

Part 3 provides an introduction to recent trends and issues in Japan relating to the growth of non-regular employment, which is a development that many countries have in common. The descriptions below are based on the content of Research Series No.3 “The Current Status of Non-regular Employment and Related Policy Issues”, a project undertaken during the JILPT’s second target period, based on research and studies carried out by the JILPT.<sup>1</sup> Please be aware that this was published in March 2012, and the content mainly deals with matters during the period before the Great East Japan Earthquake in March 2011. Having said that, although there are areas in which little progress has been made in terms of recovery from this tremendous catastrophe brought about by the huge earthquake, it does not appear to be necessary to make any major changes in terms of trends relating to the main subject matter dealt with here, because for better or for worse, the economy is returning to its original condition, as it surmounts the temporary supply constraints that it experienced.

With regard to the structure of this part, Chapter 1 provides a broad overview of employment trends in Japan, including non-regular employment, focusing primarily on the situation since the economic fluctuations triggered by the Lehman Shock, and examines the characteristics of and issues arising from those trends. Chapters 2 to 4 respectively take up the subjects of *keiyaku-shain* (full-time workers on fixed-term contracts), part-time workers, and dispatched workers, which are typical forms of non-regular employment, examining and analyzing the issues that workers in each employment type face.

Following on from this, Chapters 5 to 7 look at non-regular employment in general, rather than individual forms of employment, with Chapter 5 focusing on skills development, Chapter 6 on the transition to regular employee status, and Chapter 7 on wage disparities between regular and non-regular workers. Finally, Chapter 8 provides a comprehensive summary, discussing tasks for the future, including from a medium- to long-term perspective.<sup>2</sup>

## Chapter 1. Trends and Issues concerning Non-regular Employment Before and After the Financial Crisis

Using data including existing government statistics, Chapter 1 provides a broad overview of the labor economy and employment trends since the financial crisis, and summarizes the characteristics of employment adjustment resulting from the recent economic fluctuations.

### 1. Trends in Economic Activities

Let us firstly examine changes in GDP (gross domestic product), which is an overall indicator of economic activities, and also the industrial production index. From the peak (January - March 2008) until the trough (January - March 2009), which fell either side of the July - September 2008 period when the Lehman Shock occurred, nominal GDP declined by 9.2%, while real GDP, excluding price changes, dropped by 9.9%, so one can say that economic activities in Japan fell by around 10% overall. Moreover, the manufacturing industry production index fell by 32.3% over the same period,

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2 This structure differs from that in the aforementioned publication. In particular, the previous publication contained a chapter concerning non-regular employment in various other countries, which has been omitted from this publication.

with the level of production in the machine industry declining by as much as 42.6%. Looking at subsequent developments, production in manufacturing industry - and in the machine industry within that sector - demonstrated what would be fair to describe as a V-shaped recovery, and real GDP also recovered to a moderate degree, but was more or less flat going into 2010. If one takes the levels at the time of the recent peak (January - March 2008) as being 100, the levels for the period October - December 2010 were all below those at the time of the peak, with real GDP at 95.3 and manufacturing industry production index at 86.1, a decline of around 5% and around 15% respectively.

## 2. Trends in Labor Input Adjustment in Manufacturing Industry

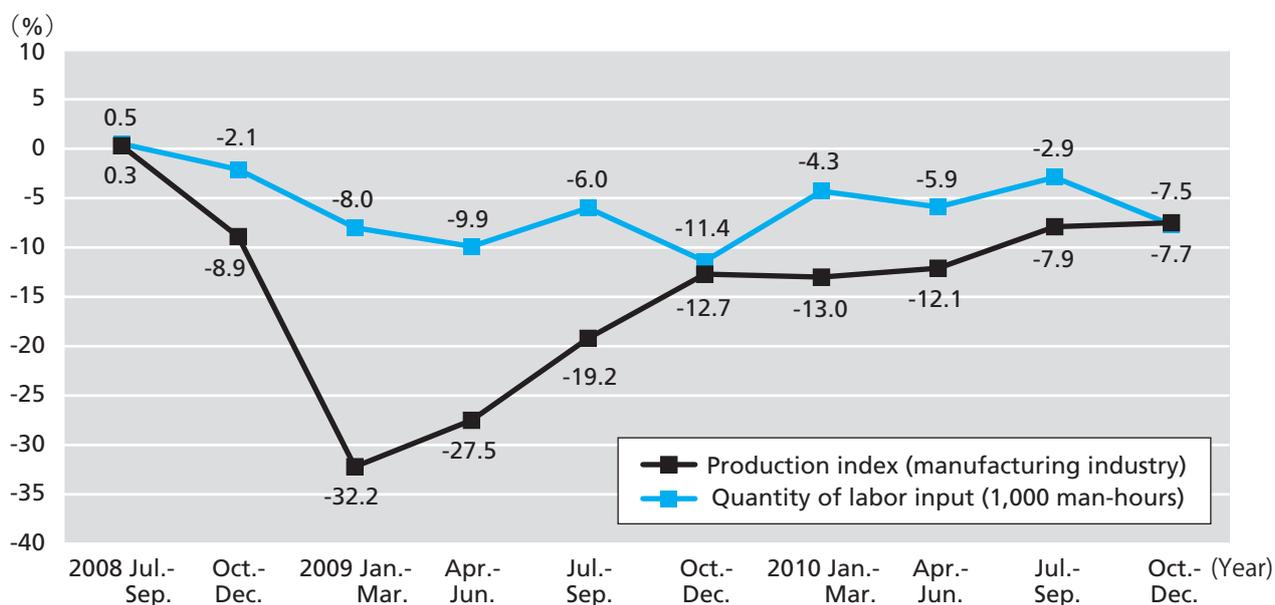
As described above, the Japanese economy was stricken by a rapid contraction amid a worldwide financial crisis. Above all, this had a major impact on the manufacturing industry sector. Along with

fluctuations in economic activities, there were variations in labor input, bringing about changes in employment trends overall. Accordingly, let us look at trends in the quantity of labor input (employment × working hours) in manufacturing industry during this period.

III-1 shows the level of production and labor input in each period, taking the period April - June 2008, before the Lehman Shock, as the base point. Labor input continued to decline throughout 2009, falling to 11.4% in the period October - December 2009, at which point production and labor input were more or less equal. Thus, in the event of a sharp drop in production (that is to say, the volume of business activity), the overall quantity of labor input begins to be adjusted gradually, so eventually the decline in labor input combines with the recovery of production and the correlation between them is adjusted.

So how was this adjustment of the quantity of labor input carried out? The breakdown of changes in the quantity of labor input was estimated from

### III-1 Changes in Production and the Quantity of Labor Input in Manufacturing Industry (Percentage Change from April - June 2008)



Source: Estimated from Ministry of Economy, Trade and Industry "Industrial Production Index", Ministry of Health, Labour and Welfare "Monthly Labour Survey"

- Notes: 1) After turning the regular employment indices and working hour indices of the Monthly Labour Survey into real numbers by multiplying them by the actual figures for the base year, the quantity of labor input was calculated based on the equation quantity of labor input = regular employment × working hours.  
 2) The graph shows the rate of change in each quarter based on the levels of production and quantity of labor input for the second quarter of 2008 (2008 Apr.-Jun.).  
 3) Calculated from the original indices.

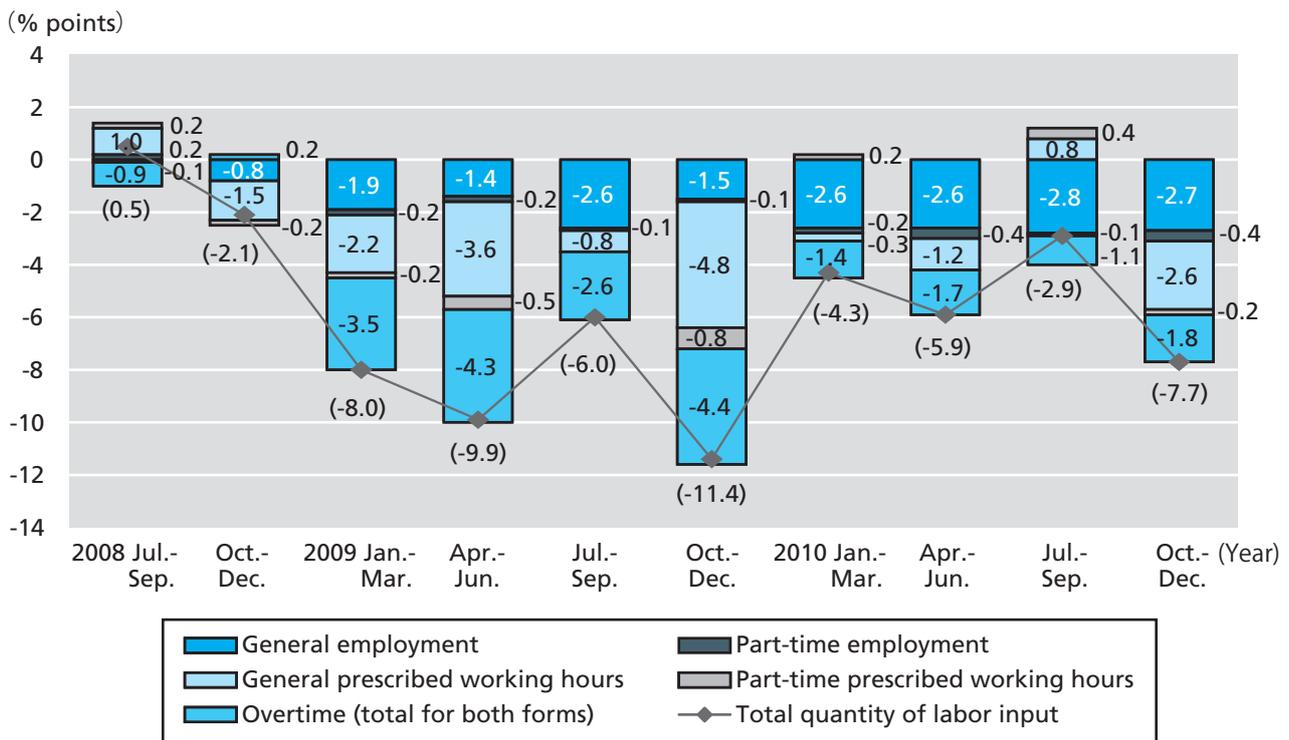
statistical indicators and is shown in III-2 in terms of the degree of contribution. From the period October - December 2008 to April - June 2009, when labor input declined sharply, the contribution of overtime increased, as did the contribution made by the prescribed working hours of general workers (those in full-time regular employment), to a reasonable extent. During this period, as well as curbing overtime, labor input adjustment mainly took place via temporary layoffs of general workers. Subsequently, with adjustments continuing to take place via overtime, the contribution made by the employment of general workers expanded somewhat. In October - December 2009, the period when labor inputs declined the most against the period April - June 2008, input adjustments took place to the extent that the contribution made by the prescribed working hours of

general workers exceeded the contribution made by overtime. However, in 2010, the quantity of labor input leveled off and remained more or less flat. From this, it can be said that the adjustment of inputs via large-scale temporary layoffs took place until 2009, but that such layoffs ceased and things returned to normal in 2010.

In addition, although the employment of part-time workers may not be described as making a major contribution, fluctuations were seen in the prescribed working hours of part-timers, demonstrating that adjustments also took place in the employment and working hours of part-time workers.

