

5 Diversification in Forms of Employment

Non-regular Employees Comprise More Than One Third of Total Employees

During the long-term economic stagnation that began in the 1990s, Japan's economic environment changed enormously, including the development of economic services, the intensification of international competition and advances in IT. Worker values have also evolved and diversified over this period. Against the background of such changes in the socioeconomic environment, the number of non-regular employees such as part-time workers and dispatched workers has increased.

In order to gain an understanding of the actual status of the employment types of Japanese workers, the Ministry of Health, Labour and Welfare conducts a survey entitled the General Survey on Diversified Types of Employment, albeit irregularly. The results of the Fiscal 2010 Diversification Survey, which is the most recent set of survey results to have been published, one can see that in 2010, non-regular employees account for 38.7% of all employees, with the proportion of women higher than that of men (see Table II-19). In addition, the largest group among these non-regular employees was part-time workers (22.9%), followed by contract workers (3.5%) and dispatched workers (3.0%). Compared to the previous survey (2007), the proportion of contract workers had increased (2.8% → 3.5%) but that of dispatched workers had decreased (4.7% → 3.0%).

Next we examine the trend in the number of non-regular employees since 1990. According to the Ministry of Internal Affairs and Communications' (MIC) Special Survey of the Labour Force Survey and Labour Force Survey (Detailed Tabulation), the proportion of non-regular employees (the combined total of part-time workers, entrusted workers "shokutaku", dispatched workers, and non-regular employees that are not otherwise classified) has steadily risen, and exceeded 30% in 2003 and since then they have accounted for more than one-third of all employees (excluding executives of companies

and corporation (See Table II-20).

As recent changes in the breakdown, dispatched workers continued to increase to 2008, reaching 1.4 million people, but from 2009 onwards, following the Lehman Shock, the figure turned to decline. On the other hand, over the five years from 2008 to 2012, the number of people working as contract and entrusted employees has been increasing consistently, and looking at the figures for shares of the total, the proportion of them is increasing (See Table II-21).

Viewing changes by sex and age in time series, meanwhile, there is a tendency to increase in all age groups, but increases are particularly conspicuous in ages 15-24 and 25-34 (Table II-22).

Characteristics of Non-regular Employees in Japan

Non-regular employees are distributed unevenly across a whole range of fields. In the aforementioned 2010 Diversification Survey, for example, sectors with larger ratios of part-time workers are those of accommodations, eating and drinking services, followed by wholesale and retail trade, living-related and personal services and amusement services, and education & learning support (see Table II-19 above). In addition, small to medium size establishments are the most prevalent.

Next, let us review the reasons for employment by establishments and the reasons for choosing present form of employment by individuals. Firstly, let us look at the situation for part-time workers. The reasons are that they want to control wage cost and to adjust workforce according to changes in business condition (see Figure II-23). Meanwhile, with regard to the reasons why part-time workers are working as part-timers, many give the reasons to defray educational or household expenses or to choose their own working hours (see Figure II-24).

Turning to contract workers, the reasons of businesses for hiring them are that they "require persons capable of doing specialized work" and "in

order to ensure employees with adaptable potential or other specialist abilities". The reason given by contract workers themselves for choosing this way of working is "Because it allowed me to utilize specialist qualifications or skills". Even so, those citing could not find regular employment are high and it is not uncommon for workers to engage involuntarily in this kind of employment. Though going under the single description of non-regular employees, in terms of reasons for employer side and employee side, there are differences between contact workers and part-time workers.

Lastly, dispatched workers are defined by the Manpower Dispatching Business Act, enacted in 1986, as "workers under contract to a dispatching agency, who are entrusted with specific duties by the companies to which they are assigned". At first, dispatched workers could only be used to perform 26 duties that required a high degree of specialization. However, a revision made to the law in 1999 allows dispatched workers to perform any type of work except longshoring, construction work, security services, medical care-related work and manufacturing. A revision was also made in 2003 which lifted the ban on dispatched workers from performing work related to manufacturing and the limit on the period of dispatch (from one year to three years). In this way, legal revisions have been promoted with the aim of easing regulation, but the 2012 revision specified the protection of dispatched workers among its objectives¹. Principal points of revision include the fact that day labor dispatch was prohibited², and that it was made mandatory for dispatching agencies to publish their margin of the dispatch fees paid to them by dispatch clients³.

