

Diversification of Work Arrangements and Decent Work: The Japanese Experience

1. Introduction

The number of atypical (non-standard) employees such as part-time workers, dispatched workers and contract workers has been increasing in recent years. Moreover, the number of workers who cannot be definitively distinguished between subordinate employment and self-employment has also been increasing, mainly in industries such as the publishing, advertisement, real estate, software, videogame and insurance sectors. Such diversification of Work Arrangements impacts a wide range of areas, such as how individual workers plan their lives, corporate personnel management practices, labor-management relations and the basic framework of labor policy.

The author compiled a report entitled "Diverse Working Conditions among Non-standard Employees" with cooperation from Hiroki Sato (Senior Research Fellow, The Japan Institute for Labour Policy and Training, JILPT, and Professor, Institute of Social Science, University of Tokyo) and several others, which was published as Research Report 158 of the Japan Institute of Labour (hereinafter "JIL Report"). The author is also currently involved in a JILPT research project to elucidate how policy makers should tackle the so-called intermediate area between "subordinate employment" and "self-employment." This paper builds upon the two aforementioned projects and explains the diversification of Work Arrangements in Japan, and recommends desirable policy measures taking into account ILO's Concept of Decent Work (Seven Types of Securities: 1) Labour Market Security, 2) Employment Security, 3) Work Security, 4) Job Security, 5) Skill Reproduction Security, 6) Income Security, and 7) Representation Security.

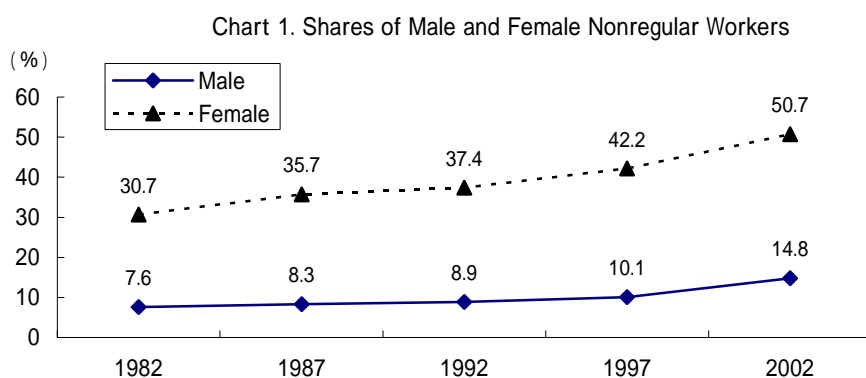
2. Further Diversification of Work Arrangements

(1) Increased Number of Non-Standard Employees

An examination of the Employment Status Survey implemented by the Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, shows that the survey classifies

employed workers into seven types according to their position in the workplace: "executives of company or corporation," "regular staffs/employees," "part-timers," "temporary workers," "dispatched workers from temporary labour agency," "contract employees or entrusted employees" and "others." Part-timers and the subsequent four classifications are collectively grouped together as "non-regular employees." The percentage of non-regular employees among all employees substantially increased for both men and women between 1997 and 2002: from 10.1% to 14.8% for men and from 42.2% to 50.7% for women. The percentage has continuously increased over the long term and this trend has remained particularly noticeable for both men and women during the past five years (Chart 1).

The situations regarding the types of employment can be well understood by reviewing the "General Survey on Diversified Types of Employment, 1999" compiled by the former Ministry of Labour. This survey targeted some 15,000 business establishments which regularly employ five persons or more as well as approx. 30,000 individual workers who work at such establishments, via random sampling. This is by far the most comprehensive and extensive survey available in this country on the working conditions for those engaged in diverse types of employment.



Source: Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Basic Survey on Working Structure 2002"
<http://www.stat.go.jp/data/shugyou/2002/kakuhou/youyaku.htm>

According to the Survey, the proportion of so-called non-standard employees is roughly 30 percent (27.5 percent) of all employees. In particular, among female employees the percent is very high, almost reaching 50 percent (47.5 percent). In the female non-standard employee population, part-time workers are prevalent.

"Short-time part-time workers" constitute 28.9 percent, and "other part time-workers" comprise 10.7 percent. The proportions of both professional contract workers and dispatched workers are not insignificant either (see Table 1).

