

# **Balanced Treatment between Part-timers and Regular Employees: A Case Study on Labor and Management of General Supermarket Chains**

## **Summary**

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### **Research Period**

Fiscal Year 2004 (April 2004 to March 2005)

### **Objective of the Research**

The theme of “balanced treatment between part-timers and regular employees” which our study focuses on has been the chief issue of the part-time labor policy since August 2003 when the “Guidelines for Employers on Improving Employment Management Etc. of Part-Time Workers” was amended to stipulate practical ideas on balanced treatment of part-timers and regular employees.

The Guidelines urge private enterprises to take measures for part-time workers who take on the same tasks and are eligible for the same career management programs as regular employees, by for example, using the same determination method concerning the treatment. The Guidelines also urge them to maintain balance between regular employees and part-time workers to whom different career management programs are applied, by for example, treating part-timers in accordance with their will, ability, experience, performance, etc. Although some enterprises have launched pioneering activities for the sake of the balanced treatment, it is still premature to say that the employment management for part-timers has been significantly changing.

Under such a circumstance, we conducted a hearing survey targeted at general

supermarket chains that actively hire part-timers and have made moves concerning the balanced treatment, and performed empirical analyses on employment management cases involving the balanced treatment for part-timers, aiming to identify issues upon promoting the balanced treatment such as: how individual enterprises are responding to the concept and making progress, what kind of events are observed that accompany the process to realize it, and what can be done to promote it.

### Subjects and Method of the Survey

Setting up a study group specific to this topic, we discussed the following matters: (i) focal themes, (ii) selection of subject enterprises, (iii) selection of hearing contents, (iv) analyses of the hearing survey results, and (v) contents of the report.

We decided to choose general supermarket chains as the subject companies, because the ratio of part-timers to total employees in general supermarket chains uniformly exceeded 70 percent during the Heisei Recession, and also because they now have part-time staff whose performance is as good as those of regular employees in terms of quality. We selected five supermarket chains with different business conditions and backgrounds. When selecting these five companies, we included both supermarket chains that have made new moves related to the balanced treatment and those which are trying to explore ways towards balanced treatment yet take a stance for the time being to continue separation between part-timers and regular employees in respect to employment management.

### Basic Profiles of the Subject General Supermarket Chains

	Supermarket Chain A	Supermarket Chain B	Supermarket Chain C	Supermarket Chain D	Supermarket Chain E
Headquarters Location	Chiba-city (Chiba)	Kobe-city (Hyogo)		Chiyoda-ward (Tokyo)	Inazawa-city (Aichi)
Number of Stores	364	266	56	177	151
Number of Regular and Part-time Employees	Regular: about 14,320 Part-time: about 50,820	Regular: about 10,190 Part-time: about 29,150	Regular: about 1,230 Part-time: about 4,300	Regular: about 14,100 Part-time: about 34,060	Regular: about 5,610 Part-time: about 20,780
Operating Revenue (for FY 2003)	About 1.7643 trillion yen	About 1.4303 trillion yen	(Product net sales) 153.3 billion yen	About 1.4940 trillion yen	About 720.2 billion yen
Operating Profit	About 24.017 billion yen	About 13.73 billion yen		About 24.103 billion yen	About 12.853 billion yen
Ratio of Part-timers/ <i>Arubaito</i> Workers to Total Employees	About 78%	About 74%	About 78%	About 71%	About 78.5%

Characteristics	Having the advantage of flexible M&A strategies. Aiming at to be ranked Top 10 in the global market.	Decided to seek assistance from the Industrial Revitalization Corporation of Japan.	Required to operate efficiently under a low-cost scheme for the company's revival.	Engaged in a dominant store development strategy. One of the top two general supermarket giants in Japan.	Engaged in a dominant store development strategy in the Tokai, Kanto, and Hokuriku Regions. Ranked fourth in the general supermarket sector in Japan.
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Since whether or not both labor and management can agree on the same policy becomes one of the touchstones for realizing balanced treatment, we conducted hearings from both labor union and management (management: section chief or higher in charge of employment management; labor union: general secretary or equivalent), mainly on the following contents. The survey period was from July to October 2004.