However, the aforementioned statistics are data concerning directly-employed workers, and they do not reflect trends relating to dispatched workers involved in manufacturing duties, the employment of

### III-2 Changes in the Degree of Contribution to Fluctuations in the Quantity of Labor Input by Item (Percentage Change from April - June 2008 & Degree of Contribution)



Source: Estimated from Ministry of Health, Labour and Welfare "Monthly Labour Survey"

- Notes: 1) After turning the regular employment indices and working hour indices of the Monthly Labour Survey into real numbers by multiplying them by the actual figures for the base year, the quantity of labor input was calculated based on the equation quantity of labor input = regular employment × working hours.
- 2) The graph shows the rate of change in each quarter based on the levels of quantity of labor input for the second quarter of 2008 (2008 II).
- 3) Figures in brackets below each quarter are the values for the overall fluctuation rate of the quantity of labor input.
- 4) Calculated from the original indices.

whom has expanded rapidly since the ban on this form of work was lifted in 2004. Accordingly, if using the various statistics to make a provisional calculation of the quantity of labor input based on directly-employed workers + dispatched workers, the quantity of labor input in October - December 2010 was down 12.5% from the April - June 2008 level, which was considerably lower than the fall in the level of production (7.5%) From this, one can surmise that employment adjustments in manufacturing industry were escalating at an earlier stage.

### 3. Fluctuations in Employment by Form

Turning our attention to the “Survey Concerning the Actual Status of Diverse Forms of Employment”, carried out by JILPT in August 2010, and looking at fluctuations in the number of employed persons by form of employment during the three years up to the time the survey was conducted (see III-3), in the figure for total industry, the index of change for regular employees was more or less steady at 99.3, with fixed-term part-time workers and employees of contractors demonstrating a similar pattern, but while there was a fairly significant decline in dispatched workers (by around 6%), the number of fixed-term employees increased somewhat (by around 2%), and there was a fairly significant rise in the number of the special fixed-term employees known as “*shokutaku-shain*” (by around 5%). The considerable fall in the number of dispatched workers and the rise in the number of *shokutaku* and ordinary fixed-term employees are striking.<sup>3</sup>

Next, looking at the situation by industry, most industries are generally demonstrating a remarkable

decline in dispatched workers. Above all, in machine-related manufacturing industry, while there were decreases in regular employees (97.1) and fixed-term part-time workers (96.8), and a moderately significant fall among employees of contractors (93.5), dispatched workers declined even further, to 85.0. In addition, the industries experiencing relatively large declines in dispatched workers included finance and insurance, accommodation and catering, and consumption-related manufacturing industry. *Shokutaku-shain* demonstrated considerable increases among all industries. This trend in regard to *shokutaku-shain*, which can be seen among most business establishments, regardless of their industry, occurred when companies had to re-employ staff because the baby-boom generation reached the mandatory retirement age, and resulted from the ongoing employment of many baby boomers as *shokutaku* employees.<sup>4</sup> Moreover, with a few exceptions, there were also increases in fixed-term employees in most industries.

The only industry listed that remained steady was the medical care and welfare sector. One can see steady increases in employment, not only among regular employees (104.1), but also among the various forms of non-regular employment, although dispatched workers are on the decline here (97.5).

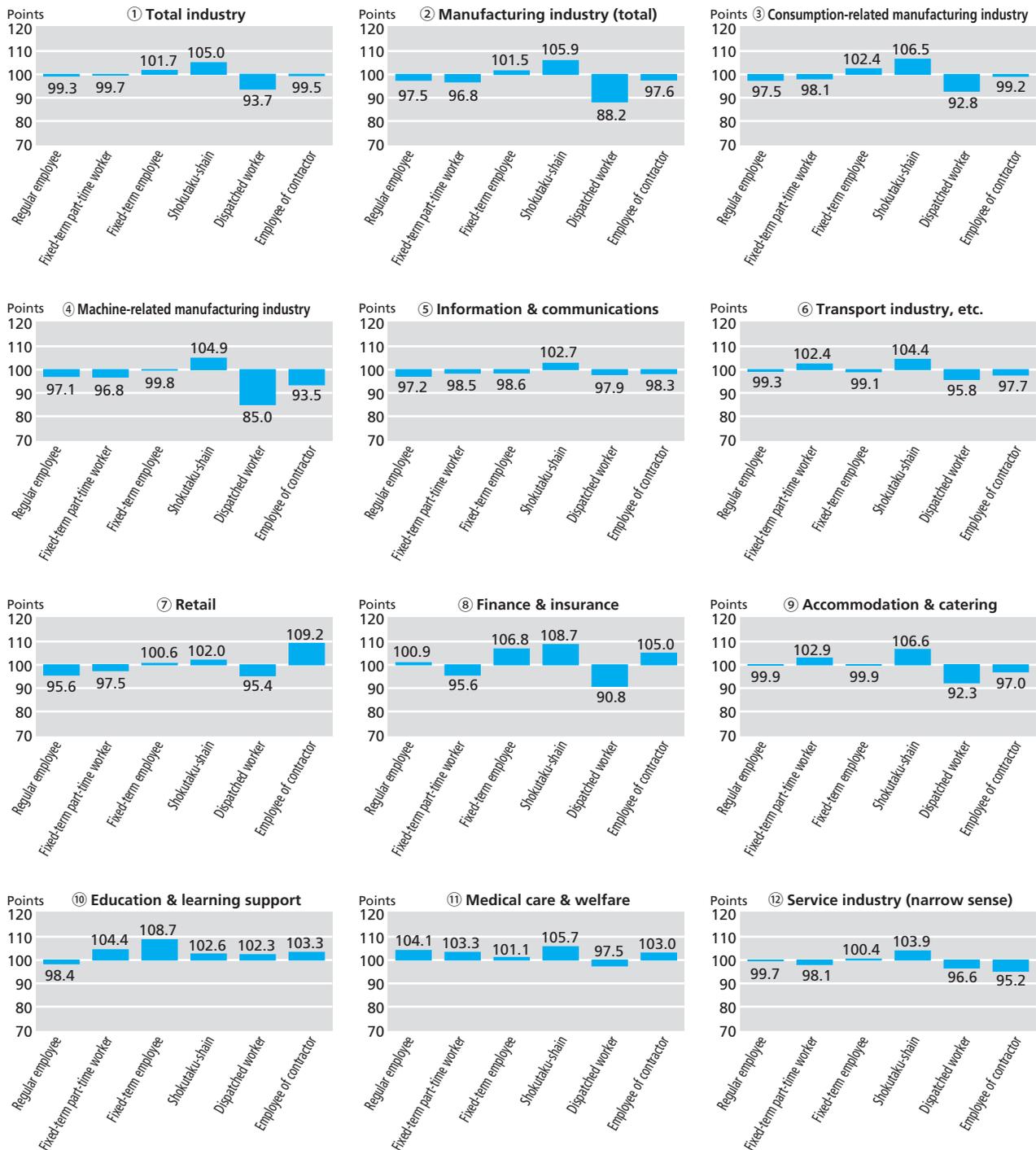
Judging from the aforementioned results, a major characteristic of employment trends by form of employment over the three years (2007 - 2010) that spanned the global financial crisis is the fact that although employment was faltering when seen in terms only of regular employees, there was a significant fall in dispatched workers and a considerable increase in *shokutaku-shain*. Although

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3 A “fixed-term part-time worker” is a part-time worker on an employment contract that runs for a specified period. On the other hand, part-time workers with an employment contract that does not stipulate the duration of the contract are called “indefinite part-time workers”. “Employees of contractors” are employees of companies to which work has been outsourced, who work at the business establishment of the client in order to carry out their duties on the basis of a contract between the companies. “*Shokutaku-shain*” are those engaged in fixed-term full-time employment, who have been re-employed after taking mandatory retirement. “Fixed-term employees” are those engaged in fixed-term full-time employment, excluding those to whom the term “*shokutaku-shain*” applies.

4 In Japan, a particularly large number of people were born during a three-year period from 1947 to 1949, immediately after the Second World War, forming a large hump in the age composition of the population. This demographic is called the “baby-boom generation”. Moreover, in 2006, a revision of the Act on Stabilization of Employment of Elderly Persons was enacted, stipulating that companies must, as a general rule, continue to employ employees in their early 60s if those employees express a desire to continue working; most of this demographic continued their employment in the form of re-employment.

### III-3 Index of Change in Employment by Industry (3 years earlier= 100)



Source: JILPT "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Business Establishments)" (carried out August 2010)

Note: 1) The responses concerning the degree of fluctuation that were categorized constitute the average index of change obtained from a weighted average calculated based on the component ratio of those group values.

2) The index of change in employment was calculated for business establishments that have all forms of employment, excluding those responding that "we have no such employees now, nor did we have any 3 years ago" and those who did not respond.

3) The names of some industry categories have been abbreviated, as follows.

- "Transport industry, etc.": "Transport & postal industry"
- "Accommodation & catering": "accommodation sector, catering service sector"
- "Service industry (narrow sense)": "Service industry (not otherwise classified)"

the latter resulted from a structural factor, in the form of the baby-boom generation entering their 60s, this would seem to have been what one might describe as a given condition that companies could do little to change.

#### 4. Issues Surrounding Employment Adjustment and Non-regular Employment

The foregoing section provided a broad overview of trends in non-regular employment since the global financial crisis, bearing in mind its relationship with economic activity. Behind such developments is what is called employment adjustment: the actions of companies (business establishments) that seek to adjust employment in response to their business activities. The term “employment adjustment” refers to the actions of companies as they seek to match the volume of employment to changes in their business activities.

Using the data from JILPT “Survey Concerning the Actual Status of Diverse Forms of Employment”, regression analysis was carried out, focused on the correlation between fluctuations in employment and fluctuations in amount of sales. The results of this are as shown in III-4; looking at the regression coefficient for the “index of change in amount of sales”, positive coefficients have been estimated for

both regular employees and all three types of non-regular employment. Among these, looking at the “future amount of sales forecast”, there is a comparatively clear-cut relationship in the case of regular employees, in which one can see that their numbers are maintained or increased where amount of sales is forecast to grow, but curtailed or reduced where amount of sales is forecast to decline; on the other hand, no relationship that could be described as statistically significant was identified in most cases of non-regular employment, with a few exceptions. Whereas the employment of regular employees is determined with reference at least to the medium-term prospects, rather than just recent fluctuations in business activities, there is a tendency for non-regular employment to be adjusted, due to being strongly affected by fluctuations in workload.

