

# **The Rise in Non-Regular Employment and its Impact on Japanese Employment Practices**

Conference Dutch HRM Network  
Twente, November 5, 2005

Arjan Keizer  
Bradford School of Management  
[a.b.keizer@bradford.ac.uk](mailto:a.b.keizer@bradford.ac.uk)

## **The Study: An Economic Discussion of Change in Japanese Employment Practices**

- Theories of the firm (TCE, RBV, etc.) and theories of institutional change
- Past analyses of Japanese employment practices
- Statistics on the Japanese labour market and employment practices
- Case-studies of large firms in a number of different industries
  - Automobiles (3)
  - Electronics (6)
  - Construction (2)
  - Retail / Restaurants (3)

## The Rise in Non-Regular Employment

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Regular	79.2	79.7	79.1	78.5	76.8	76.4	75.1	74.0	72.8	71.3	69.7
Part-timers	11.9	11.7	11.8	12.3	12.9	13.2	14.0	14.7	15.4	14.3	15.2
<i>Arubaito</i>	5.0	5.0	5.5	5.7	6.2	6.6	6.9	7.3	7.6	6.6	6.9
Others	3.9	3.6	3.7	3.6	4.2	3.8	4.1	4.0	4.2	7.8	8.2

### Percentages of employees by type of employment

Source: Japan Institute of Labour (2002b, 2004b)

Part-time workers	Workers whose scheduled working hours are less than those of regular employees in the same workplace. Usually 35 hours a week is taken as the dividing line in this respect (Araki, 2002). However, certain surveys simply consider those employees as part-time who are classified as such in their workplace.
<i>Arubaito</i>	A job taken by someone still in school or with other reasons to work limited hours
<i>Shokutaku</i>	Employees on temporary contracts; often re-hired after mandatory retirement.
Contract workers	Employees with specialist skills on fixed-term contracts. Some firms actually refer to these employees as ' <i>Shokutaku</i> '
Dispatched workers	Workers hired from a dispatching agency. A further distinction can be made between a registered type ( <i>tōroku-gata haken</i> ) and employment type ( <i>jōyō-gata</i> or <i>jōyō koyō-gata haken</i> ). The first involves the registration of the potential worker at the dispatching company while under the second type workers become regular employees of the employment agency (Shire, 2002).
Temporary workers	Employees hired for a limited duration. Sometimes a further distinction is made between temporary (contracts between 1 month and 1 year) and daily workers (contracts up to 1 month).
<i>(Kōnai) ukeoi</i>	Under an <i>ukeoi</i> -arrangement, subcontracting companies send their workers to work at the facilities of the client. It was seen as an answer to the prohibition against dispatching agencies in manufacturing. The <i>ukeoi</i> -type of dispatching was also illegal but could exist because of lax enforcement of regulations (Imai, 2003).

### Definitions different types of non-regular employment

## **Economic Interpretation: The importance of regular labour**

- Organisation of work based on simple, broad job descriptions and fluidity of jurisdiction
- The broad skills necessary are taught through on-the-job training and job rotation
- These skills are firm-specific as both the skills and their training are strongly embedded within the organisation
- These 'contextual' skills enable a 'horizontal hierarchy', which offers two major advantages:
  - direct communication saves time
  - direct communication can incorporate the particular knowledge available
- Such a system is clearly dependent upon regular employment

## **Economic Interpretation: Contingencies and Change**

- Contingencies 'horizontal hierarchy' (HH):
  - product diversity and environmental change
  - but no discontinuous change
  - high risk correlation and technological complementarities
  - manufacturing
- These contingencies are particularly relevant because elements of the HH have dispersed widely
- Similar restrictions accompanying employment governance:
  - Ito (1994): promotion in Japanese firms is a 'late selection' approach based on 'career concerns'
  - This makes success dependent upon continuous growth and a continuing supply of new and young employees
- Regular employment: rising costs and lower revenues

## Economic Dualism

(Berger and Piore, 1980; Nishiguchi, 1994)

- Economic agents are discontinuously dispersed over different segments of the economy; e.g.,
  - between different sectors of the labour market
  - between large and small firms
  - between 'modern' and 'traditional' sectors economy
- The two or more groups thus created are usually perceived as receiving unequal treatment
- A focus on flexibility: the use of non-regular employment as a response to 'rigidification' of labour in primary sector
- The case of Japan:
  - post WWI rise in regular employment
  - subsequent differences between regular and non-regular employment gave rise to a dual labour market
  - dualism extended to the relationships between firms
  - however, the dualism thesis has lost its momentum with a rise in cooperative relations