### **Main contents of the hearing**

#### (1) Management

- (i) Personnel management system for both regular employees and part-timers
- (ii) Wage system for both regular employees and part-timers
- (iii) Past changes in the personnel management and wage systems
- (iv) Future prospect of the treatment of regular employees and part-timers

#### (2) Labor unions

- (i) Principles on organization of part-timers
- (ii) Measures to improve working conditions for part-timers
- (iii) Future challenges concerning treatment gaps between regular employees and part-timers

### **Outline of the Results**

#### **1. Contents of the Report**

In Part 2: Main Discussion, Chapter 1 overviewed the realities surrounding the emergence of part-time workers as a core labor force, both qualitatively and quantitatively, based on various statistical data and preceding studies, and analyzed the trends in the general supermarket sector to which the subject companies of our case study belong. We pointed out that an increasing number of enterprises have been hiring part-timers for cost reduction reasons, and that there are part-time workers who are assigned to the same tasks and expected to take the same responsibilities and same overtime hours as regular employees. We also introduced the fact that general

supermarket chains which have been expanding their sales areas particularly since Large-Scale Retail Stores Location Law took effect in 2000 reduced the ratio of regular workers to total employees and instead increased that of part-timers to 80 percent.

In Chapters 2 to 7, which compose the essential part of this report, we examined each case of Supermarket Chains A to E. The following are the major specificities of the subject companies: Supermarket Chain A integrated the grade and assessment system for both part-timers and regular employees; Supermarket Chain B combined the system of human resource utilization without distinction between full-time and part-time workers; Supermarket Chain C established a new employment status that falls in between part-timers and regular employees; Supermarket Chain D applies the same self-nomination system for management positions equally to part-timers; and Supermarket Chain F intends to maintain separate treatment systems by employment status. It was clearly indicated that individual companies understand and try to realize the balanced treatment in a different manner, against the background that each supermarket chain has followed an independent path in terms of human resource management strategy and personnel and wage systems.

In Chapter 8 “Summary and Conclusion,” we summarized the characteristics observed in each company’s revision of personnel and wage systems. By performing a brief analysis on this summary, we clarified the common axis concerning the balanced treatment. We argued the trends shared among all five subject supermarket chains from the following four perspectives: (i) revision of the wage system and the balanced treatment, (ii) qualitative formation of part-time workers as a core labor force and the balanced treatment, (iii) proper reclassification of employment statuses along with the balanced treatment, and (iv) organization of part-timers to labor unions and the balanced treatment.

In Part 3 (Appendix), we firstly presented the outline of the hearing results targeted at part-time staff who work for a supermarket chain for a long time and are executive members of labor unions. Secondly, we took a brief look at changes in part-time labor policies since the Law Concerning the Improvement of Employment Management, Etc. of Part-Time Workers (so-called “Part-Time Work Law”) was enacted in 1993, and investigated reactions to such changes from both labor and management. The first half of the chapter was intended to introduce ideas from part-timers themselves (Part-timers F to H, who are in the position of representing part-timers working for general supermarket chains), which were not covered in the hearings conducted on the labor and management of supermarket chains, including how they were satisfied with the treatment in comparison with their jobs and what they expected from labor unions.

The second half aimed to identify other policy issues regarding balanced treatment. Both are meant to be references to explore future challenges on this matter.

## **2. Outline of the Survey Results**

### **(1) Characteristics of the revise of systems in each supermarket chain**

Our hearing survey of labor and management representatives in five supermarket chains revealed that all of the five companies have recently revised systems related to the treatment of part-timers and regular employees. Below are the brief summaries of characteristics of their system revision, from the standpoints of (i) employee statuses, (ii) grade systems, and (iii) balanced treatment between part-timers and regular employees.