Table 1. Workers by Gender and Type of Employment

		(%)								
		Standard Employees	Non-standard Employees	Types of employment for non-standard employees						
				Professional Contract Workers	Temporary Workers	Short-time Part-time Workers	Other Part-time Workers	Transferred Workers	Dispatched Workers	Others
Total	100	72.5	27.5	23	1.8	14.5	5.8	1.3	1.1	0.7
			(100)	(8.4)	(6.7)	(52.9)	(21.0)	(4.6)	(3.9)	(2.5)
Men	100	85.1	14.9	2.1	1.8	2.2	2.6	1.8	0.6	0.8
Women	100	53	47	2.6	2	28.9	10.7	0.4	1.8	0.6

Note: Figures in brackets indicate the proportion in the entire non-standard employee population.

Though not included in the above survey, the modes of work where employees are provided by a contracted company to perform job tasks at an external client company have been increasing. The contracted company dispatches their employees to manufacturers or sends them to work as broadcasting staff in the TV industry, for example.

(2) Increasing number of workers who fall within a range between "subordinate employment" and "self-employment"

The number of workers whose mode of work is vaguely defined somewhere between "subordinate employment" and "self-employment" has been increasing in recent years. Unfortunately however, there are currently no statistics available which allow us to forge a relevant understanding of the entire picture.

Employment relations in Japan are basically determined according to the definition of "worker" prescribed in Article 9 of the Labor Standards Law in the area of the individual labor relations law. The article 9 prescribes that "worker" shall mean one who is employed at an enterprise or a place of business and receives wages therefrom, without regard to the type of occupation. The term used in Article 9 of the Labour Standards Law is so ambiguous that it does not make distinction between "worker" ("employees" in the western context) and "non-worker". So, case law provides some

critical factors to clarify the differences between two employment categories. Employment status are identified via comprehensive consideration of 1) whether a person is working under another's direction and supervision, 2) whether remuneration is paid for the accomplishment of the work itself or not, and 3) other supplementary factors to judge the independent characteristics of the worker. The courts have flexibly applied this criteria and addressed diversification of Work Arrangements. As the number of workers somewhere between "employment" and "self-employment" has increased, more and more people have raised concerns that, if a person is recognized as a "non-worker", then he/she may suddenly end up being deprived of legal protection guaranteed by labor and social security laws.

"Semi-independent" employed workers are treated as employees in terms of personnel management scheme and are classified as employees in official statistics, however the elements of their working style are quite similar to that of self-employed persons (the terms "Semi-independent employed" and "Quasi-employed self-employed" are cited from Michio Nitta, "Typical Employment and atypical employment in Japan," Japan Productivity Center for Socioeconomic Development, 1999). First of all, there are commission-based workers who receive only a low minimum salary guarantee. Workers who receive a performance-based commission only and those who receive a fixed earnings amount plus a performance-based commission, with the fixed amount being less than 50% of the total salary, account for 2.4% of all workers in industries in Japan (according to the Comprehensive Survey of Working Conditions, 2002, Ministry of Health, Labour and Welfare). This percentage is 17.7% in the transportation and telecommunication industries, and 6.3% in the financial and insurance industries. Many of the taxi drivers and life-insurance sales ladies in Japan appear to fall under this salary category.

Also, the number of workers who work under a flexible time management scheme is increasing as a result of wide-spread application of the discretionary work scheme. The percentage of workers employed under this system stands at 4.2% for all industries in Japan (according to the aforementioned survey) and this figure is expected to have further increased subsequent to the 2003

amendment of the Labor Standards Law. Concerning tele-working (working at home), a survey conducted by the Japan Telework Association (2002) showed that there were 4.08 million persons working at a location other than their employer's/client's principal business office for 8 hours or more a week (3.11 million employee-type and 0.97 million self-employed-type), reflecting a very noticeable increase in recent years. There were 2.56 million multi-job holders in 2002 as well (Employment Status Survey, 2002, Ministry of Public Management, Home Affairs, Posts and Telecommunications).