In times of major economic fluctuations, it is necessary to give the utmost consideration to maintaining employment, above all else. Behind major economic fluctuations is quite a considerable “overshoot” phenomenon, which is peculiar to market economies and occurs when there is an overreaction in the natural movements of the real economy due to the collapse of expectations, forecasts or credit. Consequently, there is a tendency for actions taken in response to immediate short-term fluctuations to

### III-4 Results of OLS Regression Analysis Taking the Index of Change in Employment as the Dependent Variable

	Dependent Variable Index of change in employment of regular employees		Dependent Variable Index of change in employment of fixed-term part-time workers		Dependent Variable Index of change in employment of fixed-term employees		Dependent Variable Index of change in employment of dispatched workers	
	Regression coefficient	t value	Regression coefficient	t value	Regression coefficient	t value	Regression coefficient	t value
(Constant)	86.136	59.946 ***	94.110	32.858 ***	89.646	25.660 ***	87.087	27.329 ***
Index of change in turnover since 3 years ago (group value)	0.144	11.054 ***	0.076	2.996 ***	0.085	2.723 ***	0.099	3.628 ***
Future sales / strong increase (dummy)	2.955	1.775 *	0.544	0.167	3.030	0.755	-2.976	-0.839
Future sales / moderate increase (dummy)	0.719	0.885	0.436	0.306	3.775	2.121 **	-0.298	-0.166
Future sales / somewhat on the decline (dummy)	-2.012	-2.926 ***	0.263	0.213	0.356	0.230	-1.425	-0.835
Future sales / must be prepared for a considerable decline (dummy)	-3.604	-2.691 ***	1.099	0.333	-4.164	-1.221	-2.410	-0.718
Future sales / hard to say (dummy)	0.508	0.500	2.848	1.584	5.279	2.360 **	-0.321	-0.142
Number of cases used in measurement	1271		626		507		547	
Analysis of variance F value	14.402 ***		3.106 ***		2.718 ***		4.473 ***	
Coefficient of determination adjusted for level of freedom	0.137		0.066		0.066		0.118	

Source: JILPT “Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Business Establishments)” (carried out August 2010)  
 Note: The asterisks beside the t values represent significance probability, as follows: \*\*\*: 1%, \*\*: 5%, \*: 10%, -: significance probability of less than 0.115%.

The future sales basis (reference category) is “Holding more or less steady”.

As well as the items listed, the explanatory variables include items relating to business challenges and the reasons for utilizing non-regular employment, but these have been omitted.

become a factor that exacerbates the situation instead. Above all, if one seeks to respond quickly to rapid falls in amount of sales in the immediate term by reducing employment, there is a possibility that the situation might turn into one in which “the bottom falls out of the economy”, with decreases in employment giving rise to further decreases in employment. Japanese companies are generally inclined to try to maintain employment as much as possible, insofar as their future business prospects permit, but it would also be fair to say that broadening the scope of these endeavors is task for the future, so that they apply not only to regular employees, but also non-regular employees, including dispatched workers.

## Chapter 2. The Ways of Working and Consciousness of *Keiyaku-shain*

Chapter 2 examines the ways of working and consciousness of *keiyaku-shain*. Here, “*keiyaku-shain*” are defined as directly-employed workers in full-time employment (at least 35 hours a week) on fixed-term contracts, excluding those who have been re-employed after reaching the mandatory retirement age. Moreover, those aged 60 or above are excluded from the analysis below. According to data from JILPT “Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)”, if looking at the attributes of “*keiyaku-shain*” as defined in this way, one can see various characteristics including the fact that (i) the proportion of women is around 70%, which is higher than the proportion among regular employees, but lower than that amongst indefinite and fixed-term part-time workers and dispatched workers; (ii) compared with regular employees, there are relatively few aged in their 30s to 40s, but many aged in their 50s; (iii) compared with regular employees, there are many who graduated from high school, junior college or technical college, but few who progressed as far as

graduating from university or a higher level institution; (iv) the proportion of those who responded that they themselves were the main breadwinner was around 40%, which was lower than the proportion among regular employees, but higher than that among indefinite and fixed-term part-time workers; (v) compared with regular employees, there are few in managerial posts, but many in skilled technical posts and jobs relating to production processes, service-related posts, and other jobs.

### 1. Characteristics of *Keiyaku-shain*

If one looks at the employment characteristics of *keiyaku-shain* in light of the aforementioned data, one can point out the following.

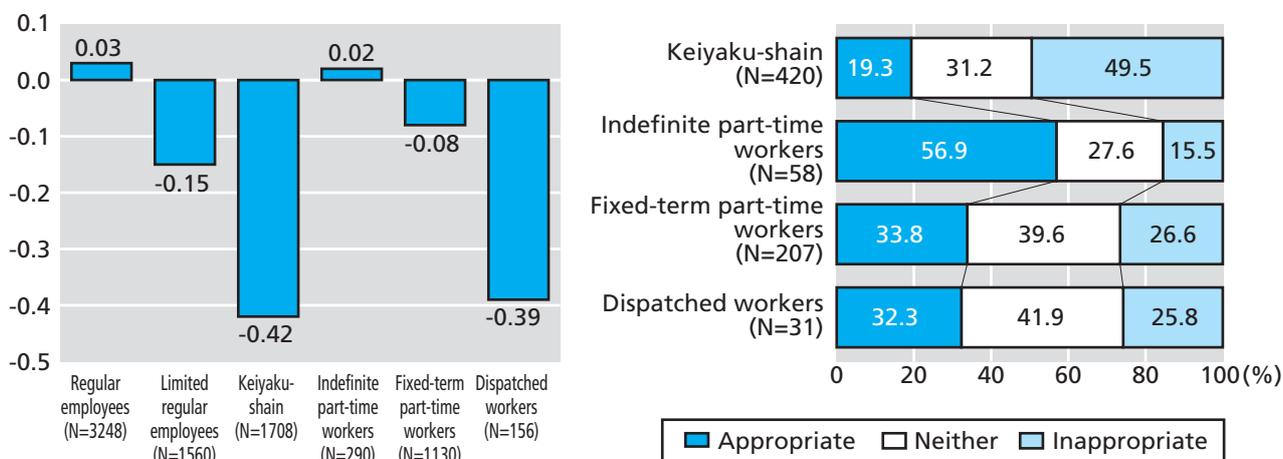
Firstly, in contrast to indefinite part-time workers and fixed-term part-time workers, *keiyaku-shain* include many people who chose their current form of employment for a passive reason, namely “because there were no opportunities to work as a regular staff member or employee”. Whereas the proportion of indefinite and fixed-term part-time workers citing this as a reason was 9.8% and 22.5% respectively, the figure was 41.0% among *keiyaku-shain*.

Secondly, of all non-regular employees, the duties of *keiyaku-shain* are most similar to those of regular employees. However, if one compares their wages with those of other non-regular employees, they are not a great deal higher. The median values for scheduled hourly wage are as follows, in descending order: regular employees (¥1,708), limited regular employees<sup>5</sup> (¥1,459), dispatched workers (¥1,203), *keiyaku-shain* (¥1,000), fixed-term part-time workers (¥916) and indefinite part-time workers (¥874). Partly for this reason, as well as having the lowest score for their level of satisfaction in regard to wages, *keiyaku-shain* also have a strong sense of dissatisfaction concerning wage disparities within a single workplace (III-5).

Thirdly, given this situation, quite a few *keiyaku-shain* wish to transition to being regular employees,

5 Regular employees, generally speaking, tend to have an image of being those who satisfy the three conditions of being (i) directly employed (ii) full-time (iii) for an indefinite period, but among regular employees are employees with more restricted conditions, who are called “limited regular employees”. The survey cited the conditions for this as being the scope for promotion or transfer (so-called “general staff”), the business establishment where they are employed (“region-specific”), occupations involving professional expertise (“occupation-specific”), and no overtime (“time-specific”).

### III-5 Level of Wage Satisfaction (Score, Left-hand Figure) and Awareness of Wage Differences with Regular Employees (Right-hand Figure) by Form of Employment



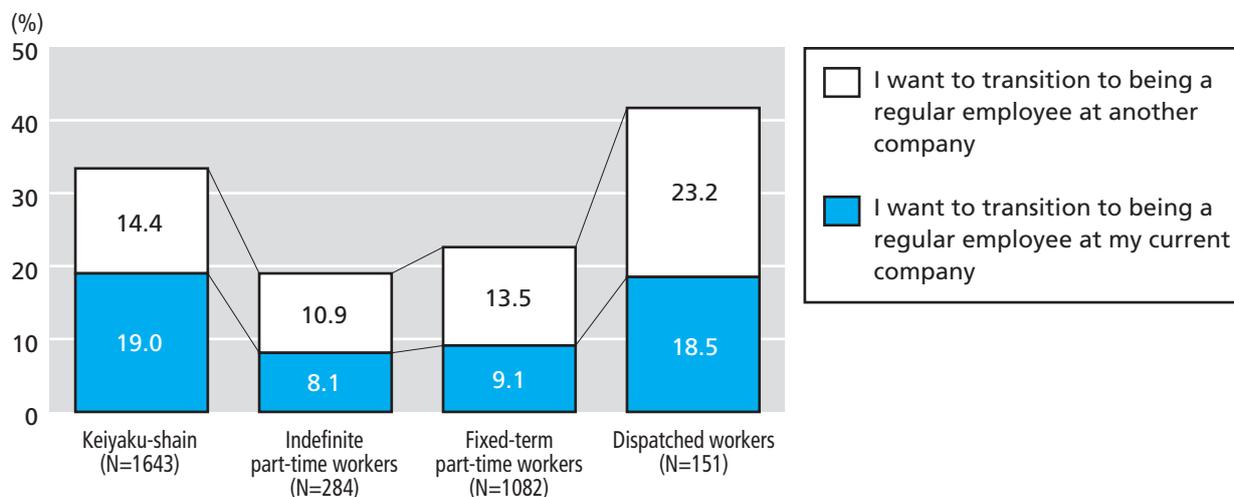
Source: JILPT "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)"

Notes: 1) The score for the level of satisfaction was calculated by assigning 2 points for "satisfied", 1 point for "somewhat satisfied", 0 points for "neither satisfied nor dissatisfied", -1 point for "somewhat dissatisfied" and -2 points for "dissatisfied".

2) The question regarding awareness of wage differences with regular employees was answered solely by those in a workplace in which there are regular employees doing the same work as them.

3) In both cases, those who did not respond have been excluded.

### III-6 Desire to Transition to Being a Regular Employee by Form of Employment



Source: JILPT "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)"

Note: Those who did not respond have been excluded.

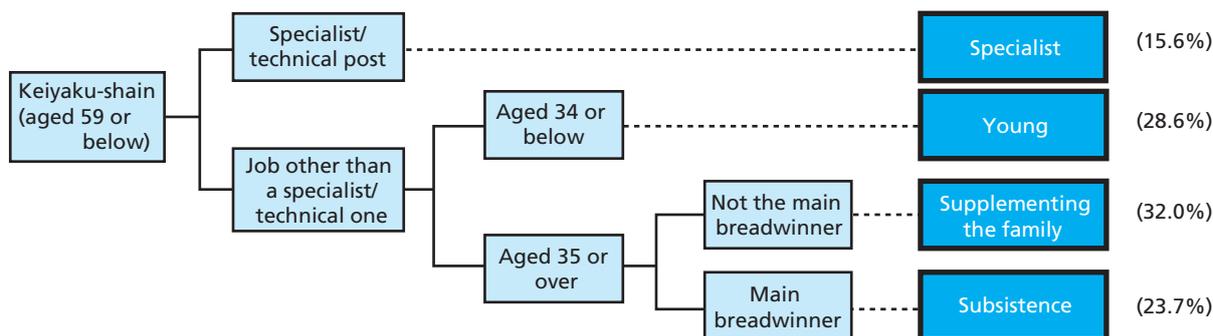
particularly at their current company. In addition, the first and second characteristics above apply not only to *keiyaku-shain*, but also to dispatched workers to some extent, but *keiyaku-shain* were noteworthy in terms of the fact that they wished to become regular employees at their current company, rather than

becoming a regular employee at another company as a result of changing jobs (III-6).

