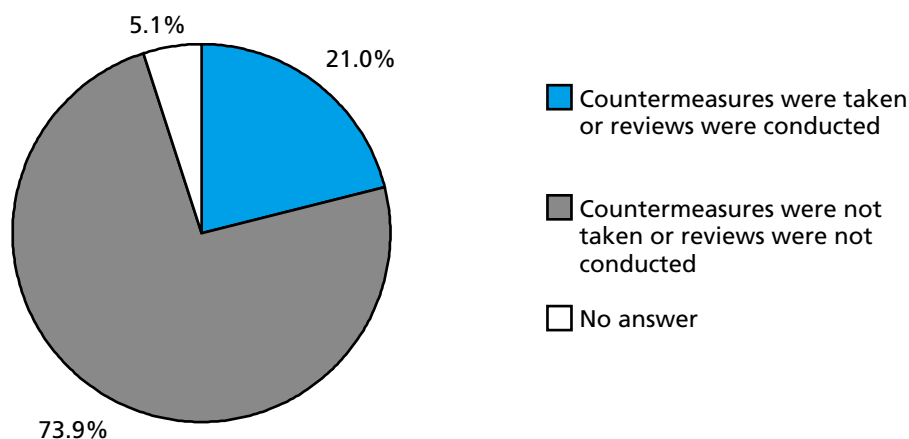
(%)

	Permanent workers	Nonpermanent workers
Less than minimum wage × 110%	6.6	21.5
Less than minimum wage × 110~120%	7.8	26.3
Less than minimum wage × 120~130%	11.4	26.6

Note: Survey papers collected from the companies who answered they had more than one employee (2,705 companies with regular employees and 1,859 companies with non-regular employees) were carefully examined, and then counting was carried out for the companies (1,752 companies with regular employees and 1,205 with non-regular employees) by excluding those for which answers were unknown.

- 3 The amount of the regional minimum wage multiplied by 110% was ¥60-70 higher than the amount of the regional minimum wage, the amount of the regional minimum wage multiplied by 120% was ¥120-150 higher than the amount of the regional minimum wage, and the amount of the regional minimum wage multiplied by 130% was ¥190-220 higher than the amount of the regional minimum wage. The regional minimum wage multiplied by less than 110% seems to be the wage in the vicinity of the regional minimum wage. The regional minimum wage multiplied by less than 120% is in the range that seems to come under the influence of the wage increase and the regional minimum wage multiplied by 120%-less than 130% is in the range that has the possibility to come under the influence of the wage increase to some extent.
- 4 Regarding the process of carefully examining survey papers, refer to the recitals of the attached statistical table.

Figure 6-17 Existence of Countermeasures or Reviews on the Increase in the Regional Minimum Wage



Note: Summary count of all companies (2,987)

FY2007 were asked what measures they took in particular (multiple answers allowed), the answers were as follows: “Wage increase in employees” was overwhelmingly high at 72.1%, followed by “Reductions in overhead costs excluding labor costs” at 40.6%, “Improvement of personnel distribution and working methods” was 28.7% and “Cutback on new hiring” which was 21.7%. In addition, the answers that were chosen by 13.7% were “Review of welfare expenses” (13.7%), “Introduction and expansion of facilities for manpower saving” (10.4%), “Revision of the wage plan including adoption or expansion of a performance-based pay system, pay according to function, and performance pay” (10.4%), “Increase in prices and fees” (10.2%), and “Review of education and training” (10.2%) (Figure 6-18).

1) Targets for “Wage Increase”

When the companies that answered “Wage increase in employees was their way of dealing with the increase in regional minimum wage” were asked who were targets for the wage increase, they gave the following answers: “Regular employees” was 50.6%, next was “Both regular and non-regular employees” (34.7%), and “Non-regular employees” was 13.7% (Figure 6-19). When the number of companies that chose “Regular employees” and that of companies that chose “Both regular and non-regular employees”