Many workplaces report that their main reason for

hiring dispatched workers is they "require to perform specialized work and to hire people with experience and to expertise", though there are also many who respond that they need "to adjust workforce according to changes in business conditions" and "to allow regular employees to specialize in important work" (see Figure II-23).

Future Challenges for Non-regular Employees

As mentioned above, non-regular employees have come to account for around one third of Japan's labor market. In the recent economic climate, it would be hard to imagine Japanese management runs their operations without non-regular employees, and these are expected to keep a certain proportion of the labor market from now on. Under this situation, systems of employment management for non-regular employees will need to be enhanced for many workers to be able to live life in reassurance. This will include stability of employment, improved terms, and in-house career development, as well as enrollment in social security and receiving opportunities for external education and training.

"Restricted Regular Employees"

Besides improved terms and increased ability development of non-regular employees, other proposals starting to appear in recent years would solve the problems of non-regular employment by changing the way of working of regular employees themselves. A leading example is the proposal to introduce a system of regular employees limited to certain tasks and work locations ("restricted regular employees"). This proposal is to establish an intermediate layer, between existing regular

¹ The name changed from "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers" to "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers".

² "Day labor dispatch" refers to cases where the length of the labor contract between dispatch client and worker is no more than 30 days.

³ "Margin" is the fee paid by the dispatch client to the dispatching agency, minus wages paid by the dispatching agency to the worker. The margin includes employment insurance and industrial accident insurance contributions paid by the dispatching agency, and personnel costs for employees of the dispatching agency.

employees with no limitation on tasks and work locations (unlimited regular employees) and non-regular employees. Through establishing an intermediate layer, it aims to stabilize the employment of non-regular employees by encouraging their appointment as restricted regular employees. At the same time, by limiting the ways of working of regular employees who previously had no limitation on their tasks or work locations, another aim is to make it easier for them to balance their work with their private lives (see Figure II-25). In other words, restricted regular employees could be seen as carrying expectations as a remedy to the problem of polarization between regular and non-regular employment.

Meanwhile, a 2012 amendment to the Labor Contract Act provides that, when a fixed-term labor contract has been renewed beyond a total of 5 years, it must be converted to an open-ended labor contract if the worker so demands. In this case, there is no problem with applying working conditions from the previous fixed-term contract, other than the length of the employment contract. This amendment is

expected to help stabilize the employment of non-regular employees.

Diversification of Regular Employees?

The trend highlighted above could encourage a diversification of regular employees. Of course, it could be said that regular employees have always been diverse in nature, in that their ways of working and terms of employment differ between large corporations and small or medium enterprises. However, since it creates more than one type of regular employee within the same enterprise, the system of restricted regular employees highlighted above could produce a type of regular employee that has not existed until now.

Again, it is not certain how far the use of such regular employees will spread. But in the sense that they could stimulate a diversification of ways of working by regular employees within the same company, changes in the number of restricted regular employees could in no small way impact the diversification of employment formats more or less.

Table II-19 Proportion of Workers by Form of Employment (2010)

(%)