#### 2. Types of Keiyaku-shain and Related Issues

If *keiyaku-shain* are categorized according to their attributes, they can be classified into one of four

### III-7 Category Types of Keiyaku-shain



Note: Proportions in brackets are from JILPT “Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)”.

categories: “specialist”, “young”, “supplementing the family finances” and “subsistence” (III-7).

Looking at the characteristics of *keiyaku-shain* in each category and the issues they face, one can point out the following.

Firstly, compared with *keiyaku-shain* in other occupations, specialist *keiyaku-shain* face relatively few (or comparatively small) issues. The reason for this is thought to be that the scope of their work is limited, so it has a positive effect on both career development and on wages.<sup>6</sup>

Secondly, young *keiyaku-shain* have a strong desire to transition to being regular employees, particularly at their current company. Moreover, they are characterized by the fact that this desire is often linked to specific actions, such as skills development.<sup>7</sup>

Thirdly, compared with other types of *keiyaku-shain*, those who are supplementing the family finances not only have a low wage level, but also a low level of satisfaction with their wages, and take a harsh view of wage disparities within the same workplace. The reason for this is thought to be that most of such *keiyaku-shain* have worked in their jobs continuously for a long time, and many of these carry out advanced duties, so they are highly proficient in their jobs, but often do not receive correspondingly high wages.

Fourthly, there is a tendency for subsistence *keiyaku-shain* to be those who have ended up in their current way of working as a result of involuntary choices, but they appear to want to continue working at their current company, rather than having a strong desire to transition to being a regular staff member or employee. The biggest reason for this is thought to be the fact that the re-employment environment surrounding them is extremely harsh. Incidentally, compared with other types of *keiyaku-shain*, subsistence *keiyaku-shain* have a stronger tendency to value stability of employment.

#### 3. Issues Surrounding Keiyaku-shain

Finally, let us summarize the issues being faced by *keiyaku-shain*.

Firstly, compared with part-timers, one can see that *keiyaku-shain* include many people who chose their current form of employment for a passive reason, namely “because there were no opportunities to work as a regular staff member or employee”.

Secondly, of all non-regular employees, the duties of *keiyaku-shain* are most similar to those of regular employees, but they also have the strongest sense of dissatisfaction concerning wage disparities within the same workplace.

6 Naturally, it is not necessarily the case that *keiyaku-shain* in professional occupations face no issues at all. At most, one can say that compared with *keiyaku-shain* in other occupations, they face relatively few (or comparatively small) issues.

7 Among young *keiyaku-shain* who wish to transition to being regular employees, whereas 38.7% of those whose place of employment have a system for transition to being a regular employee are actively endeavoring to develop their skills, this figure is only 19.3% among those whose workplaces have no such transition system.

Thirdly, given this situation, quite a few *keiyaku-shain* wish to transition to being regular employees, particularly at their current company.

Consequently, in the future, measures will be required to promote a shift from fixed-term to indefinite labor, by such means as encouraging appointments to regular employee positions within companies, promoting equal treatment, focusing primarily on wages, and facilitating the introduction of multiple categories of regular employee, with different personnel and wage systems.

### Chapter 3. The Current Status of and Issues Concerning the Employment Management of Part-time Workers Since the Revision of the Part-time Workers' Act

Chapter 3 takes up the issue of part-time workers. The Part-time Workers' Act (Act on Improvement, etc. of Employment Management for Part-Time Workers), which regulates matters relating to part-time workers, underwent major revisions (entered into force in 2008). The main new provisions introduced as a result of this revision are as follows:

- (1) The obligation to disclose specified working conditions in documentary form [Article 6]  
As well as general working conditions, a new obligation was imposed to disclose specified working conditions (wage increases, retirement allowances, and whether or not bonuses are granted) by means of document delivery, etc.
- (2) The prohibition of discriminatory treatment of part-time workers equivalent to ordinary workers<sup>8</sup> [Article 8, paragraph (1)]  
Discriminatory handling of part-time workers equivalent to ordinary workers, as their duties and personnel utilization mechanisms, etc. are the same as those of ordinary workers, and they are on indefinite contracts (including cases in which they are deemed to be substantially "indefinite"), was prohibited in regard to all aspects of their treatment, including decisions

on wages, the implementation of education and training, the utilization of welfare facilities, and all other aspects.

- (3) Obligations concerning endeavors to decide the wages of part-time workers other than those referred to in (2) above [Article 9]  
The Act prescribed the obligation to endeavor to ensure that matters such as the content and outcomes of duties, motivation, ability, and experience are taken into consideration in decisions on wages relating to duties (basic pay, bonuses, allowances for supervisory posts, etc.), even in the case of workers who are not "part-time workers equivalent to ordinary workers" [paragraph (1)]. Of these, the Act prescribed the obligation to endeavor to ensure that the same methods (applying the same wage tables and standards) are used as for ordinary workers, in the case of part-time workers with the same duties and personnel utilization mechanisms, etc. as regular employees, at least during periods when the status of personnel utilization is the same [paragraph (2)].
- (4) The obligation to take measures to promote transition to ordinary worker status [Article 12]  
The obligation was imposed to take measures to promote the transition of part-time workers to ordinary worker status.
- (5) The obligation to explain matters considered when making decisions on treatment [Article 13]  
The Act imposed the obligation to explain matters considered when making decisions on treatment if requested to do so by part-time workers after their engagement.
- (6) The obligation to strive for voluntary resolution, such as in regard to the handling of complaints [Article 19]  
The Act also incorporated a provision concerning situations in which a complaint is received from a part-time worker, imposing the obligation to strive for voluntary resolution by such means as the use of the complaint-handling

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8 "Ordinary workers" refers to so-called full-time workers who work the usual prescribed working hours, and does not necessarily mean "regular employees" as defined in the study below.

system within the business establishment or having the staff member in charge of personnel matters serve as the part-time employment manager.

From June to July 2010, the JILPT conducted the “Survey of the Status of Part-time Workers”, and gained an understanding of the status of the employment management of part-time workers after almost two years had passed since the aforementioned revised Act had entered into force.<sup>9</sup> The following provides an outline of the situation concerning the matters incorporated in the Act as a result of the aforementioned revisions.

### 1. The Status of Improvements, etc. in the Employment Management of Part-time Workers at Business Establishments

62.6% of business establishments responded that they “did” “implement amendments, such as improvements in employment management, in response to the entry into force of the revised Part-time Workers’ Act”. Looking at the content of responses (multiple responses permitted), the most common response was “we disclosed specified matters by means of a notice of employment, etc.” (45.6%), followed by “we clarified the classification (differences) of the content of duties between regular employees and part-time workers” (14.1%), “part-time workers also became able to utilize welfare facilities” (11.7%), “we established measures to promote transition from part-time worker to regular employee status” (11.4%), “we improved the wages and other treatment of part-time workers (taking into consideration equality with regular employees, as well as their motivation and abilities)” (10.9%), and “we decided to implement education and training for part-time workers” (10.7%). One can see that initiatives aimed at responding to the revised Part-time Workers’ Act were steadily progressing, two years after it entered into force.

### 2. The Proportion of Part-time Workers Subject to Equal Treatment

The study asked in detail about the occupation in which the largest number of people were engaged, among the duties carried out by part-time workers. At 84.0% of business establishments, regular employees were also engaged in that occupation. Of these, there were part-time workers whose duties were almost identical to those of regular employees (“content of duties” and “degree of responsibility”) at 24.4% of business establishments. Furthermore, at business establishments where there were part-time workers with the same duties as regular employees, 18.0% had the same personnel utilization mechanisms, etc. (e.g. whether or not they were subject to personnel changes) for part-time workers; this figure was divided among those responding that “there are the same people throughout the whole period” (13.3%) and those responding that “there are the same people for a certain period” (4.7%). Furthermore, at 39.6% of business establishments, the part-time workers were on “(substantially) indefinite contracts”.

To summarize the information above, 1.1% (=84.0% × 24.4% × 13.3% × 39.6%) of business establishments have “part-time workers equivalent to ordinary workers” as defined in Article 8 of the Part-time Workers’ Act, but if one looks at the proportion of all part-time workers for which they account, it was tiny, at just 0.1%.<sup>10</sup>

### 3. Methods of Calculating the Basic Wage, etc.

The proportion of “part-time workers equivalent to ordinary workers” is exceedingly small, but the revised Part-time Workers’ Act imposed the obligation to endeavor to determine wages for certain part-time workers using the same methods as those used for ordinary workers. Looking at the basic wage calculation methods used in regard to part-time

9 The survey was conducted among 10,000 business establishments with at least five regular employees and the part-time workers employed there (different numbers according to the scale of the business establishment); valid responses were received from 3,040 business establishments and 6,208 people.

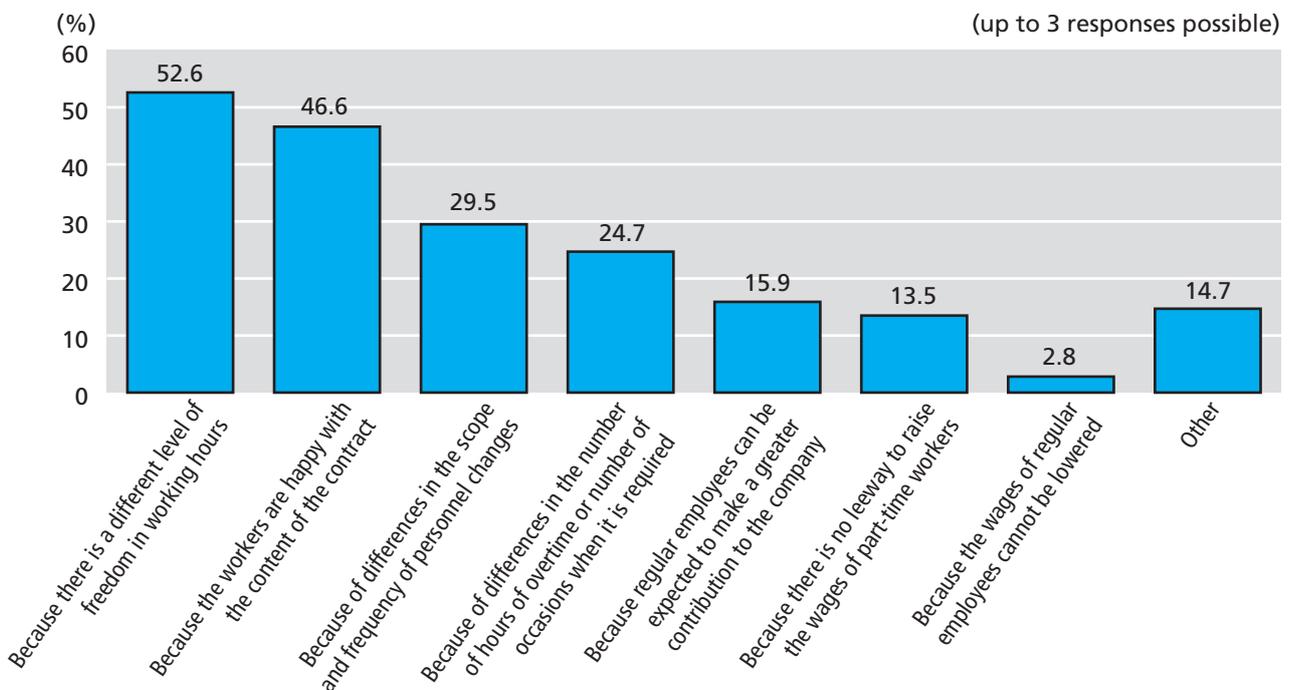
10 It is thought that the reason why they accounted for such a minute proportion was that the focus of the survey was restricted to the occupations in which part-time workers were most commonly involved, but in any case, one can say with certainty that they account for a small share of the total.

workers whose duties are almost identical to that of regular employees, one can see that the same systems and standards as regular employees are used, or the calculation factors have been aligned only in approximately a quarter of cases, with 9.1% of business establishments responding that they “pay them based on the same calculation method (system/standards) as regular employees”, and 17.5% responding that they “use different systems/standards from regular employees, but pay on the basis of the same calculation factors as are used for regular employees”. Moreover, looking at part-time workers carrying out the same duties and subject to the same personnel utilization, the proportion is somewhat higher than at those businesses at which only the duties are the same, with 12.3% of business establishments responding that they “pay them based on the same calculation method (system/standards) as regular employees” and 18.5% responding that they “use different systems/standards from regular employees, but pay on the basis of the same calculation factors as are used for regular employees”.