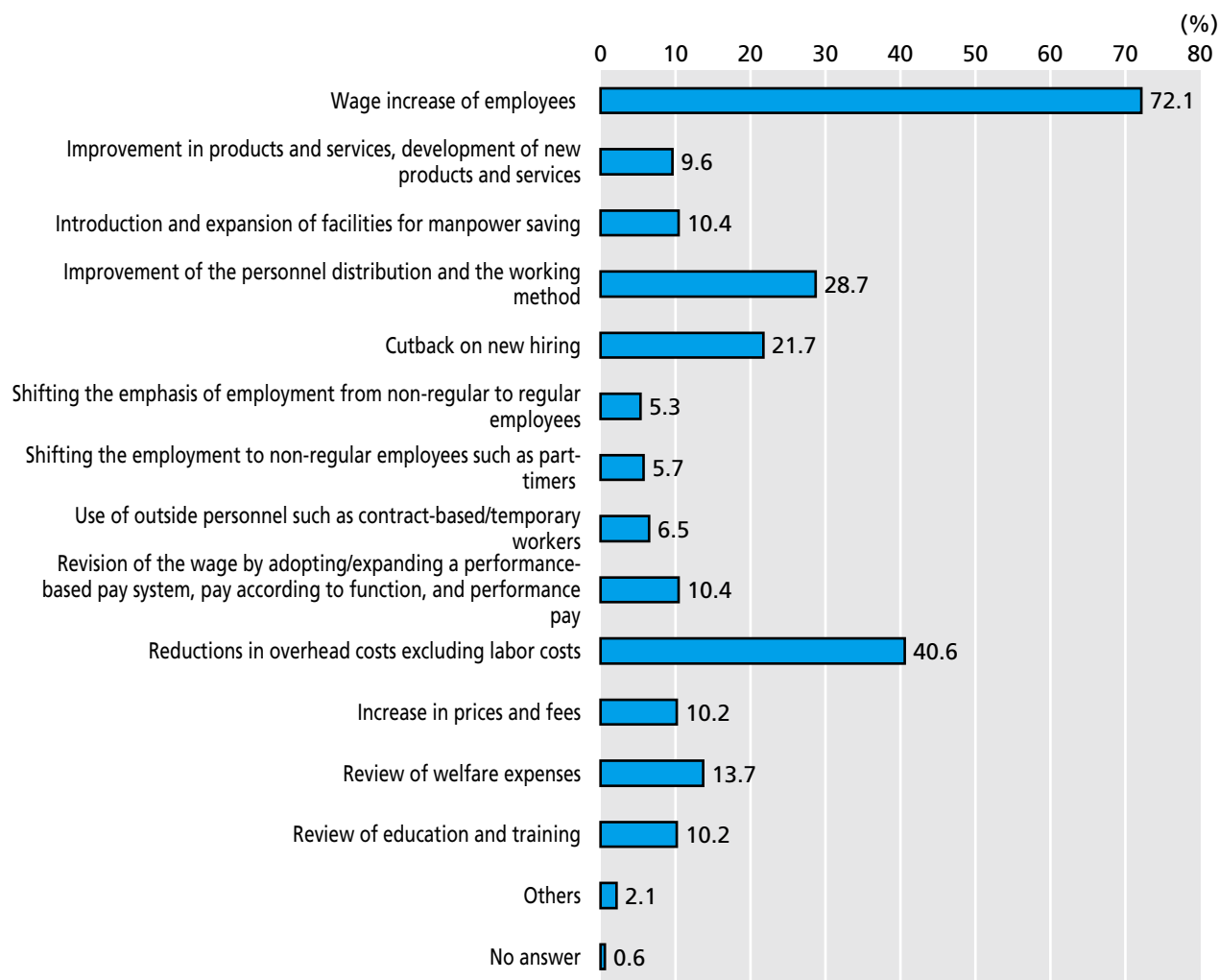
are combined, it shows that about 85% that answered they “Raised employees’ wages” increased the wages of their regular employees.

2) Targets for “Cutbacks on New Hiring”

When the companies that answered “Cutback on new hiring” was their way of dealing with the increase in regional minimum wage were asked who their targets were, they gave the following answers: “Regular employees” was chosen by a high percentage of companies (48.5%), followed by “Both regular and non-regular employees” (37.5%), while “Non-regular employees” (6.6%) was chosen only by a few companies. When the number of the companies that chose “Regular employees” and that of the companies that chose “Both regular and non-regular employees” are combined, it shows that about 86% that chose “Cutback on new hiring” have cut back on the new hiring of regular employees (Figure 6-20).

3) Targets for the “Review of Welfare Expenses” and the Change in Expenses

When the 86 companies that answered they “Reviewed the welfare expenses to deal with the increase in regional minimum wage” were asked who were their targets for the “Review of welfare expenses”, they gave these answers: A high percentage of the companies chose “Regular employees” (48.8%), followed by “Both regular and

Figure 6-18 Way of Handling the Increase in the Regional Minimum Wage (Multiple Answers Allowed)

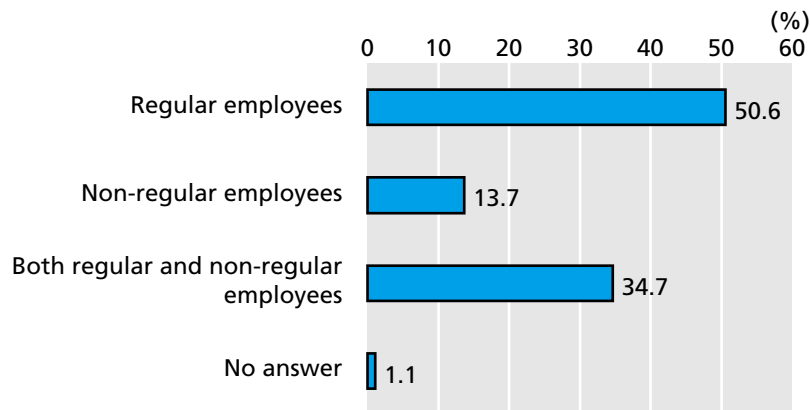
Note: Summary count of the 682 companies that introduced countermeasures or reviews to deal with the increase in the regional minimum wage in FY2007

non-regular employees” (39.5%), while “Non-regular employees” (2.3%), which was chosen by only a few companies. When the number of the companies that chose “Regular employees” and that of the companies that chose “Both regular and non-regular employees” are combined, it shows that slightly less than 90% that chose “Review of welfare expenses” targeted regular employees for the “Review of welfare expenses” (Figure 6-21).