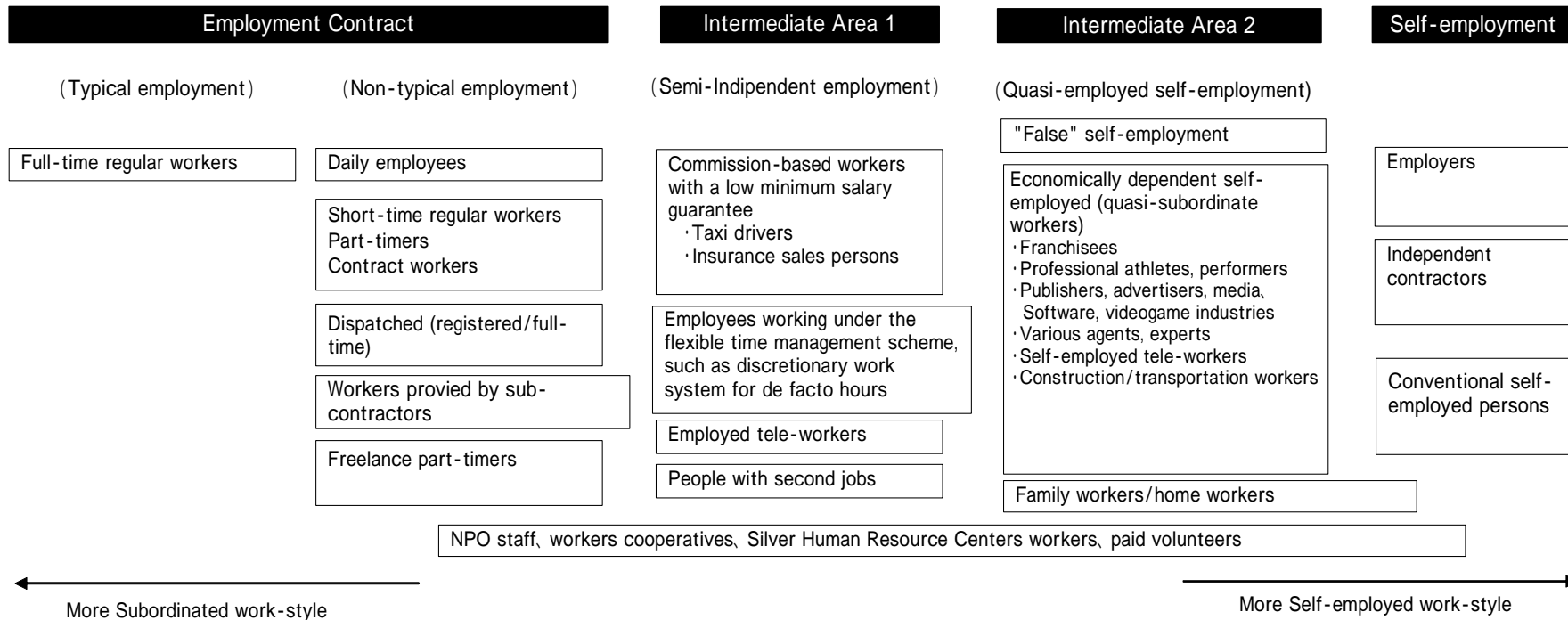
"Quasi-employed-type self-employed" persons are defined as self-employed persons in terms of statistics and labor/service provision contracts. However, their work involves a lot of elements similar to "subordinate employment" due to the strong relationship they have with specific clients. There are 218,000 franchise shops according to a survey implemented by the Japan Franchise Association in 2002, many of which are considered to be run by the managers in a "self-employed" format. Many of the actors, dancers, entertainers, professional athletes, publishers, advertisers and media workers in Japan, as well as workers in the software/videogame industry, various salespersons, agents, and construction/transportation workers (home delivery/courier workers), etc. are employed under contracts to work exclusively for a particular company. The issue regarding how to treat such "economically dependent self-employed" under labor and social security laws is a great concern both in Japan as well as in the West. As this issue had previously not been analyzed in depth in Japan, the Japan Institute for Labour Policy and Training took it up as a research theme during fiscal 2003/2004.

Other modes of work which cannot be classified according to the categories of "employment" or "self-employment" have been increasing recently as well. Some examples include NPO staff, paid volunteers (there were 176,000 secretarial staff at NPO's in 2002 according to an estimate by the NPO Section of the Industrial Structure Council, Ministry of Economy, Trade and Industry), workers cooperatives (so-called workers collectives or workers coops funded and managed by workers themselves; these developed in Europe and have increased in Japan in recent years, with currently 600 cooperatives existing), Silver Human Resources Centers

(organizations which offer older workers in the process of retiring, temporary and short-term work closely related to daily living in local communities under contracts awarded from homes, establishments and government agencies, currently about 0.73 million members as of March 2003), etc.