Next, comparing hourly wage shares for regular employees and part-time workers who have the same duties, 3.9% of respondents stated that they were “higher than regular employees”, 17.5% responded that they are “the same as regular employees (no wage disparity)”, and 69.5% responded that “the wage share is lower than for regular employees”. Moreover, looking at the results of asking business establishments the reasons why the wage shares are lower than for regular employees, the most common response was “different level of freedom in working hours” (52.6%), followed by “the workers are happy with the content of the contract” (46.6%), and “differences in the scope and frequency of personnel changes” (29.5%) (III-8).

Although improvements in the treatment of part-time workers are progressing gradually overall, adequate progress is not necessarily being made in regard to the initiatives sought in the revised Part-time Workers’ Act, with the aim of securing equal treatment in comparison with regular employees who have the same duties and personnel utilization

### III-8 Reasons Why the Wages of Part-time Workers are Lower Than Those of Regular Employees When Their Duties are the Same



Source: JILPT “Survey of the Status of Part-time Workers” (carried out in June 2010)

mechanisms, etc.

#### 4. Measures for Transitioning to Regular Employee Status

48.6% of business establishments are implementing measures to promote the transition from part-time worker to regular employee status; the figure was 45.8% when JILPT carried out a similar survey in 2006, so there has only been a small amount of growth in this area.

The methods (multiple responses permitted) used by businesses that stated that they were “implementing” measures to promote the transition included, in descending order, “notifying part-time workers of the details when recruiting regular employees” (51.0%), “introducing a system for transition to being a regular employee, such as an examination system” (45.6%), “giving part-time workers the opportunity to apply when in-house recruitment for regular employee posts takes place” (38.5%), and “other” (10.7%).

#### 5. Endeavors Concerning the Explanation of Matters Pertaining to Decisions on Treatment and the Voluntary Resolution of Complaints, etc.

22.3% of business establishments had experience of having been asked by part-time workers to provide explanations concerning their treatment, and of those requested to provide such an explanation, as many as 98.5% of respondents stated that they “explained” these matters. Moreover, in cases in which businesses received complaints from part-time workers about their treatment, the proportion of respondents stating that they “strive to resolve them voluntarily” was as high as 92.4%, and among the methods used for this (multiple responses permitted), approximately 80% (80.7%) stated that “the person in charge of personnel matters is the point of contact”. Overall, the obligations to provide an explanation when requested to do so by part-time workers and to endeavor to achieve voluntary resolution in the event of a complaint are being fulfilled to a considerable degree, at least in terms of awareness on the part of business

establishments.

#### 6. Tasks for the Future

Two years after the revised Part-time Workers’ Act entered into force, initiatives aimed at responding to the revisions contained therein are progressing steadily, and some improvements in employment management, etc. are being carried out. At the same time, despite being obliged to do so, fewer than half of all business establishments surveyed were not implementing measures to promote the transition from part-time worker to regular employee status, and initiatives aimed at improvements in treatment to secure the delicate balance of equal treatment while bringing into alignment calculation methods (systems and standards) and factors in regard to basic wages are still at a difficult stage, as they are only partly underway.

Comprehensive discussions are required concerning the question of what kind of way of working part-time work should be established as (through policy guidance) in society, in light of the changes in the situation surrounding economic society, as well as considering its positioning as one of a diverse range of ways of working, including approaches to tax and social security.

### Chapter 4. The Careers of Dispatched Workers: The Actual Status of Skills Development, Wages, and Transition to Regular Employee Status

Chapter 4 takes up the issue of dispatched workers.<sup>11</sup> Dispatch work is used as an employment buffer, so contracts are often terminated due to fluctuations in the economic climate and corporate performance, and there is no guarantee that a dispatched worker will be able to continue working at a single workplace for a long time. When thinking about the careers of dispatched workers, one can see that it is difficult for them to develop a career based on a long-term career perspective, due to the fact that their employment becomes unstable as a result of the short duration of their employment contracts and

11 In general, in Japan, those employed on the basis of the Worker Dispatching Act are called dispatched workers.

fluctuations in the economic climate, etc. The question of how dispatched workers can plan their career development is a crucial issue. Based on a questionnaire<sup>12</sup> and interviews with dispatched workers carried out by JILPT, this section discusses this issue from three perspectives: (1) whether ability can be cultivated through dispatch work; (2) whether wages rise; and (3) the potential for making the transition to regular employee status or changing jobs.

### 1. Can Ability be Cultivated?

There are three ways of cultivating vocational ability through dispatch work. The first is off-the-job training (Off-JT), such as education and training carried out by the dispatching undertaking (the formal term used in the Worker Dispatching Act to refer to worker dispatch businesses). The second is on-the-job training (OJT), through working for the client. The third is the method whereby the dispatched worker him- or herself studies independently. According to the survey of dispatching undertakings, approximately 50% of respondents believe that the greatest contribution to the skills development of dispatched workers is made by “the dispatched worker (self-development)”, followed by just under 30% who believe it is “the client”, with “the dispatching undertaking” accounting for the lowest share, at around 15%.

Education and training systems at dispatching undertakings have an important function in improving the abilities of dispatched workers. However, the only option is to rely on clients for the OJT that is most important in developing vocational skills, while dispatching undertakings are confined to cultivating general skills, such as manners, common sense, and basic computer operation skills, as well as supplementing any deficiencies in workers’ business knowledge. Moreover, in the dispatch format known as registered dispatch, situations frequently arise in which workers are dispatched by a different

dispatching undertaking from the one at which they received education and training. In other words, this business format has a structure that makes it difficult for dispatching undertakings to recover their investment in education. More specifically, apart from in the case of regular dispatch (the format in which the dispatched worker is regularly employed at the dispatching undertaking) in specialist technical fields, there are factors that mean that one cannot expect much from dispatching undertakings in terms of skills development.

Looking at the results of the question in the survey of dispatched workers concerning whether they obtained their current vocational ability through OJT at the client or through independent self-study, approximately 60% overall responded “self-study” (“self-study” + “more self-study than anything else”), while approximately 40% responded “OJT at the client” (“OJT at the client” + “more OJT at the client than anything else”), and it appears that OJT at the client is more common among those who have no experience as a regular employee and those engaged in routine work. In other words, while it seems that vocational ability in the initial stage of their careers can be cultivated through work at the client, dispatched workers need to make efforts to cultivate their vocational ability themselves once they pass that stage. Moreover, the results show that skills development at the client not only contributes directly to the skill level and career development of the individual concerned, but also makes a significant contribution to increasing their motivation to work hard at their job with the client.

### 2. Do Wages Rise?

Examining the times when wage rises can be seen from the survey of dispatching undertakings, one can see that both specified dispatch (dispatch based on regular employment) and general dispatch have in common the fact that a high proportion of these businesses stated that wage rises can be seen “as

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12 The questionnaire-based survey was carried out from February to March 2010, targeting dispatching undertakings (5,000 worker dispatch businesses), clients (10,000 business establishments in industry types that use the largest number of dispatched workers), and dispatched workers (eight dispatched workers working at each client business establishment targeted in the survey). The number of valid responses was 1,620 establishments, 3,085 establishments, and 4,473 people, respectively.

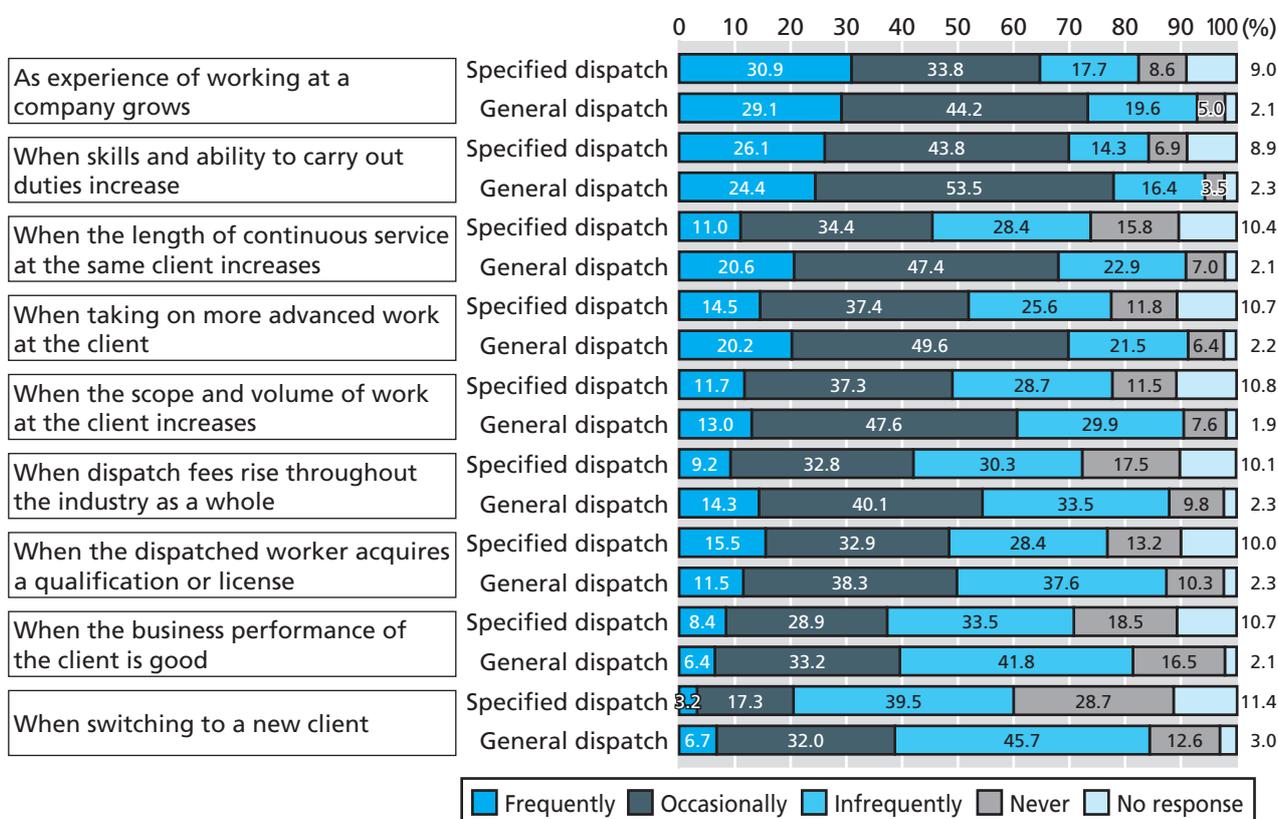
experience of working at a company grows” and “when skills and ability to carry out duties increase”. At the same time, looking at the responses where there were higher scores among general dispatch businesses than among specified dispatch businesses, the difference in the proportion responding “when the length of continuous service at the same client increases” is almost 23 percentage points, while there are differences of around 10-20 points in the case of the responses “when taking on more advanced work at the client”, “when the scope and volume of work at the client increases”, “when dispatch fees rise throughout the industry as a whole”, and “when switching to a new client” (III-9).