Industry and size of enterprise	Total	Regular staff	Workers other than regular employees	Form of employment							
				Contact employees	Entrusted employees	Transferred workers	Dispatched workers	Temporary workers	Part-time workers	Others	
Total	(100.0)	100.0	61.3	38.7	3.5	2.4	1.5	3.0	0.7	22.9	4.7
[2007]	[100.0]	[62.2]	[37.8]	[2.8]	[1.8]	[1.2]	[4.7]	[0.6]	[22.5]	[4.3]	
Industry											
Mining and quarrying of stone and gravel	(0.1)	100.0	83.9	16.1	2.6	4.2	1.9	1.0	0.5	3.4	2.3
Construction	(6.3)	100.0	84.8	15.2	3.2	2.1	1.2	1.9	0.7	3.0	3.1
Manufacturing	(21.3)	100.0	72.7	27.3	2.2	2.6	1.7	4.9	0.4	10.5	5.1
Electricity, gas, heat supply and water	(0.4)	100.0	91.7	8.3	0.8	2.1	1.5	1.4	0.0	1.5	1.0
Information and communications	(3.5)	100.0	77.3	22.7	3.9	1.3	3.0	8.5	0.3	3.9	1.7
Transportation and postal services	(6.7)	100.0	70.0	30.0	3.9	5.5	2.0	3.7	1.5	10.1	3.6
Wholesale and retail trade	(21.1)	100.0	49.0	51.0	3.0	1.6	0.9	1.8	0.6	38.6	4.5
Finance and insurance	(3.5)	100.0	71.4	28.6	2.5	2.8	6.8	5.6	0.1	8.9	1.9
Real estate and goods rental and leasing	(1.5)	100.0	61.5	38.5	4.0	4.5	3.0	2.3	0.2	19.2	5.3
Scientific research, professional and technical services	(2.7)	100.0	77.6	22.4	4.3	2.3	3.6	4.1	0.3	6.0	1.8
Accommodations, food and beverage services	(7.8)	100.0	27.3	72.7	1.9	0.7	0.2	0.6	1.6	60.0	7.6
Living-related and personal services and amusement services	(3.8)	100.0	45.4	54.6	4.9	1.8	0.9	1.4	2.4	36.8	6.4
Education, learning support	(3.1)	100.0	56.5	43.5	9.7	1.8	0.4	1.7	1.7	23.1	5.1
Medical, Healthcare and welfare	(9.9)	100.0	66.8	33.2	3.6	1.5	0.5	1.1	0.3	21.5	4.8
Compound services	(1.4)	100.0	71.6	28.4	4.3	2.0	0.3	0.4	0.7	11.3	9.4
Services (not elsewhere classified)	(6.7)	100.0	51.6	48.4	6.4	4.7	2.5	4.0	0.7	24.3	5.7
Size of enterprise											
1,000 employees and more	(5.5)	100.0	74.5	25.5	4.1	2.3	2.0	5.1	0.3	7.7	3.9
500-999 employees	(6.0)	100.0	66.3	33.2	4.3	2.3	1.7	6.5	0.4	13.2	4.7
300-499 employees	(4.7)	100.0	62.8	37.2	4.7	3.0	1.6	5.0	0.4	17.8	4.8
100-299 employees	(16.4)	100.0	62.1	37.9	4.3	3.2	1.6	3.8	0.6	19.9	4.6
50-99 employees	(18.1)	100.0	57.7	42.3	4.0	2.9	1.7	3.3	1.2	24.8	4.4
30-49 employees	(8.7)	100.0	60.1	39.9	3.2	2.8	1.2	2.2	0.5	24.9	5.0
5-29 employees	(40.7)	100.0	60.1	39.9	2.6	1.6	1.4	1.6	0.8	27.0	4.9
Sex											
Male	(58.2)	100.0	75.3	24.7	3.1	3.2	2.2	2.2	0.5	10.3	3.3
Female	(41.8)	100.0	41.9	58.1	4.0	1.2	0.6	4.0	1.0	40.5	6.7

Source: The Report of *Survey of the Diversification of Employment Status, 2011*, Ministry of Health, Labour of Welfare

Notes: 1) Figures in () are the ratio of 2007.

2) Figures in () are the ratio in each industry, size of enterprise, and gender (total =100).

Table II-20 Trend of the Number of Non-regular Employees

Year	Number of non-regular employees (10,000 persons)	Proportion to employees excluding executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1
2009	1721	33.7
2010	1755	34.3
2011	1811	35.1
2012	1813	35.2

Sources: *Special Survey of the Labour Force Survey, and Labour Force Survey (Detailed Tabulation)*, Ministry of Internal Affairs and Communication

Notes: 1) The figures up to 2001 are based on the Labour Force Survey-Special Survey that was taken every year in February, and from 2002 based on the Labour Force Survey (Detailed Tabulation) which figures are the annual average.

2) Part-time workers refers to those who are referred to at their workplaces as "part-timers," "arubaito (side-job workers)" or similar terms, irrespective of the amount of hours or number of days worked.

3) Figures in brackets are the shares accounted for by part-time workers among all employees except board members.