#### **- Supermarket Chain A**

- (i) Supermarket Chain A categorized regular employees into two groups, depending on whether they minded transfers involving change of residence. Then the company established a new employee status called “Community Employee” referring to regular workers who wish not to be transferred outside of their current residential area and non-regular workers including part-timers.
- (ii) Supermarket Chain A united grade and assessment systems for both regular workers and Community Employees, opening opportunities for every employee to be promoted up to the position of store manager for a small-sized supermarket branch.
- (iii) The wages for part-timers who are classified as Community Employees and are in responsible positions such as those of managers are set at approximately 90 percent of those paid to regular workers and Regional Employees with the same grade and title.

#### **- Supermarket Chain B**

- (i) Based on the distinctions of “acceptiveness of transfers involving change of residence” and “full-timer/part-timer,” Supermarket Chain B reclassified statuses of employees into four groups, establishing a new employment contract system called “Contract of All Partner (CAP) System.”
- (ii) Although each work status has a different grade system, the company opened promotional opportunities for every employee regardless of work status by allowing status comparison and shifts between statuses.
- (iii) Among wage items, the gaps in grade-based pay among work statuses are limited to 5 percent or less. For those in responsible positions regardless of work status,

compensations for responsibilities are paid in proportion to working hours. Those categorized in the “Career CAP” work status (no transfer involving change of residence/full-timer), created as intermediate status between regular employees and part-timers, are granted wage parity with regular employees, by adding the amount of prepayable retirement allowance to their basic pay.

**- Supermarket Chain C**

- (i) To reduce the number of “Home Employees” who work as regular employees but are not subject to transfers involving change of residence, Supermarket Chain C newly established the work status of “Excellent Employee” positioned in between part-timers and regular employees, who work on a shift basis with working hours of six or seven hours per day.
- (ii) Grades of Excellent Employees are linked with those of regular employees, and the same grade ceiling as Home Employees is applied to Excellent Employees.
- (iii) Excellent Employees are paid monthly and their employment contract is for no specified period. Their base pay is secured at six or seven eighths of those paid to Home Employees when calculated in proportion to working hours.

**- Supermarket Chain D**

- (i) Supermarket Chain D recently revised the system for “Area Employees” who are in principle subject to transfers involving change of residence within a certain area to exclude Area Employees who do not actually wish to move home due to transfer, by setting up a new category for “Area Employees within a Restricted Transfer Area.” As a result, most female Area Employees chose to work as an Area Employee within a Restricted Transfer Area.
- (ii) Although Supermarket Chain D aimed to encourage part-timers to apply for responsible positions by, for instance, adopting the “Leader Partner System” and by expanding the range of employees applicable to self-nomination system for management positions, part-time workers who are actually in responsible positions are limited in number, and grades of such positions for part-timers are separated from those of regular employees.
- (iii) Since regular employees and part-timers are different in expectation for career development, risk of being transferred, flexibility of work schedules, responsibility for achieving sales quotas, etc., the company basically considers that it does not have to equalize treatment for regular and part-time workers. However, compensations for responsibilities are paid to part-timers with titles in proportion to those paid to

regular employees according to working hours.

**- Supermarket Chain E**

- (i) Supermarket Chain E has suspended its transition system that allowed part-timers to be eventually hired as regular employees via an intermediate employment status.
- (ii) Supermarket Chain E has recently abolished a grading system for part-timers' performance used to have, similar to that designed for regular employees.
- (iii) The company resumed an hourly pay system that allows rate increment only for three times, in the belief that part-timers are not expected to exercise individual capabilities. However, as retention rate of part-timers remains low, Supermarket Chain E is now considering revising its wage system to enables part-time workers to obtain titles specifically given to part-timers and to receive compensations according to their responsibilities.

As seen above, supermarket chains are revising its systems related to the positions of part-timers and regular employees in a variety of ways. Supermarket Chain A incorporated regular employees who are not subject to transfers involving change of residence into part-timers, and is trying to secure the balanced treatment by actively assigning certain responsibilities also to part-time workers. Supermarket Chain B reclassified regular and part-time employees depending on their acceptiveness of being transferred involving change of residence and length of working hours, and attempts to realize the balanced treatment by opening opportunities for promotion to positions with titles regardless of employment status. Supermarket Chain C has intentions to make part-timers play core roles by establishing a new employment status for part-time workers, which can help fill the treatment gaps between part-timers and regular employees who do not wish to be transferred, in proportion to working hours.