When the companies reviewed their welfare expenses, some companies reduced their welfare expenses in order to offset the increase in wage and salary costs related to the increase in the regional

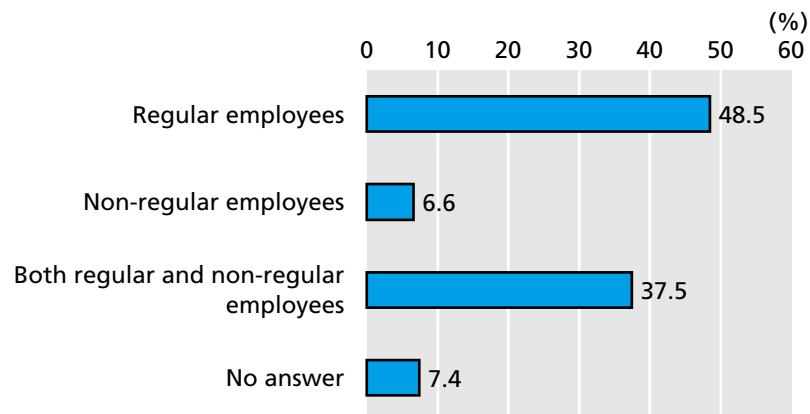
minimum wage, while other companies increased their welfare expenses in order to recruit new employees or to prevent their own employees from switching to other companies. When the 86 companies that answered they reviewed their welfare expenses, the companies that chose “Increased welfare expenses” was 47.7%. This was higher percentage of those that chose their “Reduced welfare expenses” (36.0%) (Figure 6-22).

Figure 6-19 Targets of Wage Increase



Note: Summary count of the 453 companies that answered the “wage increase in employees” was their way of dealing with the increase in regional minimum wage.

Figure 6-20 Targets of Cutback on New Hiring



Note: Summary count of the 136 companies that answered “cutback on new hiring” was their way of dealing with the increase in regional minimum wage.

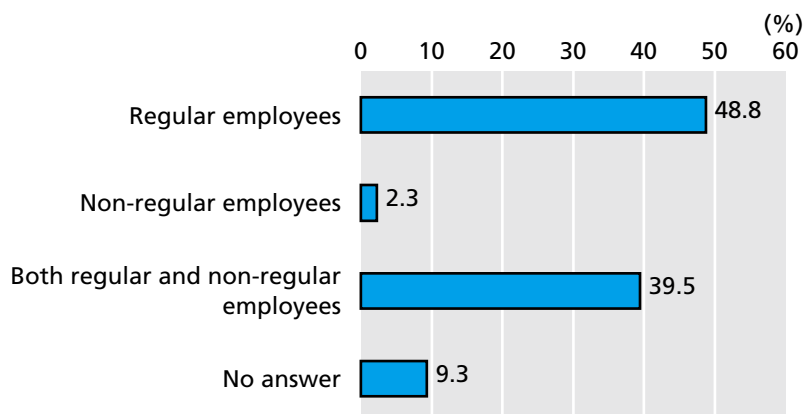
4) Targets for the “Review of Education and Training” and Changes in the Quantity/ Expenses

When the 64 companies that answered “Review of education and training” was their way of dealing with the increase in regional minimum wage were asked who were their targets, the following answers were given: The answer chosen by most companies was “Both the regular and non-regular employees” (50.0%), followed by “The regular employees” (39.1%), and “The non-regular employees” (6.3%) (Figure 6-23). When the number of the companies that chose “The regular employees” and that of the

companies that chose “Both the regular and non-regular employees” are combined, it shows that slightly less than 90% of those answering they reviewed education and training targeted their regular employees.

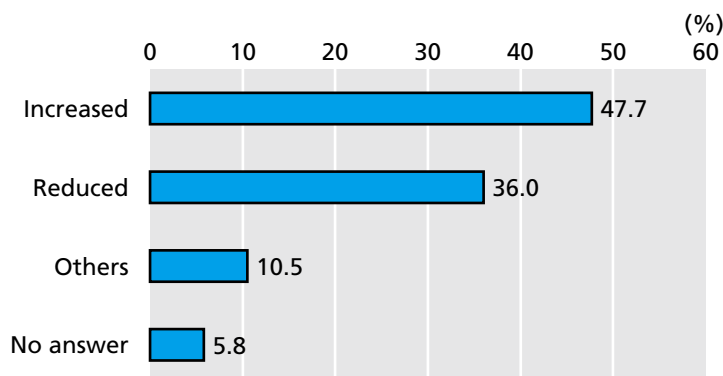
When companies review their education and training, some companies reduce their expenses for education and training in order to offset the increase in wage and salary costs related to the increase in regional minimum wage, while other companies positively increase their investment in education and training in order to improve labor productivity. When the 64 companies that answered they reviewed their

Figure 6-21 Targets of the Review of Welfare Expenses



Note: Summary count of the 86 companies that answered the "Review of welfare expenses" was their way of dealing with the increase in regional minimum wage.