Chart 2 shows the outline of employment and self-employment, and the modes of work which range between the two. Table 2 shows the major features of the work modes. It can be seen from the charts that various work opportunities are being developed.

Chart 2. Modes of Employment/Work



Source: Prepared by the author with reference to Michio Nita, Typical Employment and Atypical Employment--in Japan, Japan Productivity Center for Socioeconomic Development, Report of Research and Investigation on the Expansion of New Modes of Employment and their Influence on the Labor Market, April 1999, Recruit Works Laboratory, "Implication for Creation of Employment, Japanese-style Start-up Model and Assistance to Individual Start-ups. (2000)

Table 2. Properties of Major Modes of Work

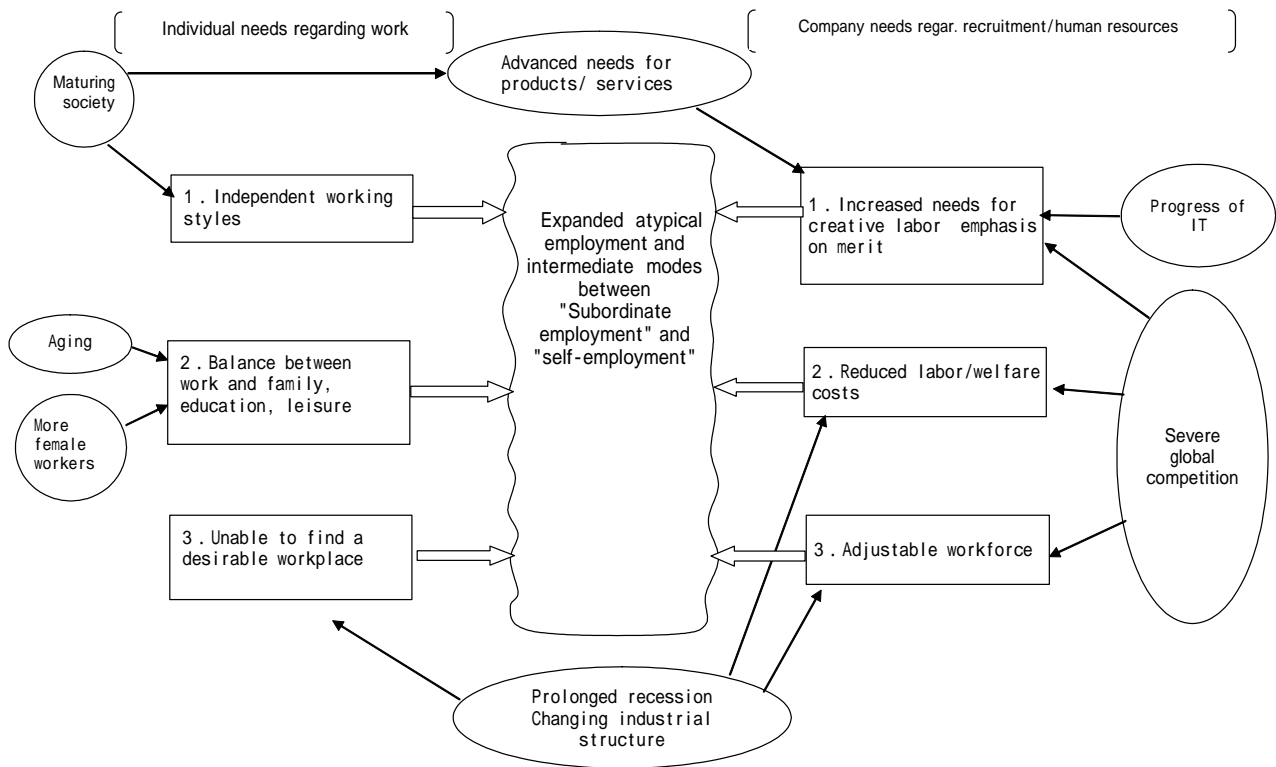
	Full-time regular workers	Part-timers	Workers in discretionary work scheme	Economically dependent self-employed	Conventional self-employed	Conventional family workers	Independent contractors	NPO, etc. (note)
1 . Income	Medium-high	Low-medium	Medium-high	Low-medium	Low-high	Low	Low-high	Low
2 . Economic dependence	High	High	High	High		Low-high	Low	Low-high
3 . Employment stability	Medium-high	Low-medium	Medium-high	Low	Low-high	Low	Low	Low-medium
4 . Degree of control in carrying out the work	Strong	Weak-medium	Weak-medium	Medium-strong		Strong	Weak	Weak-medium
5 . Length of work hours/arbitrariness	Long/fixed	Short/arbitrary	Medium-long/arbitrary	Medium-long/varied	Long/arbitrary	Long/fixed	Short-long/arbitrary	Varied
6 . Financial risk	Organization	Organization	Organization	Varied	Individual worker	Individual worker	Individual worker	Organization ?
7 . Male/female ratio	More men	More women	More men	Many male jobs	More men	More women	Depends on jobs	Varied
8 . Education	Depends on jobs	Varied	Relatively high	Relatively low	Relatively low	Relatively low	Relatively high	Varied
9 . Years of work	Relatively long	Relatively long	Varied	Often short ?	Long	Relatively long	Often short ?	Varied
10 . Enjoyment of work	Small-great	Small-great	Medium-great	Small-medium	Small-great	Small	Great	Great
11 . Sense of social mission	None-great	None-small	Medium-great	None-great	None-small	None	None-great	Medium-great