On the other hand, Supermarket Chain D showed a different approach from that of A to C. It is not only trying to achieve the balanced treatment for part-timers in responsible positions to some extent, but it is also trying to modify its wage system for regular employees according to responsibility and to reclassify them taking into account their acceptiveness of transfers involving change of residence. Supermarket Chain E has human resource strategies to give part-timers only simple and routine tasks and to have clear distinction in responsibilities (i.e. opportunities to have management positions) between part-timers and regular employees, basically approving the treatment gaps.

**(2) Four trends concerning the balanced treatment**

Examining the common tendencies seen in the five cases above, we found the following four characteristics, including the causes of such differences in attitudes and developments for the balanced treatment:

**(i) Revision of the wage system and the balanced treatment**

The comprehensive revision of the wage system for both part-time and regular employees was conducted along with the reform from a seniority-based system to an ability/performance-based system. As seen in the chart below, the balanced treatment that is being secured between part-timers and regular employees seems to have begun with changes in wage items within the basic pay, which are dependent on each worker's responsibilities and roles, and those particularly in standard rates of the bonus paid according to responsibilities.

A labor union in a company where ability/performance-based principles are emphasized but yet the weight on seniority-based wage items are still significant explains the reasons for it as follows:

- (i) If a company assigns exactly the same roles/responsibilities to both regular employees and part-times without distinction, the principles depending on which wage items are calculated in proportion to working hours can be easily accepted also by regular workers.
- (ii) under the current circumstance that the treatment for regular employees tends to be calculated according to each worker's achievements, the performance-based portion of the pay can naturally fluctuate.

**Practical Measures for the Balanced Wage Structure**

	Subject part-timers etc.,	Comparable regular employees	Practical measures for the balanced treatment between subject part-timers and regular employees		
			Form of wage payment	Calculation formula	Target (standard) level
Supermarket Chain A	“Community Employees” with management titles (*1) (i.e. part-timers with titles)	”Regional Employees” with the same grades and titles	daily/monthly	<basic pay> grade-based pay (70%) + position-based pay (20%) + merit-based pay (10%) (*2)	Designed to secure about 90% of the standard level of the total monthly compensation paid to regular employees.
				<bonus> Standard rate + performance-based variables (equivalent to 0 to 2-month)	<bonus> Designed to secure 75% of the standard rate for regular employees.
Supermarket Chain B	“Career CAPs” (*3) (employees with intermediate status of regular and part-time employees)	“General CAPs” with same grades and roles (*4)		<basic pay> Career CAP basic pay + Career CAP grade-based pay + role-based pay (amount of role-based pay is the same for both part-time and regular workers)	Among the basic pay items, the gap in grade-based pay is restricted to 5% or less. Part-timers also receive the equivalent level of the total annual compensation paid to regular employees.
				<bonus> Standard rate + performance-based variables for Career CAPs (The standard rate is linked to roles; calculation base × 4 months.)	
	“Active CAP” with grades of A3 or higher (*5) (i.e. part-timers with titles)	“Career CAP” with same grades and roles		<basic pay> Active CAP basic pay + Active CAP grade-based pay + role-based pay (role-based pay is based on the same rate for both part-time and regular employees and in proportion to working hours.)	Designed to restrict the gaps in grade-based pay between part-time and regular employees in the same grade to 5% or less.
			<bonus> (same as that of Career CAP)		
Supermarket Chain C	“Excellent Employees” (*6) (employees with intermediate status)	“Home Employees” with same roles	monthly	<basic pay> Responsibility-based pay (50%) + role-based pay (50%)	Designed to secure 6/8 or 7/8 of the standard rate of the basic compensation paid to regular employees, depending on working hours (6 or 7 hours). (*7)
Supermarket Chain D	“Leader Partners” (*8) (i.e. part-timers with titles)	regular employees		Responsibility-based pay (= one of the benefits granted for regular employees) is added in proportion to working hours.	<bonus> Equivalent to 2-month pay (c.f. 5-month pay for regular workers and 1-month pay for “General Partners”)
Supermarket Chain E (*9)					

\*1: Part-timers with the title of manager or higher who voluntarily work for 160 hours or more per month in practice (140 hours or more in principle).