Thus, general dispatch wages change as the dispatch fees are paid according to the content of work at the client, and also tend to be affected by both the market as a whole and the economic climate. On the other hand, in the case of specified dispatch, the workers are classified as ordinary workers, such

as regular employees of the dispatching undertaking, so it is presumed that they have an established wage system at the dispatching undertaking, creating a structure that makes it harder for their pay to be affected by external impacts, such as the economic climate.

The case studies carried out through interviews show that those who feel that they can develop their careers through dispatch work tend to be those whose first employment was a part-time job or *arubaito* (casual work) in a non-clerical position (sales, light manual labor, etc.) These are people who have worked in fields with little vocational skills development, who subsequently took up clerical posts through dispatch work at a time when they were inexperienced, and then developed their careers. In terms of wages, the maximum hourly wage for clerical posts is just under ¥2,000, so let us say that it is possible to develop one’s career to encompass duties that enable one to achieve that upper limit.

### III-9 Factors Behind Wage Rises for Dispatched Workers



Source: JILPT “Survey Concerning Career Management at Temporary Staff Recruitment Agencies (Survey of Dispatching Undertakings)” (carried out in February 2010)

However, beyond this point, both wages and duties reach a ceiling and level off. It might be the case that the only option for further career development is to transition to being a regular employee.

### 3. The Potential for Making the Transition to Regular Employee Status or Changing Jobs

There are three types of transition to regular employee status: “employment placement dispatching”, transition after regular dispatch (hereinafter referred to as “headhunting”), and “transition after three years of undertaking deregulated operations”.<sup>13</sup> However, no precise understanding has been gained through official statistics concerning the number of those transitioning to regular employee status via methods other than employment placement dispatching. This is because it has hitherto been deemed difficult to grasp the actual situation, as in most cases, “headhunting” takes place after the dispatch contract ends.

In the survey of dispatching undertakings, when businesses conducting general dispatch were asked whether they had had cases in which dispatched workers switched to being directly employed by the client (including not only as regular employees, but also as *keiyaku-shain*, part-timers or *arubaito*) within the last year via each of the aforementioned three transition patterns, the largest share (45.0%) was accounted for by businesses responding that they had had cases of transition via “headhunting”; this was 20 points higher than transition due to “employment placement dispatching” (24.7%) and “transition after three years of undertaking deregulated operations” (27.3%).

However, looking at the responses for employment categories after the transition to direct employment, based on the survey of clients, in the case of employment placement dispatching, the largest share was accounted for by businesses implementing transition to regular employee status, at

57.8%. In the case of “headhunting”, transition to *keiyaku-shain* status (47.3%) tended to be more common. In the case of “transition after three years of undertaking deregulated operations”, switching to *keiyaku-shain* status (64.2%) was more common than transition to regular employee status (20.3%). Thus, it is not necessarily the case that “headhunting” results in being able to transition to regular employee status.

Looking at the reasons why clients appointed dispatched workers as regular employees, “because they did good work” was the most prominent response, at 78.4%. In addition, many business establishments also selected other responses that praised the way in which dispatched workers carried out their duties, namely “because they had a very high level of skill and ability” (44.8%) and “because they were indispensable personnel for that workplace” (34.1%) (responses by business establishments that had implemented transitions to regular employee status within the last three years). Appointing staff to regular employee status after a period of dispatch enables companies to screen a worker’s abilities and way of working, and to conduct more accurate matching. It is also presumed that there are times when dispatch is used as a channel for employing the appropriate personnel.

On the other hand, there is a possibility that a dispatched worker might reject a transition to regular employee status. If the wages for dispatch work are higher and there is no employment instability, there is no reason to switch to being a regular employee. There is some room for interpretation, but if a worker moves from job to job in the external labor market, there is a possibility that he or she will not opt to become a regular employee.

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13 “Employment placement dispatching” refers to the situation in which workers are dispatched based on the premise that the dispatched worker in question will be placed in a job as a worker directly employed by the client in the near future. “Transition after three years of undertaking deregulated operations” refers to transitions taking place on the basis of a provision in the Worker Dispatching Act, which stipulates that dispatched workers involved in operations that had been the focus of dispatch work since 1999 must be transferred to being directly employed by the client company if they have been working there for three years in succession. Apart from in these two cases, situations in which a client company hires a dispatched worker as a directly-employed worker are described as “headhunting”.

#### 4. Issues Focused on Future Career Development for Dispatched Workers

The ability to enter an occupation without any prior experience of carrying out similar duties can be cited as one of the great advantages of dispatch work. It could be of assistance in restarting one's working life for those who are newly graduated but have been unable to find a job, as well as those who were in involuntary employment and have left their jobs. In particular, one can see the potential for those who started their first jobs in non-clerical posts to cultivate the beginnings of a career in a clerical post; in addition, especially in the case of clerical and professional posts, one can see the possibilities for being able to secure advancement up to a certain stage in one's career.

After securing advancement up to a certain stage in their career, dispatch workers would then need to decide whether to become regular employees or whether to continue in dispatch work. If switching from their initial career to being a regular employee (changing jobs), dispatched workers must strategically build up their careers while keeping in mind their own age, given the realities of the Japanese labor market, in which it tends to be easier for young people to change jobs. It is necessary for dispatching undertakings to disclose to dispatched workers who wish to transition to being regular employees whether or not there is a system for being appointed as a regular employee at the client and information about past performance in this regard, before the dispatched worker in question starts their employment; in addition, clients need to advise dispatched workers as soon as possible after they begin their employment, what the feasibility is of their transitioning to regular employee status.

At the same time, there are people who wish to continue working stably in dispatch work, for a variety of reasons. The fact is that the number of those wishing to continue doing dispatch work increases after the age of 40. Consequently,

consideration for building the careers of dispatched workers is required, such as introducing them to clients that proactively employ workers and engage in skills development while those workers are still young, when changing jobs is comparatively easy, as well as providing education and training to enable them to find work in the 26 occupations that are not subject to the three-year maximum dispatch period. In light of the reality of the labor market, wherein it is difficult to change jobs after reaching the age of 40, institutional mechanisms are required that ensure that dispatch work does not lead to future employment instability.

#### Chapter 5. The Role of Skills Development Among Non-regular Employees

Chapter 5 takes up the issue of the skills development of non-regular employees. Since the collapse of the economic bubble in 1993, the proportion of those following careers as regular employees for the whole of the initial period of their working lives - that is to say, for five years after graduating - has fallen considerably, and the number of people beginning their initial careers in non-regular employment is growing. However, there are various problems for non-regular employees, such as major disparities in terms of opportunities for skills development in comparison with regular employees. Accordingly, this section analyzes the factors regulating the participation of non-regular employees in training provided by the company and the effects of that training.<sup>14</sup>

Looking at the results of the simple survey, the probability of attendance and number of days of training attended for both OJT and Off-JT was higher among regular employees than among non-regular employees. Most notably, the probability of attendance of Off-JT was, at 21%, less than half that of regular employees (45%). Moreover, looking at the average number of days of training attended by employment type, there is more than a threefold gap

14 The subject of the following analysis is training within industry, so its focus is restricted to directly-employed non-regular employees. In other words, it does not look at indirectly-employed workers, such as dispatched workers. The data used is from the "Survey on Working and Learning" conducted by JILPT from October to December 2008 (targeted male and female employed persons aged at least 25 but under 45. 4,024 valid responses were received).

between regular employees (2.50 days) and non-regular employees (0.76). However, looking solely at those who did attend training, the gap between regular employees (5.64 days) and non-regular employees (3.66 days) narrows, and one can see that there were quite a few days of training for those who had such training, even among non-regular employees.

### 1. Factors Regulating Participation in Training Within Industry

Training provided by the company represents human investment, so companies restrict the training of employees to situations in which such training has a high expected return. The factors behind this seem to be the anticipated length of continuous service being as long as possible to allow an adequate return on investment to be recovered, and sufficiently long working hours. This section examines whether or not this hypothesis stands true in regard to participation in both OJT and Off-JT.

Looking at the results of probit analysis (marginal effect), one can see that many non-regular employees who work full-time receive OJT. Moreover, while the factors of anticipated length of continuous service and full-time employment do not appear to affect Off-JT, having participated in Off-JT previously increases the probability of attendance for Off-JT during the current fiscal year by a statistically significant margin. This indicates the possibility that the same people are undergoing repeated training in a selective manner on numerous occasions. With regard to the number of days of Off-JT attended, the figure was higher among those working full-time.

From the information above, one can see that those working full-time have a high density of participation in training provided by the company, in regard to both OJT and Off-JT. Moreover, this demonstrates that past participation in training at the place of employment increases the opportunities to participate in education and training in the present, and that companies carry out selection in regard to training implementation.

### 2. Effects of Participation in Training Provided by The Company

Let us now look at the effects of participating in training provided by the company. Here, three indicators are used as variables for measuring the effects of training, with growth in vocational ability and changes in productivity being used, as well as the wage increase rate, although the former two are based on subjective assessments by the respondents.

Firstly, looking at the relationship between participation in training provided by the company, changes in vocational ability and productivity, and the wage increase rate, based on the results of the simple tabulation, whereas the subjective assessment of participants' ability to do their job and productivity increases among those who have participated in OJT or Off-JT, one cannot identify any clear relationship between the rate of wage increase and having participated in OJT or Off-JT (III-10).

Next, let us examine the results of the quantitative analysis. With regard to the results of the analysis of the impact of training provided by the company on participants' ability to do their job, both skill levels and ability to carry out duties increase by a statistically significant margin among those who have participated in a large amount of OJT, those who have participated in Off-JT, and those with a higher number of days of Off-JT attended. Next, looking at the effects of participation in training on changes in indicators thought to represent productivity, those who have participated in a large amount of OJT had higher scores in regard to their scope of duties, level of work, and level of job responsibility, while participation in Off-JT increased the level of work and level of job responsibility.

At the same time, looking at the impact of training provided by the company on the wage increase rate, participation in OJT does not affect the wage increase rate. From the foregoing analysis, it was ascertained that participation in OJT gave rise to increases in vocational ability and productivity, but it appears that this is not reflected in wages. On the other hand, looking at the results of the analysis focused on regular employees, those who have participated in a large amount of OJT have experienced statistically

significant wage rises. This differs considerably from the results of the estimates for non-regular employees, which suggests that there are differences between regular and non-regular employees in terms of the ways in which the effects of training manifest themselves. Similar results were obtained from estimates relating to Off-JT as well.