Figure 6-22 Contents of the Review of Welfare Expenses



Note: Summary count of the 86 companies that answered the "Review of welfare expenses" was their way of dealing with the increase in regional minimum wage.

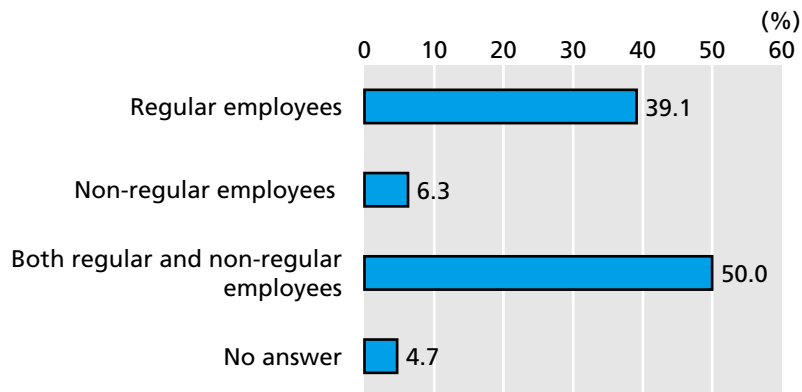
expenses for education and training, were asked what they did with the quantity/expenses for education and training, the percentage of companies that chose "Increased" was 62.5%, while the percentage for "reduced" was 15.6% (Figure 6-24). That shows quite a few companies chose positive investment in education and training to deal with the increase in the regional minimum wage.

(3) Reasons Why Companies Did Not Take Countermeasures or Conduct Reviews

When the 2,208 companies that answered they did not take countermeasures or conduct reviews in order to deal with the increase in the regional minimum wage in FY2007, were asked what was their prime reason for not taking measures or conducting

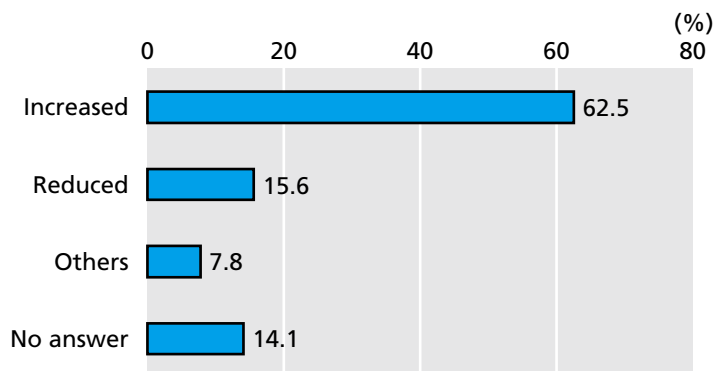
reviews, the following answers were given: The majority of the companies chose "Because own company's wage has always been higher than the minimum wage" (86.1%). Factors such as "We knew about the regional minimum wage, but did not know it was going to be actually applied" (2.7%), "Not able to cope with the revised regional minimum wage" (2.6%), "Others" (2.5%) and "There are no employees employed at one's own company" (1.5%) were all chosen by only a very low percentage of the companies. This shows there are some companies that chose "Not able to cope with the revised regional minimum wage".

Figure 6-23 Targets of Review of Education and Training



Note: Summary count of the 64 companies that answered "Review of education and training" was their way of dealing with the increase in regional minimum wage.

Figure 6-24 Contents of Review of Quality/Expenses of Education and Training



Note: Summary count of the 64 companies that answered "Review of education and training" was their way of dealing with the increase in the regional minimum wage.

4. Influence of the Increase in the Regional Minimum Wage

When all the companies⁵ were asked whether the increase in the regional minimum wage in the FY2007 had affected (changed) their management and/or employment aspect(s), the answer that was chosen by 70~80% of the companies was "No change". This shows most of the companies were not affected by the increase in the regional minimum wage in the FY2007, but some of them have felt its influence in several areas, such as the current profit