\*2: Since the grades and roles for Community Employees are not linked with each other unlike those for regular employees, the grades-based pay for Community Employees consists of grades-based pay plus responsibility-based pay.

\*3: “Career CAP” work on a full-time basis but are not subject to transfers involving change of residence.

\*4: “General CAP” work on a full-time basis and are subject to transfers involving change of residence.

\*5: “Active CAP” work on a part-time basis and are not subject to transfers involving change of residence.

\*6: “Excellent Employees” work on a shift basis, for either six or seven hours per day. (They are not allowed to shift the contracted period of hours for more than half of calendar days.) Both regular employees and Excellent Employees have an employment contract without specific period, with the retirement age fixed at 60.

\*7: Excellent Employees are eligible for the additional benefit paid when they work at late hours. The standard rate will be secured only when they work at late hours (until 22:00) for 20 days or more per month.

\*8: “Leader Partners” eventually work full-time, for long working hours = 30 hours or more per week.

\*9: Supermarket Chain E maintains treatment policies separately designed according to employment status, in the belief that work of part-timers and that of regular employees are not the same in terms of quality.

**(ii) Qualitative formation of part-timers as a core labor force and balanced treatment**

Companies that are eager to promote qualitative improvement in part-time workers tend to revise treatment for part-timers in comparison with that for regular employees. On the other hand, those that do not have or are not very willing to adopt a strategy aimed at qualitative formation of part-time workers as a core labor force often approve treatment gaps between regular and part-time workers, saying that there is a quality difference in tasks that are assigned to regular employees and part-timers.

**(iii) Proper reclassification of employment statuses along with the balanced treatment**

In the course of the comprehensive revision of employment systems for part-timers and regular employees, proper reclassification of employment statuses has been realized. What is used as one of the criteria for reclassifying employment statuses is the possibility of transfers involving change of residence. It is often seen that both regular employees who do not wish to be transferred outside of their current residential area and part-timers are recategorized into the same employment status.

Among regular employees, most of those who are reclassified into this status are the so-called “female non-career staffs” whose educational background is education at high school or junior college. The promotion of part-timers to the responsible positions is more or less related to the change in the position of female regular employees. The positions that were used to be occupied by female non-career employees such as head of cashiers and manager of the apparel department are now partly granted to part-timers.

**Proper Reclassification of Employment statuses in Each Supermarket Chain**

	Subject employment statuses of reclassification and associated measures
Supermarket Chain A	Supermarket Chain A recategorized 1,800 “Local Employees” who were not subject to transfers involving change of residence into “Community Employees” in February 2004. (Though maintaining the level of the previous salary for the first three years, it will gradually cut down the salary level for Community Employees during the following three years.)
Supermarket Chain B	After reclassification of employment statuses in March 2002, “Home Employees,” who can be transferred but only within commutable area without moving home, no longer exist except for previously-approved approximately 1,000. While these 1,000 workers are still receiving the treatment that other regular employees receive, Supermarket Chain B is now waiting for the number to naturally decrease.
Supermarket Chain C	Prior to the reclassification of employment statuses in FY 2002, Supermarket Chain C gave harsh evaluations to “Home Employees” who do not wish to be transferred outside of their residential area. The company is currently expecting about 400 Home Employees to voluntarily leave their jobs.

**(ii) Organization of part-timers to labor unions and the balanced treatment**

In the wake of the reform of personnel and wage systems, especially reclassification of employment statuses, many labor unions started to organize part-timers.

According to labor unions, there are several reasons for this tendency including:

(i) Since the criteria for membership can be directly linked to employment statuses (i.e. work conditions such as practical working hours and application/non-application of social insurance), membership can be evenly expanded to include part-time workers as well without much resistance from them.