Having said that, looking at the results of analysis concerning whether or not there were transitions to regular employee status in 2008, there was a significant increase in the probability of transitions to regular employee status among those who had participated in more OJT as well as among those who had experience of Off-JT and who had participated in a larger number of days of such training. Although training provided by the company has no effect on the wages of non-regular employees, it appears that it does have an effect on their transition to regular employee status.

### 3. Issues Surrounding the Skills Development of Non-regular Employees

This study demonstrates that it is easier for younger people, in their 20s, to make the transition from non-regular to regular employee status, and indicates the importance of intensive career development support measures for the young. It appears that measures that encourage skills

development among non-regular employees, particularly support for skills development among young non-regular employees, are an effective means of supporting career development.

From the results of the analysis, one can see that even in the case of the non-regular employee way of working, selecting the full-time way of working is one means of benefiting from opportunities for skills development at present.

Thinking in terms of a longer time span, it will be necessary to build a social system in the future that properly evaluates the skills development of non-regular employees, and implements treatment based on the results of such evaluations. More specifically, this should take the form of constructing a society that enables whoever wishes to do so - whether they are a regular or non-regular employee - to engage in skills development, have the outcomes of that skills development evaluated, and move up the career ladder as a result: in other words, what is required is the popularization of a vocational ability appraisal system.

## Chapter 6. The Transition to Regular Employee Status and Subsequent Issues

Chapter 6 takes up the issue of the transition to

### III-10 Changes in Subjective Assessment, Productivity and Wage Increases among Non-regular Employees According to Whether or Not They Participated in OJT and/or Off-JT (Descriptive Statistics)

#### ① Changes in indicators relating to subjective assessment of vocational ability

	<Skill level>		<Ability to perform duties>	
	Mean 0.28 (Participated)	(Did not participate)	Mean 0.30 (Participated)	(Did not participate)
Number of OJT sessions	Mean 0.37	Mean 0.16	Mean 0.40	Mean 0.16
Participated in Off-JT	0.45	0.24	0.46	0.25

#### ② Indicators concerning changes in productivity and return on wage increase rate

	<Scope of duties>		<Level of work>		<Level of job responsibility>		<Wage increase rate>	
	Mean 0.38 (Participated)	(Did not participate)	Mean 0.33 (Participated)	(Did not participate)	Mean 0.29 (Participated)	(Did not participate)	Mean 0.01 (Participated)	(Did not participate)
Number of OJT sessions	Mean 0.47	Mean 0.26	Mean 0.42	Mean 0.20	Mean 0.38	Mean 0.17	Mean 0.01	Mean 0.02
Participated in Off-JT	0.45	0.36	0.47	0.29	0.41	0.25	0.02	0.01

Source: JILPT "Survey on Working and Learning" (carried out in 2008)

regular employee status of non-regular employees. Above all, it focuses on the issues arising after becoming a regular employee through this kind of transition. As in Chapter 2 above, the data used are from the “Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)” carried out by JILPT. According to this, 39.5% of business establishments have appointment systems for fixed-term employees, 27.5% have them for part-timers, 12.8% for dispatched workers, and 3.3% for the employees of contractors. If including those business establishments that do not have a system but do have “a custom of such appointments” or “a track that permits such employees to become regular employees via another form of employment”, the figures climb to 71.1% for fixed-term employees, 66.3% for part-timers, 56.7% for dispatched workers, and 15.5% for the employees of contractors. Looking at the results for the last three years, companies making internal appointments account for more than 70% of the total. Moreover, a quarter of companies employ as their own regular employees people who have previously worked as non-regular employees at other companies.

### 1. Differences Seen in Wages and Vocational Training

Firstly, let us compare regular employees who have experience of non-regular employment in the past (hereinafter referred to as “transitioned employees”) with regular employees who have consistently been regular employees, without such experience (hereinafter referred to as “continuous regular employees”) and examine the differences that can be seen between them in terms of wages, etc. For this analysis, transitioned employees will be further categorized into those who were internally appointed, without changing jobs (hereinafter referred to as “internally transitioned”) and those who were hired externally, through changing jobs (hereinafter referred to as “externally transitioned”).

#### **(Wage disparities)**

After controlling for the effects of the various attributes that could be used (age, number of years of continuous service, gender, occupation, industry type, and company scale) by means of the usual OLS,

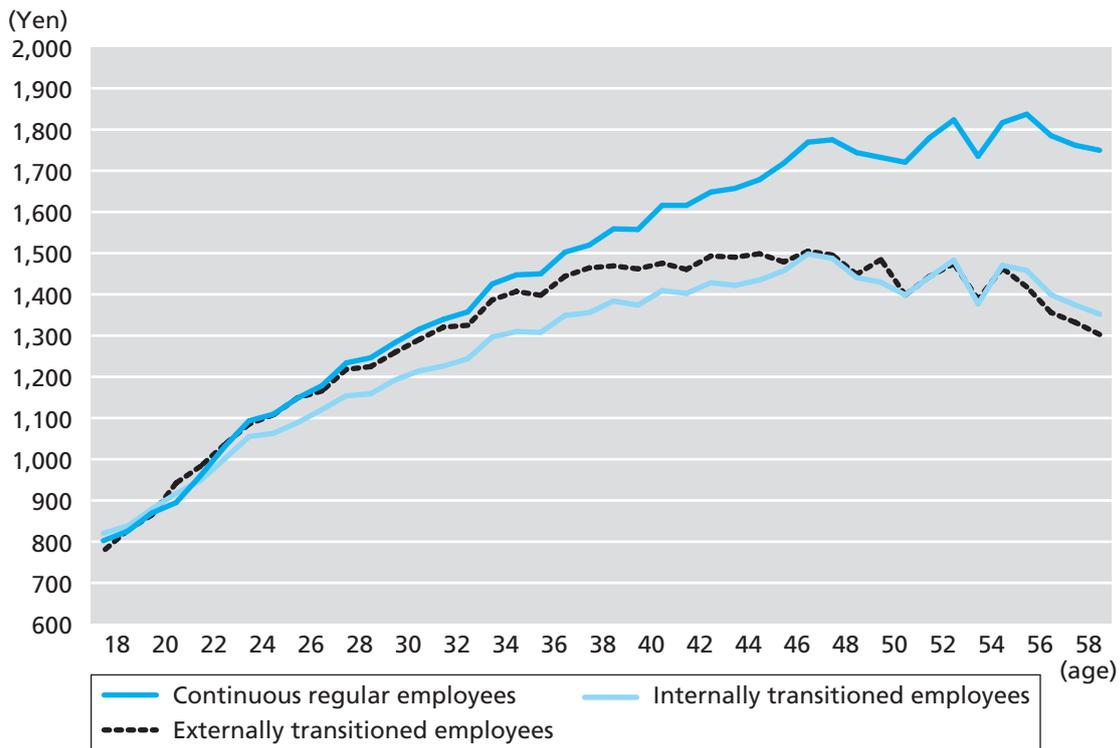
differences in the wage rates were examined with a focus on whether or not there was any experience of non-regular employment. As a result, it was demonstrated that the wage rates of transitioned employees with experience of non-regular employment were lower than those of continuous regular employees, even taking into account differences in the various attributes. In addition, when transitioned employees only were extracted and subjected to the same analysis, it emerged that the wage rates of internally transitioned employees are lower than those of externally transitioned employees.

In order to ascertain whether or not experience of non-regular employment affects wages throughout a worker’s lifetime, the respective wage functions of continuous regular employees, internally transitioned employees and externally transitioned employees were identified and the estimated values were plotted by age (III-11). The wage curve for externally transitioned employees does not differ much from that of continuous regular employees until the early 30s. Subsequently, the speed at which it rises slows, and the gap with continuous regular employees widens as each type of worker ages. The wage rates of internally transitioned employees are lower than those of externally transitioned employees in their 20s and 30s, but after the wage rates of the latter hit a ceiling in their 40s, the gap between the two progressively shrinks and eventually disappears. When looked at in terms of lifetime wages, this suggests that externally transitioned employees have higher total wages than do internally transitioned employees. Having said that, what they have in common is the fact that if workers have experience of non-regular employment, their total wages over their lifetime are lower, no matter which route they take to becoming a regular employee.

#### **(Disparities in education and training provided by the company)**

Workplace education and training can be broadly classified into three categories: OJT, Off-JT and support for self-development. Here, probit analysis was conducted in regard to each of OJT, Off-JT and support for self-development, and after controlling for the various attributes, the effects on workplace

### III-11 Wage Curve Based on Estimated Wage Rates



Source: JILPT "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)" (carried out August 2010)

training of experience of non-regular employment and the route to transitioning to regular employee status were examined. As a result, excluding aspects that resulted from differences in various attributes, this suggested that there was almost no gap between internally transitioned employees and continuous regular employees in terms of education and training opportunities. On the other hand, compared with continuous regular employees, externally transitioned employees had less possibility of receiving workplace training or support. More specifically, compared with continuous regular employees, externally transitioned employees had 6.5% less probability of receiving OJT or Off-JT, and 7.9% less probability of receiving support for self-development. **(Other disparities)**

As well as disparities in terms of wages and skills development, the gaps between transitioned employees and continuous regular employees also encompassed the content of duties and the speed of advancement.

#### 2. Level of Job Satisfaction After the Transition

Firstly, looking at the degree of satisfaction with the job overall, the proportion of those who were satisfied with the job overall ("satisfied" + "somewhat satisfied") was 55.4% in the case of continuous regular employees, 51.7% among internally transitioned employees and 43.9% among externally transitioned employees, so one can see that the highest level of satisfaction was among continuous regular employees, followed by internally transitioned employees and then externally transitioned employees. Moreover, looking at the total scores for levels of satisfaction in regard to 11 items, including job content and feeling of being worthwhile, wages, working hours, approaches to personnel appraisal and treatment, approaches to workplace training and skills development, and career, one can see that the highest scores were among continuous regular employees, who scored

19.9 points, followed by internally transitioned employees with 14.5 points and then externally transitioned employees with 10.4 points.

Accordingly, looking at the differences in satisfaction using OLS, taking the level of satisfaction scores as the explained variable after controlling for the various attributes, the results suggest that there is a tendency for both internally and externally transitioned employees to have a lower level of satisfaction than continuous regular employees. However, no significant difference in the level of satisfaction was seen in a comparison of internally and externally transitioned employees.

Furthermore, looking at the results after the same method was used to analyze which of the items was responsible for the difference in the level of satisfaction, it was ascertained that, irrespective of whether they were internally or externally transitioned, transitioned employees are dissatisfied because their wages are lower than those of continuous regular employees, and that externally transitioned employees receive less education than continuous regular employees, as well as being assigned duties at a lower level.

### 3. Issues Following the Transition to Regular Employee Status

Let us now summarize the issues arising from transition to regular employee status, in light of the results of the analysis above. Looking at the current situation, in which it is difficult to transition from non-regular employment to regular employee status, one can see that those who succeeded in making the transition were blessed with good employment opportunities. Compared with their previous non-regular work, they experience various improvements in treatment, above all in terms of wages. However, there are many cases in which they compare their various employment conditions with those of other regular employees, now that they themselves have become regular employees, and feel dissatisfied if they do not believe their own conditions to be appropriate. Accordingly, it is perhaps first of all necessary to put in place fair personnel appraisal and wage mechanisms, while taking this into account even after such employees make the transition. It is

also important to provide equal opportunities for skills development and advancement, and to eliminate discrimination, but this study shows that many companies still face challenges in this regard.