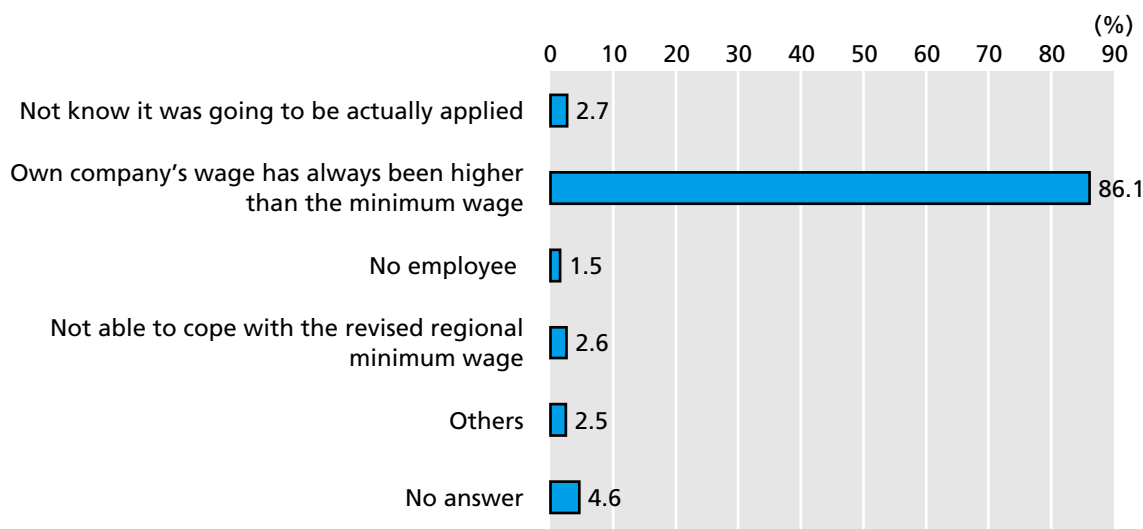
or the total amount of the personnel cost. In several areas, the number of companies that chose "Not sure" were around 10%. The following breakdown shows the result of the answers in each area.

(1) Influence on the Current Profits

When taking a look at the influence of the increase in the regional minimum wage on the current profit, about 70% of the companies replied "No change", but "Resulted in a decrease in current profits" was also chosen by some companies (15.9%). "Resulted in an increase in current profits" (2.3%)

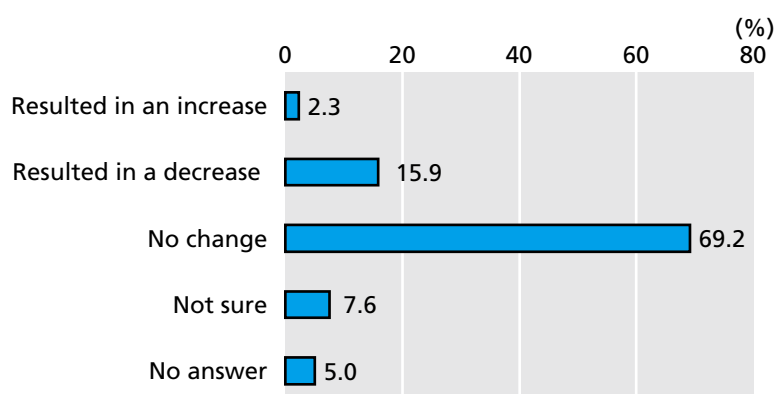
⁵ Summary count is conducted on the companies that answered they have regular employees or non-regular employees regarding increase/reduction of the number of regular employees or non-regular employees.

Figure 6-25 Reason Why Companies Did Not Take Countermeasures or Conduct Reviews to Deal with the Increase in the Regional Minimum Wage



Note: Summary count of the 2,208 companies that did not take countermeasures or conduct reviews in terms of aspects of management, employment or wages to deal with the increase in the regional minimum wage in FY2007

Figure 6-26 Influence of the Increase in the Regional Minimum Wage Has on the Current Profits



Note: Summary count of all the 2,987 respondent companies

was chosen by only a few companies (Figure 6-26).

(2) Influence on the Sales Price

When looking at the influence of the increase in the regional minimum wage on the sales price, the highest answer was “No change” (75.9%). The percentage of the companies that chose “Resulted in a

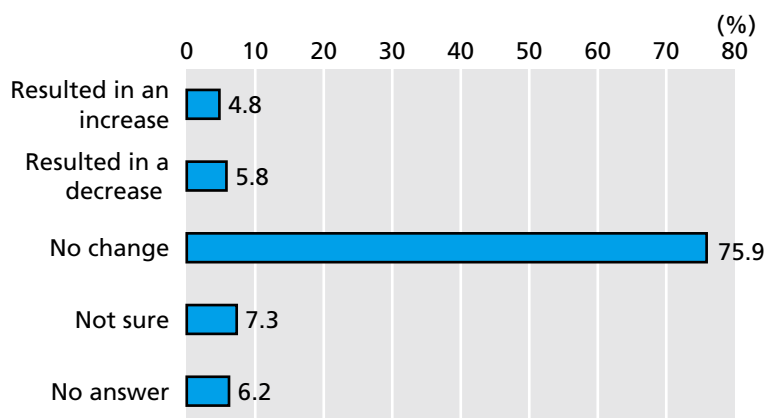
decrease in current profits” (5.8%) slightly exceeded that of the companies that chose “Resulted in an increase in current profits” (4.8%) (Figure 6-27).