4) From the 2012 average, the base population for calculation was switched to an estimated population (new benchmark) based on the final estimate in the 2011 National Census. The actual figures reproduced take account of variation due to the switch (an increase of around 70,000 in the national population aged 15 and over). To link with results from the average onwards, the figures have been replaced with compatible time-series data (after correction based on the final population estimate from the 2011 Census). The figures for the period in question may therefore differ from those in reports and statistical tables for each year.

**Table II-21 Breakdown of Non-regular Employees
(Actual Figures and Composition Ratios)**

	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others
	(10,000 persons)				(%)			
2008	1155	140	322	148	65.4%	7.9%	18.2%	8.4%
2009	1156	108	323	149	66.9%	6.2%	18.6%	8.6%
2010	1196	96	333	138	67.8%	5.4%	18.9%	7.8%
2011	1229	96	360	127	67.9%	5.3%	19.9%	7.0%
2012	1241	90	354	128	68.5%	5.0%	19.5%	7.1%

Source: Ministry of Internal Affairs and Communication, *Labour Force Survey*

Note: 1) The composition ratios were calculated by dividing the actual figures by the total number of non-regular workers.

2) From the 2012 average, the base population for calculation was switched to an estimated population (new benchmark) based on the final estimate in the 2010 National Census. The actual figures reproduced take account of variation due to the switch (an increase of around 69,000 in the national population aged 15 and over). To link with results from the average onwards, the figures have been replaced with compatible time-series data (after correction based on the final population estimate from the 2010 Census). The figures for the period in question may therefore differ from those in reports and statistical tables for each year.

Table II-22 Trends in Proportions of Non-regular Employees by Age and Sex

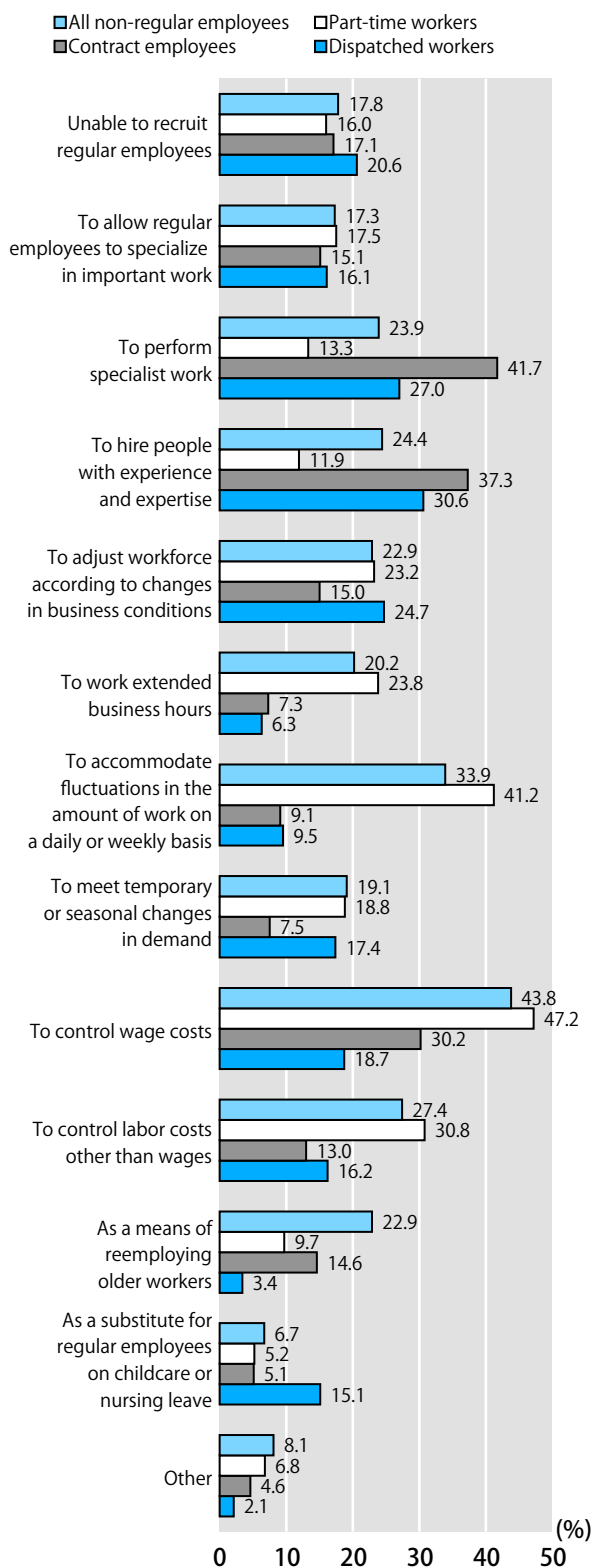
(%)