(ii) Organization of new members or expansion of organization can be realized with less cost and effort. In some cases, even increase in hourly pay rate can be expected for newly joined part-timers, as a result of initial campaigns right after mass organization of part-timers.

Nonetheless, there have been no cases reported that a labor union actually demanded promotion of the balanced treatment. After organization of part-timers, each labor union seems to have developed campaigns aimed to establish a comfortable workplace where complaints from part-timers can gain attention, instead of those aimed to improve work conditions for the sake of balanced treatment, etc.

In such a trend, activities of labor unions with respect to treatment improvement for part-time workers tend to give more weight on achieving better treatment compared to those available in other companies in the same community or industry, securing sufficient working hours, and realizing fairness among part-timers who may face treatment gaps according to the timing of employment or evaluation results, rather than on requesting balanced treatment between part-timers and regular employees.

In the present era when wage increase itself (even for regular employees) is difficult, it can be said that labor unions are hesitating to promote the balanced treatment which could trigger a wage cut for regular employees.

### Current Situation of Organization of Part-timers in Each Labor Union

	Current situation of organization of part-timers	Total number of members
Labor union of Supermarket Chain A	Along with the introduction of a new system in August 2004, it organized approximately 4,300 part-timers ("Community Employees" with long working hours) for the first time. By continuously encouraging Community Employees to participate, it expects the total number of members to exceed 60,000 by the end of FY 2006.	About 17,900
Labor union of Supermarket Chain B	Along with the introduction of a new system in June 2003, it expanded the range of part-timers for organization to include those categorized in Active CAP A2 or higher (approximately 15,600).	About 23,500
Labor union of Supermarket Chain C	Along with the introduction of a new system, it expanded the range of part-timers for organization to include approx. 400 "Excellent Employees," approx. 100 Food "Expert Employees," and approx. 3,020 "Partner Employees."	About 4,580
Labor union of Supermarket Chain D	In the regular convention held in October 2004, it decided to organize "Partner Employees."	About 12,910
Labor union of Supermarket Chain E	Upon revision of the employment system for part-time workers, it expanded the organization range for part-timers to include approx. 480 "Sunshine Employees" and approx. 10,810 part-timers with long working hours.	About 18,000

(As of the end of 2004)

### (3) Brief conclusion

The revision of systems related to the positions of part-timers and regular employees has been ongoing in the general supermarket sector in a diverse manner. One supermarket chain is trying to secure the balanced treatment by actively assigning certain responsibilities to part-time workers; one intends to make part-timers play core roles by establishing an employment status specifically designed for part-time workers, which can help fill the treatment gaps between part-timers and regular employees; and one approves treatment gaps between regular and part-time employees on the ground that what is expected for them is basically different, presenting justifications by limiting the opportunities for part-timers to have management titles or by assigning part-timers to take on only simple and routine tasks. Our study revealed that such differences in attitudes and activities are related to individual companies' human resource management strategies including policies on formation of part-time workers as a core work force, and to progresses in reviewing treatment for regular employees.

As it becomes more crucial to bring about satisfaction in work among both regular and part-time workers, all subject companies equally shared the same belief that they should clarify the correlation between tasks or style of work and treatment, no matter whether an employee works on a regular or part-time basis. Therefore, it is considered important for both labor and management to understand that revision of such

correlation between tasks or style of work and treatment, starting from wherever possible based on each company's circumstances, will eventually result in realization of the balanced treatment.

We were not able to deepen our research to cover reactions from part-timers and regular employees themselves who work in subject supermarket chains. Under the understanding that the keyword of the balanced treatment is “workers' satisfaction with treatment,” our future task will be to investigate on the three points below:

- (i) How do part-timers themselves consider their company's revision of personnel and wage systems and reclassification of employment statuses, as well as following changes in their treatment?
- (ii) How do regular employees consider the balanced treatment?
- (iii) What kind of activities focusing on balance treatment will labor unions conduct, which are now joined by part-timers? In what manner will voices from part-timers be reflected through labor unions?