(3) Influence on Labor Productivity

As for the influence of the increase in the regional minimum wage on labor productivity⁶, the highest

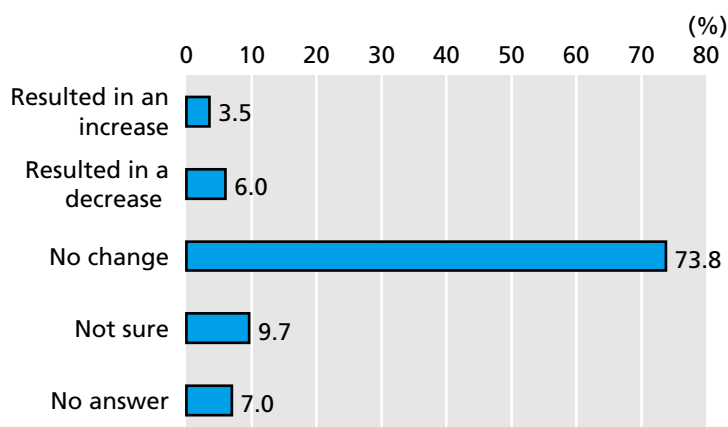
⁶ "Labor productivity" describes how much added value a worker can produce per hour, and the added value indicates the sum total of current profits, personnel expenses, financial charges, tax and dues, the rent expense and the depreciation expense.

Figure 6-27 Influence of the Increase in the Regional Minimum Wage on the Sales Price



Note: Summary count of all the 2,987 respondent companies

Figure 6-28 Influence of the Increase in the Regional Minimum Wage on Labor Productivity



Note: Summary count of all the 2,987 respondent companies

answer was “No change” (73.8%). The percentage of the companies that chose “Resulted in a decrease in the labor productivity” (6.0%) slightly exceeded that of the companies that chose “Resulted in an increase in the labor productivity” (3.5%) (Figure 6-28).

(4) Expenses excluding Labor Costs

When looking at the influence of the increase in the regional minimum wage on the labor expenses excluding labor costs, 68.7% chose “No change”, while “Resulted in an increase” was 10.8% and “Resulted in a decrease” was 5.7% (Figure 6-29).

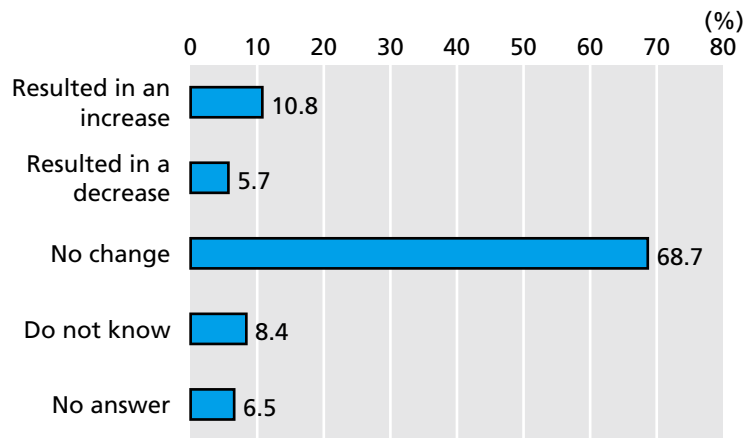
(5) Total Amount of Labor Costs

Regarding the influence of the increase in the regional minimum wage on the total amount of labor costs, the highest answer was “No change” (64.8%), but “resulted in an increase” was also chosen by around 20% of the companies. In addition, “Resulted in a decrease” was 4.2% (Figure 6-30).

(6) Influence on the Number of Employees

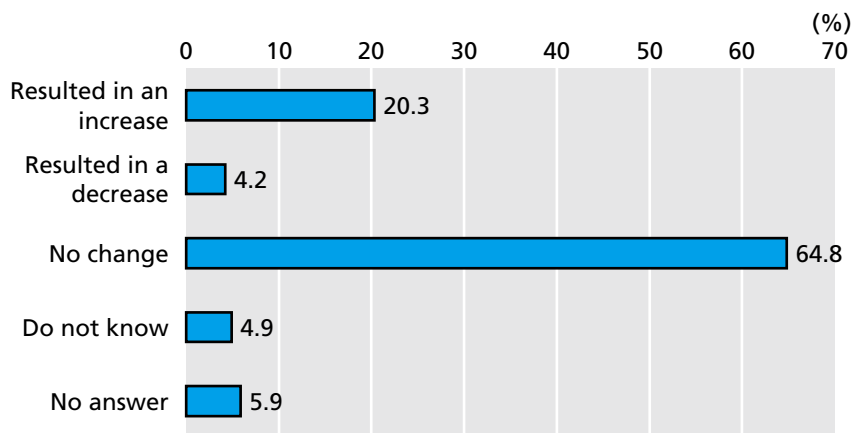
When looking at the influence of the increase in the regional minimum wage on the number of employees (the whole employees), the highest answer was “no change” at around 80% (80.5%), while