Source: Prepared by the author with reference to the table on p. 81 of "Report of Investigation on Work other than Employment," Sanwa Research Institute, March, 1998
 (Note: "NPO, etc." includes NPO workers, workers cooperatives, members of Silver Human Resources Centers, etc.)

3. Socioeconomic background and issues

The socioeconomic background of diversified modes of work include individual jobseeker needs (supply-side) and corporate needs for recruitment/human resources (demand-side). Individual needs for work include: 1) more independent working styles, 2) balance between work and home affairs/education/leisure, and 3) overcoming difficulties in finding a desirable workplace. Companies seek: 1) expansion of professional work, 2) expansion of creative labor needs, 3) reduction of labor costs/welfare burden, and 4) adjustable workforce (Chart 3).

Chart 3. Changes in Socioeconomic Structures and Diversification of Working Arrangements

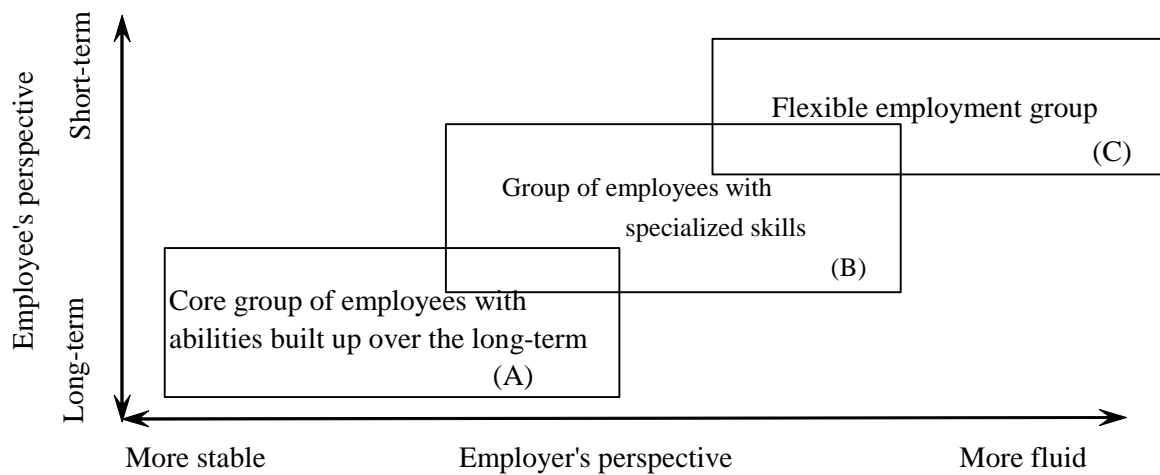


Since 1995, Nippon Keidanren ("Japan Federation of Employers' Associations" before the merger in 2002) has recommended an Employment Portfolio.

Three main types of employment are likely to become established in the future. The first type would be a core group of experienced long-term employees, hired by enterprises under the existing long-term employment system. The second would be specialists, a group of workers with specific skills or abilities and not necessarily hired for the long term. The third would be a flexible work force handling various duties in connection with different jobs and under fixed-term employment. The Federation emphasizes that it will become increasingly important for companies to evolve their own practical combinations of these employment patterns (the so-called "employment portfolio"), according to their individual goals and in response to changes in the business environment. (Chart 4)

Recent emphasis on reduction of labor costs has resulted in an increase in part-time or dispatched workers and economically dependent workers from outsourcing (contracting out of jobs).