## Chapter 7. What is an Appropriate Wage Disparity From the Perspective of a Person in Non-regular Employment?

Chapter 7 takes up the issue of wage disparities between regular and non-regular employees. In regard to this issue, in Japan, as seen in Chapter 3, the Part-time Workers' Act was revised in 2007 (entering into force in April 2008), incorporating provisions relating to equal treatment of ordinary workers (so-called regular employees) and part-time workers. However, while this kind of legal framework exists, it has not necessarily been clarified adequately. Firstly, there is the question of the degree to which wage disparities arise according to the three requirements concerning equal treatment: (1) content of duties; (2) personnel utilization mechanisms and the operation thereof; and (3) differences in contract period. Secondly, in the event that a certain wage disparity exists between regular and non-regular employees, there is the question of the degree to which this is acceptable to non-regular employees, according to the following: (1) content of duties being different; (2) personnel utilization mechanisms or the operation thereof being different; and (3) contract period being different. This section introduces the results of work carried out with the objective of clarifying these matters. As in Chapter 2 above, the data used are from the "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)" carried out by JILPT, with analysis focusing on those who are directly-employed non-regular employees and who do the same work at their workplace as regular employees.

### 1. The Status of Wage Disparities

Looking at the data, one can see that 15.5% of non-regular employees receive at least the same wages as regular employees, but on the other hand, 40.1% receive wages that are lower than those of

regular employees, with 23.8% stating that their wages are at least 40% lower than those of regular employees. However, it should be noted that 42.9% of non-regular employees responded that they did not know what their wage level was in comparison with regular employees. Moreover, looking at the mean values for the wages of non-regular employees if those of regular employees are 100, one can say the following. Firstly, wage disparities increase as the age of the worker rises. Secondly, there are few wage disparities in specialist/technical posts and service positions, but there is a considerable wage gap among those in clerical posts. Thirdly, wage disparities are small in the wholesale, accommodation, catering service, medical care, welfare, and service sectors, but large in manufacturing industry, the information and communications sector, and the composite service sector. Fourthly, in general, wage disparities grow as the scale of the company expands.

The impact of the aforementioned three requirements on wage disparities was examined by using ordered logistic regression analysis<sup>15</sup> to analyze the factors regulating wage disparities after controlling for a range of variables. As a result, one can point out firstly that the greater the difference in terms of “weight of responsibility involved in the job” and/or “potential for intra-company transfers involving relocation of one’s home”, the greater the wage disparity between regular and non-regular employees, and secondly that, on the other hand, whether or not the contract period and prescribed working hours differ has a statistically significant effect on wage disparities between regular and non-regular employees.

## 2. The Appropriateness of Wage Disparities

Firstly, with regard to non-regular employees overall, whose wages are at least 10% lower than those of regular employees doing the same work at their workplace, looking at whether or not they think this kind of wage disparity is appropriate, 21.9% of all non-regular employees responded “I think it’s appropriate”, but almost double that number (43.1%)

responded “I don’t think it’s appropriate”.

Accordingly, the factors regulating evaluations of the appropriateness of wage disparities were analyzed using ordered logistic regression analysis, in the same way as the aforementioned wage disparities. As a result, it was ascertained firstly that wage disparities are evaluated as more appropriate when the “weight of responsibility involved in the job” and/or “potential for intra-company transfers involving relocation of one’s home” differ, and secondly that, on the other hand, they are evaluated as less appropriate among non-regular employees when they are in “fixed-term employment” and/or are “full-time” workers (III-12).

## 3. Issues Surrounding Wage Disparities Between Regular and Non-regular Workers

The following implications can be elicited from the results of the foregoing analysis. Firstly, with regard to the framework in the revised Part-time Workers’ Act, it appears to be rational, to some extent, to stipulate an approach to treatment that is based not only on the “content of duties”, but also on the “level of responsibility” and “whether or not there are personnel changes, etc. as well as the scope thereof”. Secondly, on the other hand, among non-regular employees who are “fixed-term, full-time” workers in particular, there is a tendency to evaluate wage disparities with regular employees as being less appropriate. Adequate consideration should be given to this point when examining whether or not to make further amendments to the Part-time Workers’ Act, as well as when discussing approaches to legislation concerning fixed-term employment contracts.

## Chapter 8. Policy Tasks for Achieving a “Society with Diverse Employment”

Chapter 8 presents a summary of the policy implications concerning non-regular employment in the future, in light of the results of the analyses carried out above and the issues and tasks presented therein.

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15 The explained variables adopt the values for 7 levels, from “high” to “50% or less”. Those who responded “Do not know” or did not respond have been excluded.

### III-12 Factors Regulating Evaluations of the Appropriateness of Wage Disparities (Ordered Logistic Regression Analysis)

Explained variable: Degree to which wage disparities are thought inappropriate (3 levels)	Model ①		Model ②		Model ③	
	B	Wald	B	Wald	B	Wald
Weight of responsibility involved in the job (differs)			-1.398	65.715 ***		
Potential for intra-company transfers involving relocation of one's home (differs)					-0.814	12.133 ***
Fixed-term employment						
Full-time						
$\tau = 1$	-1.469	8.070	-2.124	15.458	-1.672	10.179
$\tau = 2$	0.274	0.285	-0.222	0.174	0.098	0.035
N		631		631		631
-2 log likelihood		1088.044		1089.914		1101.616
Chi-squared		94.070 ***		163.481 ***		106.441 ***
Nagelkerke R-square		0.157		0.259		0.176

Explained variable: Degree to which wage disparities are thought inappropriate (3 levels)	Model ④		Model ⑤		Model ⑥	
	B	Wald	B	Wald	B	Wald
Weight of responsibility involved in the job (differs)					-1.283	49.364 ***
Potential for intra-company transfers involving relocation of one's home (differs)					-0.591	5.649 *
Fixed-term employment	1.029	16.146 ***			1.117	16.659 ***
Full-time			1.058	33.051 ***	0.793	16.962 ***
$\tau = 1$	-0.445	0.576	0.273	0.192	0.035	0.002
$\tau = 2$	1.304	4.906	2.104	11.222	2.029	8.083
N		621		609		599
-2 log likelihood		1080.388		1074.440		1037.293
Chi-squared		109.401 ***		129.822 ***		204.320 ***
Nagelkerke R-square		0.183		0.218		0.328

Source: JILPT "Survey Concerning the Actual Status of Diverse Forms of Employment (Survey of Employees)"

Notes: 1) \*\*\*:  $p < 0.001$ , \*\*:  $p < 0.01$ , \*:  $p < 0.05$

2) In addition to the above, the following have been input as explanatory variables: male dummy, age dummy (5 levels), highest level of education dummy (4 levels), occupation dummy (10 levels), industry type dummy (20 levels), and company scale dummy (6 levels).

3) The subjects of the analysis are those with wages at least 10% lower than those of regular employees doing the same job at their workplace.

#### 1. Interim Policy Tasks

##### (1) The importance of skills development

Skills development is a key factor, whether in relation to the transition to regular employee status that is a key direction in career development, or in relation to the improvement of employment conditions and the working environment (improved wages and other treatment, and equal treatment between regular and non-regular employees). Consequently, in order to overcome factors inhibiting skills development,<sup>16</sup> the deployment of policies to

promote this are required, with a primary focus on self-development by non-regular employees themselves.

##### (2) Support for diverse career visions

In order to aim for better career development among non-regular employees, it is necessary to develop core functions to ensure that working people can benefit from consultations about their own careers, as needed and as convenient for them, as well as enabling them to receive various forms of support. For example, policies should be promoted that enable workers to benefit from career

<sup>16</sup> These include (1) the lack of incentives to companies to undertake skills development among non-regular employees; (2) the lack of wherewithal among non-regular employees to permit them to incur the associated cost burden; (3) the lack of time available to non-regular employees to undertake skills development; and (4) the fact that non-regular employees do not know whether or not this will lead to finding a job or improved treatment.

consultations with experts with specialist knowledge of occupational career development and skills development, as well as being well-acquainted with the situation in the labor market and involved in providing career development support; through this kind of support, a career vision for each person should then be formulated, with workers receiving various forms of government support if they undertake skills development in accordance with their own vision.

### **(3) Development of the treatment environment (equal treatment)**

In addition to career development, the development of employment conditions and the working environment for non-regular employment itself is also a crucial issue. For the time being, based on the premise of the approach taken in the Part-time Workers' Act, it would be desirable for this to be applied not only to part-time workers, but also to full-time non-regular employees (such as *keiyaku-shain*, etc.)

### **(4) Stable employment amid major economic fluctuations**

Ensuring the stability of employment for not only regular employees but also non-regular employees during times of major economic fluctuations, such as those resulting from the recent global financial crisis, is a crucial challenge.

The foregoing outlines some interim policy tasks thought to be particularly important, but a more basic issue could be said to be developing the awareness that the era when non-regular employment was called "peripheral workforce" is a thing of the past, and that today, non-regular employment is one of the primary, fundamental ways of working during a person's working life.

## **2. Medium- to Long-term Policy Tasks (Targets)...Achieving a "Society with Diverse Employment"**

As people become able to work under proper employment conditions and in working environments, irrespective of whether they are regular or non-regular employees, while responding to the requirements of the economy and undertaking career development tailored to each of them, the

prospect of achieving a labor society that could be described as "a society with diverse employment" comes into view, and this is the medium- to long-term target (and slogan).

The following are examples of the strata that should coexist in a society with diverse employment. The respective ways of working would primarily be based on the long-term career needs of working people, and on occasional employment needs. Moreover, various intermediate forms would probably exist between each of the following.

- ① The stratum of those who are hard workers but who take long consecutive periods of leave, as they should.
- ② The stratum of those who work and leave the office mostly on time and share the housework.
- ③ The stratum of those who are primarily focused on housework and who are in part-time employment.
- ④ The stratum of those who are partially taking time away from work, as they are focused on skills development at a turning point in their careers.
- ⑤ The stratum of those engaging in work that is possible for them, appropriate to their abilities and physical strength.

This kind of society with diverse employment would be supported by various employment and labor systems. To put it another way, putting in place the following systems would lead to the foundations of a society with diverse employment being formed.

- ① A labor supply and demand matching system that supports changes of occupation in accordance with people's career vision.
- ② A skills development system and social evaluation system that supports people's career vision.
- ③ A system of "equal pay for equal work" in accordance with wage principles appropriate to Japanese corporate and labor practices.
- ④ A work rule system suited to diverse employment.
- ⑤ The avoidance of unnecessary employment fluctuations resulting from economic fluctuations.

## **3. Conclusion**

In regard to policy tasks pertaining to non-regular employment and points of contention concerning the

approach to responses to these, as well as interim tasks, the section above touched upon the medium- to long-term vision (=a society with diverse employment), while also incorporating the author's ideals.

Having said that, from an economic and social viewpoint, dealing with the current state of affairs as a matter of urgency is imperative. Almost 20 years have passed since the collapse of the economic bubble in the early 1990s and the subsequent plunge into a harsh employment situation. The first of those

who were the younger generation at the time - those who left education and were unable to obtain regular posts, so began their lives as members of society in non-regular employment and have been unable to transition to regular employment during their working lives to date - are just entering their 40s. Devoting intensive efforts to promote specific measures aimed at achieving transition to regular employee status for as many of this stratum as possible, or securing work based on stable non-regular employment, is a pressing issue.