Figure 6-29 Influence of the Increase in the Regional Minimum Wage on Expenses excluding Labor Costs



Note: Summary count of all the 2,987 respondent companies

Figure 6-30 Influence of the Increase the Regional Minimum Wage on the Total Amount of Labor Costs



Note: Summary count of all the 2,987 respondent companies

“resulted in a decrease” was 5.7%. Although 3.7% answered “resulted in an increase”, “resulted in a decrease” exceeded “resulted in an increase” (Figure 6-31).

Looking at the influence on regular employees, the summary count of the companies with more than one regular employee shows that the highest answer was “No change” at 81.0%, but “Resulted in a decrease” (4.6%) and “Resulted in an increase” (3.7%) were also chosen by some companies. Thus “Resulted in a decrease” slightly exceeded “Resulted in an increase” (Figure 6-32).

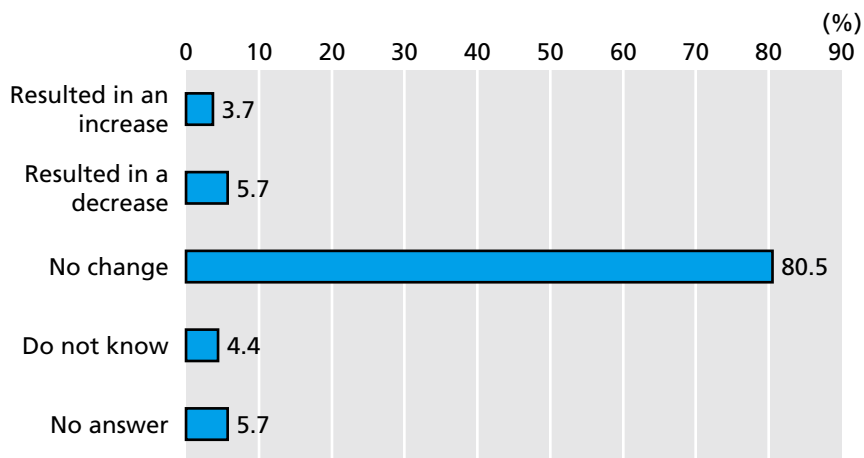
Looking at the influence on non-regular

employees, the summary count of the companies with more than one non-regular employee shows that the highest answer was “No change” (79.7%), while “Resulted in an increase” (4.6%) slightly exceeded “Resulted in a decrease” (4.3%) (Figure 6-33).

(7) Total Number of Working Hours

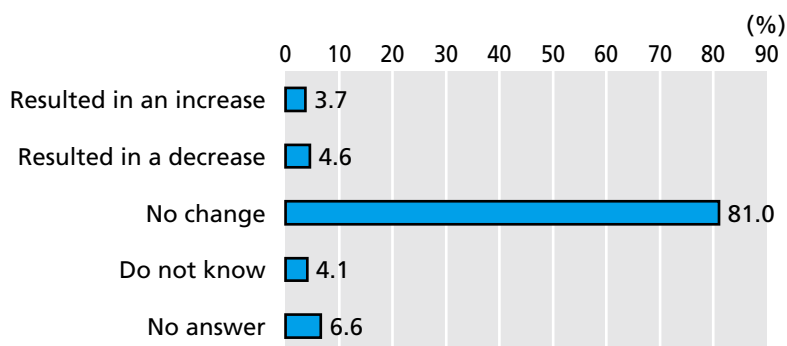
Looking at the influence of the increase in the regional minimum wage on the total number of working hours, the highest answer was “No change” (82.0%), while answers that were chosen by some companies were “Resulted in a decrease” (4.6%) and “Resulted in an increase” (3.2%) (Figure 6-34).

Figure 6-31 Influence of the Increase in the Regional Minimum Wage on the Number of Employees



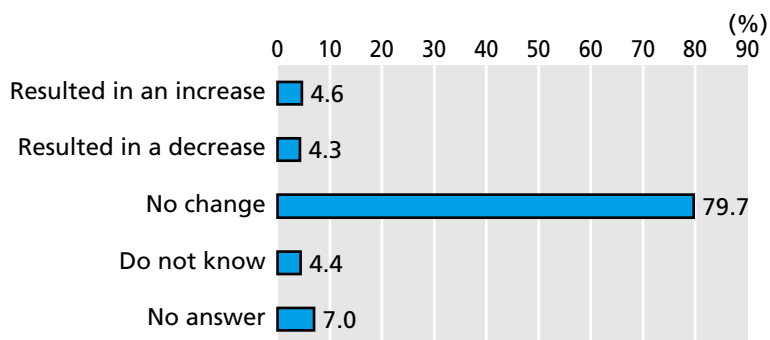
Note: Summary count of all the 2,987 respondent companies