	1990	1995	2000	2005	2010
Male					
15-24	7.1	9.2	19.7	28.7	25.1
25-34	3.2	2.9	5.6	12.7	14.0
35-44	3.3	2.3	3.8	7.0	8.1
45-54	4.2	2.9	4.0	8.4	8.1
55-64	22.7	17.4	17.9	27.1	28.9
Female					
15-24	11.5	16.3	26.4	40.0	35.4
25-34	28.0	26.6	31.8	40.6	41.4
35-44	49.5	48.9	53.1	54.4	53.7
45-54	44.7	46.8	51.6	57.4	57.7
55-64	44.8	43.6	55.3	60.8	64.0

Source: Ministry of Internal Affairs and Communications, *Special Survey of the Labour Force Survey* (February survey; 1990, 1995, 2000) and *Labour Force Survey (Detailed Tabulation)* (annual averages; 2005, 2010)

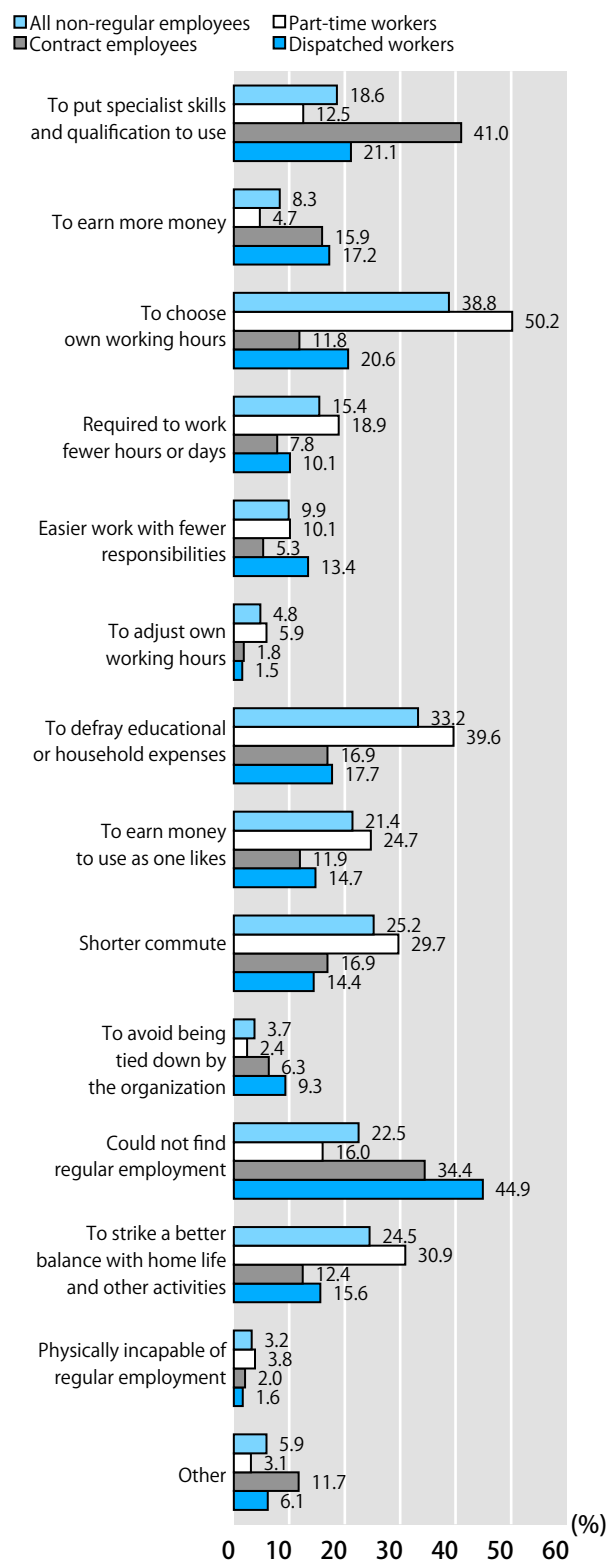
Note: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time workers, entrusted workers, dispatched workers, or not otherwise classified (15-24 age group excludes school pupils and students).