Chart 4. Employment portfolio Model



	Type of employment	Employees eligible	Wages	Bonuses	Retirement pay/annuity	Advancement/promotion based on	Employee welfare
Core group of long-term employees (A)	Open-ended employment contract	Managerial career-track core-technical occupations	Monthly salary or yearly remuneration package Ability-based wages Wage increment	Specified rate + sliding scale for performance	Point system	Promotion to managerial ranks Pay increase based on job performance qualifications	Comprehensive lifetime benefits
Specialists (B)	Employment contract for a fixed term	Specialist occupations (planning, sales, research and development, etc.)	Yearly remuneration package Performance wages No wage increment	Sharing of company performance results	None	Evaluation of performance	Livelihood support benefits
Flexible work force (C)	Employment contract for a fixed term	Clerical, technical, sales positions	Hourly wages Job-based wages No wage increment	Specified rate	None	Switch to higher-ranking position	Livelihood support benefits

Source: Nikkeiren, *New Japanese-Style Management Systems*, 1995.

Note1: Typical forms of employment patterns.

2: Moving from one pattern to another is possible.

Diversification of Work Arrangements also involves many issues. Short-time part-time workers, contract workers and dispatched workers are generally satisfied with the working hour systems including start of working hours and holidays, but are usually not satisfied with the amount of job education, training and ability development they receive, as well as health and welfare benefits and work evaluation and treatment (Table 3). The situations underlying these results include the strong pressure to reduce labor costs related to non-regular workers and an increase in the number of non-regular workers engaged in core jobs, while they are often not covered by social insurance and other worker benefits. It is a major issue whether client companies ought to take such responsibilities for dispatched workers and workers from contracted companies. Workers in discretionary work scheme and tele-workers

should be protected from having to perform excessive work and other issues.

Table 3. Employment status and Job Satisfaction

(level of satisfaction)

	Factors highly satisfied with	Factors not satisfied with
Regular employees	(1) Job description/significance (52.6) (2) Work schedule (38.7) (3) human relations (38.0)	(1) Wages, education/traning, ability development (1.7) (2) Evaluation/treatment (9.8) (3) Health and welfare benefits (12.8)
Short-term part-timers	(1) Work schedule including start of working hours (61.3) (2) Work hours, holidays (54.3) (3) Job description/significance (50.2)	(1) Education, training/ability development (0.2) (2) Health and welfare benefits (1.8) (3) Evaluation/treatment (22.1)
Professional contract workers	(1) Job description/significance (51.1) (2) Work hours, holidays (45.2) (3) Work schedule including start of working hours (42.5)	(1) Education, training/ability development (0.6) (2) Evaluation/treatment (9.6) (3) Health and welfare benefits (1.8)
Dispatched workers	(1) Work system including arrival time (50.3) (2) Work hours, holidays (47.5) (3) human relations (40.8)	(1) Education, training/ability development (-15.7) (2) Health and welfare benefits (-9.3) (3) Employment stability (2.9)

Source: Ministry of Health, Labour and Welfare, Comprehensive Survey on Diversified Modes of Work, 1999

Note: The level of satisfaction in work-related factors is listed by the DI (degree of satisfaction) calculated by the following formula: Satisfied + Slightly satisfied - (Slightly dissatisfied + Dissatisfied.)

No relevant survey has been conducted on worker satisfaction among "Quasi-employed self-employed" persons mentioned in Chart 2 or among economically dependent workers. Research Institute of National Life Finance Corp.'s 2002 general survey on the self-employed was analyzed and was shown to indicate the following results.

- 1) Concerning income, self-employed persons are "considerably satisfied" or "somewhat satisfied," and a combined percentage of 12.9% said they were satisfied overall. This figure is lower than that for employees and corporate managers.
- 2) Concerning leisure and free time, 27.4% of self-employed persons said they were satisfied.
- 3) Concerning work content, 52.5% or more than half of all self-employed persons said they were satisfied. This is lower

than the 62.4% figure for corporate managers yet is higher than the 30.4% figure for employees.

4) Concerning spiritual richness, 47.2% of self-employed persons said they were satisfied. This figure was lower than that for corporate managers and higher than that for employees.

In the EU as well, the level of work satisfaction among self-employed persons is higher than that for employees. For example this is pointed out in The Second European Survey on Working Conditions, 1995-6, conducted by the European Foundation for the Improvement of Living and Working Conditions.