Figure 6-32 Influence of the Increase in the Regional Minimum Wage on the Number of Regular Employees



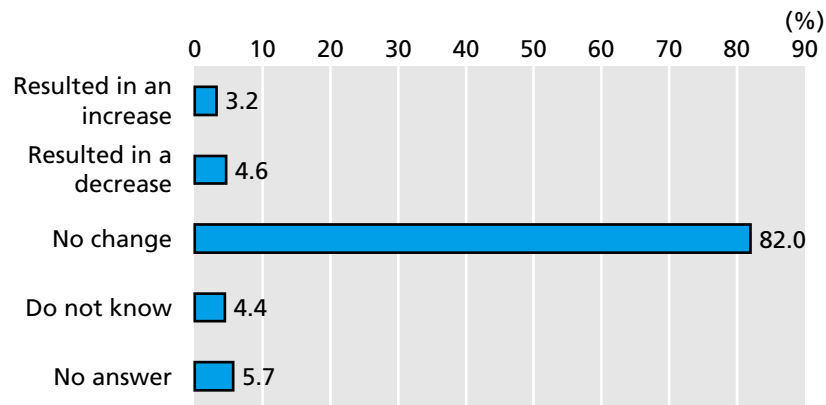
Note: Summary count of all the 2,705 respondent companies with more than one regular employee

Figure 6-33 Influence of the Increase in the Regional Minimum Wage on the Number of Non-regular Employees



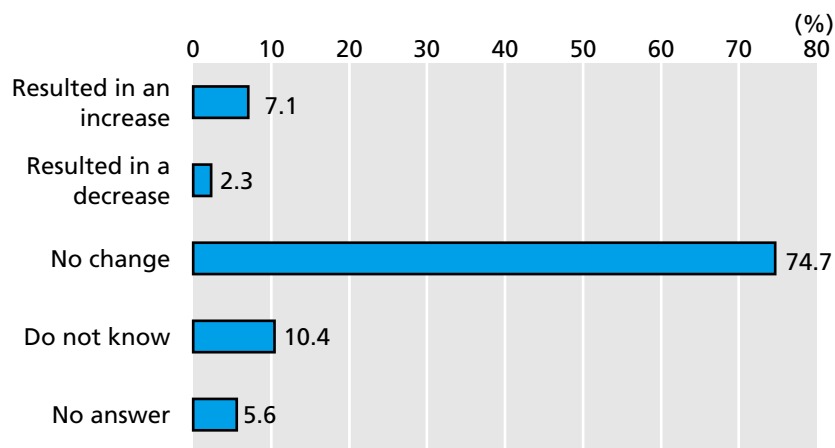
Note: Summary count of all the 1,859 respondent companies with more than one non-regular employee

Figure 6-34 Influence of the Increase in the Regional Minimum Wage on the Total Number of Working Hours



Note: Summary count of all the 2,987 respondent companies

Figure 6-35 Influence of the Increase in the Regional Minimum Wage on Employee Motivation



Note: Summary count of all the 2,987 respondent companies

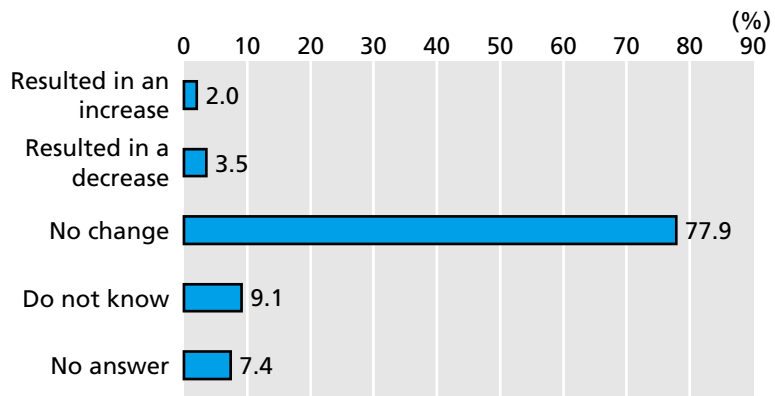
(8) Employee Motivation

Looking at the influence of the increase in the regional minimum wage on employee motivation, around three quarters of the companies chose “No change”, while “Resulted in an increase” was chosen by 7.1%. On the other hand, “Resulted in a decrease” was chosen by only a few companies (2.3%) (Figure 6-35).

(9) Filling Vacancies

Looking at the influence of the increase in the regional minimum wage on filling vacancies, the most popular answer was “No change” (77.9%). On the other hand, factors such as “Resulted in a decrease” (3.5%) and “Resulted in an increase” (2.0%) were chosen by only a few companies (Figure 6-36).

Figure 6-36 Influence of the Increase in the Regional Minimum Wage on Filling Vacancies



Note: Summary count of all the 2,987 respondent companies

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6. Status of the Minimum Wage System and Revision of Wage

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