Figure II-23 Reasons for Employment of Non-regular Employees



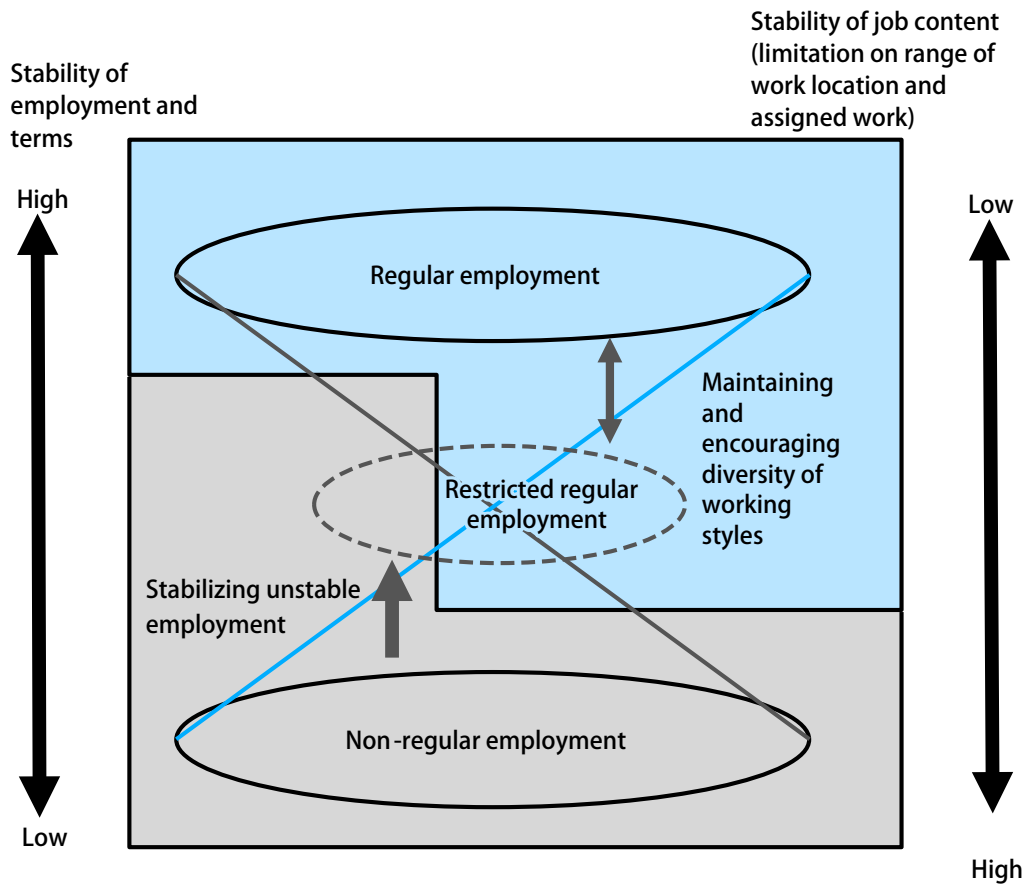
Source: Ministry of Health, Labour and Welfare, *Outline of the 2010 General Survey on Diversified Types of Employment*

Figure II-24 Reasons for Non-regular Employees' Choice of Present Form of Employment



Source: Ministry of Health, Labour and Welfare, *Outline of the 2010 General Survey on Diversified Types of Employment*

Figure II-25 Schematic Image of Restricted Regular Employees



Source: Compiled by the author with reference to JILPT Research Report No.158 "Research on Personnel Management of Diverse Regular Employees"
 Note: Please note that this is merely a schematic image.