However, concerning the increasing number of economically dependent self-employed, many issues have been indicated in both EU and Japan which need to be addressed in the area of contracts and working environment, i.e. non-coverage for industrial accident insurance, low wages, delayed payment, and unclear contract provisions, etc.

4. Desirable policies Labor and social security policies in an era of diversification of Work Arrangements

In various countries around the world, people's working styles are increasingly becoming diversified, including persons who work as part-timers, contract workers, dispatched workers, and other modes. In Japan, corporations offer the status of "regular employee" to those who are nurtured in the company and are utilized over the long term, and such persons receive prioritized treatment in terms of wages and employment security. In return, they are virtually obliged to work long hours and accept relocation assignments which can result in considerable changes to one's residence location and job description. Meanwhile, various issues have emerged concerning other type of workers, in terms of employment contract periods, wages, ability development, etc. What is required for the Future is diversification of Work Arrangements with various combinations of internal and external flexibility allowing for individual choice. The following measures are therefore necessary.

(1) Securing common social rights covering different forms of work

In Europe, the tendency is to have a common pension scheme covering all types of occupations, whether classified under self-employment or subordinate employment. In Japan, private sector employees are covered by employees' health insurance, employees'

pension. People other than employees are obliged to participate in the Basic Pension scheme and the National Health Insurance scheme. However there are many problems; 1) a more pronounced imbalance between premium payers and beneficiaries as a result of the aging society and dwindling birth rate in Japan, 2) an increased number of non-participants (there are 0.62 million non-participants among employees, and 4.45 million full-time employees participate in the Basic Pension scheme for self-employed persons instead of the Employees' Pension scheme, according to the "Survey on Participants of Public Pension, 2001," Social Insurance Agency), 3) difference in benefits between the programs, and 4) the complexity of the whole system. Japan faces a major challenge in reorganizing the system, and needs to eliminate the disparities seen in financial burden paid and benefits received, so that things can be made equal for all forms of work.

It is also necessary to offer: a single office for consultations and applications related to job training, job placement and subsidies for employment and business start-ups regardless of the forms of work.

(2) Clarification of working conditions

It is difficult to regulate working conditions such as remuneration and working hours uniformly across all the various forms of work. Mode-specific measures must be considered such as securing written notice of working conditions and tighter regulation regarding the case of employers unreasonably refusing to renew employment contracts.

(3) Equal treatment among forms of work

According to the JIL Report, the wage differential that exists between men and women and among the various forms of work cannot be simply explained by length of service, years of education, job category, age or size of company. The differential in Japan is particularly influenced by the different way age is considered and evaluated between men and women, i.e. the so-called gender gap. Also in many separate cases, a reasonable explanation regarding the different treatment between regular workers and those of other work forms cannot be found. We have to consider fair treatment of economically dependent self-employed in terms of remuneration. The government, as well as labor and management should take steady measures to realize "fair treatment corresponding to work done," whereby workers are treated on the

basis of their job description, willingness to work, ability, experience and results.

(4) Balance between work and family life

The JIL Report makes the analysis that short-time part-time workers, often married women, emphasize maintaining a balance between their work and personal life rather than the job contents, as compared with others, and such short-time part-time workers actively opt to become non-regular workers, favoring short-time working and shorter commutation times. Men, on the other hand, tend to lead a stable work life after becoming a regular employee. Upon reviewing the gender division of labor within families, it appears necessary to provide a working environment that is based on a balance between work and family life. We need to devise a system where "short-time regular employees" can be treated in the same way as regular employees, but with shorter working hours, as well as a system that promotes interchangeable work assignments among regular employees, expert contract workers and part-timers. The prevention of excessive work is another important challenge.

(5) Participation of various workers on the enactment and application of programs related to employment/working conditions

In the recent amendments of labor laws in Japan, various power and authority has been conferred on "labor-management agreements".

A labor-management agreement is a written agreement between an employer and "majority representative of workers at an establishment," namely a union organizing a majority of the workers in the establishment or, in the absence of a majority union, a person representing a majority of the workers. Such power and authority pertains to agreements regarding the variable working hour system, flextime system and the discretionary work scheme as well as obligatory consultation in cases of corporate demerger. Part-time workers and other various workers should be actively involved in this process. Labor unions as well should further endeavor to promote participation of atypical workers.

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