	Type of employment	Employees eligible	Wages	Bonuses	Basis for promotion
Core, 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 and sliding scale for performance	Promotion to managerial ranks; pay increase based on job performance qualifications
Specialists (B)	Fixed-term employment contract	Specialist occupations (planning, sales, R&D, etc.)	Yearly remuneration package; performance wages; no wage increment	Sharing of company performance results	Evaluation of performance
Flexible workforce (C)	Fixed-term employment contract	Clerical, technical, sales positions	Hourly wages; Job-based wages; no wage increment	Specified rate	Switch to higher-ranking position

**Overview Nikkeiren employment portfolio categories**  
 Source: Japan Business Federation (Nippon Keidanren), 2003: 38

	Short-time part-time jobs	Other part-time jobs	Temporary agencies' staff
Need to control labour costs	61.5	59.1	40.3
Require additional personnel on a daily/weekly basis	36.2	21.9	8.1
Need to adjust hiring practices due to changes in business conditions	26.9	24.8	26.2
Require more workers because of extended business hours	23.9	17.3	6.0
Need to meet temporary or seasonal demand	19.1	18.2	22.8
Allow regular workers to specialise in important work	14.6	12.2	14.2
Require persons capable of doing specialized work	11.5	11.6	23.8
Require persons with experience and expertise	10.6	14.2	31.0
Unable to recruit regular workers	9.3	10.9	8.5
Wish to re-employ older workers	5.5	7.0	0.9
Substitute for regulars on child- or family-care leave	4.7	4.0	7.5
Others	6.1	6.4	5.8

**Reasons for hiring non-regular employees 1999**

Sources: Survey of the Diversification of Employment Status, Ministry of Labour, 1999

Year	Females			Males		
	Regular workers (¥)	Part-time workers (¥)	Wage ratio	Regular workers (¥)	Part-time workers (¥)	Wage ratio
1990	989	712	72.0	1632	944	57.8
1991	1072	770	71.8	1756	1023	58.3
1992	1127	809	71.8	1812	1053	58.1
1993	1187	832	70.1	1904	1046	54.9
1994	1201	848	70.6	1915	1037	54.2
1995	1213	854	70.4	1919	1061	55.3
1996	1255	870	69.3	1976	1071	54.2
1997	1281	871	68.0	2006	1037	51.7
1998	1295	886	68.4	2002	1040	51.9
1999	1318	887	67.3	2016	1025	50.8
2000	1329	889	66.9	2005	1026	51.2
2001	1340	890	66.4	2028	1029	50.7
2002	1372	891	64.9	2025	991	48.9
2003	1359	893	65.7	2009	1003	49.9

**Trends in the scheduled payment per hour for regular and part-time workers**

Source: *Nihon Rōdō Kenkyū Kikō* [Japan Institute of Labour], *Chingin kōzō kihon tōkei chōsa*

## The Industry-Specific Character of Employment

	Regular staff	Non-regular staff
All	68.5	31.5
Construction	82.3	17.7
Manufacturing	78.6	21.4
Wholesale and retail trade	55.7	44.3
Eating and drinking places, accommodations	36.6	63.4

**Percentages regular and non-regular staff by industry, 1st quarter 2004**  
Source: Japan Institute of Labour, 2004b: Table 5

## (Non-)Regular Employment in Retail

- A rather heterogeneous group
- Part-timers are often considered part of the core workforce
- These employees are part-timers because of status (with accompanying working conditions) rather than functionality
- However, firms have not only increased the number of non-regular employees but also extended their responsibilities and career opportunities:
  - Sections managed exclusively by part-timers
  - Part-timers as store managers
  - one ability qualification system for all employees

## (Non-)Regular Employment in Other Industries

- Automobile industry:
  - remains strongly dependent upon regular employment
  - all the major contingencies horizontal hierarchy are fulfilled
- Electronics industry:
  - another industry whose success depended on horizontal hierarchy
  - but important growth in standardisation has reduced need for firm-specific skills
  - strong dependence on 'ukeoi' employees
- Construction industry:
  - 'traditional' organisation of work and employment practices
  - non-regular employment is limited to temporary (daily) workers
  - cost advantages by hiring at the regional level

## Continued or Renewed Dualities

- Important advantages non-regular in terms of costs, and to lesser extent, flexibility
- Similar advantages through alternative strategies like subcontracting and outsourcing (EMS)
- The strong focus on flexibility proves misleading
- A convincing argument can obviously be made for the stratification of employment
- Are non-regular jobs also regarded as less attractive?
  - certain fit with the wishes of the different social groups
  - but also many negative reasons for taking non-regular employment
  - Clearly an unequal treatment of employees
  - Limited mobility

	All			Part-time	Temporary	Dispatched			Shokutaku	Contract
	All	Male	Female			All	T rokugata	J y gata		
To use special skills or qualification	14.5	25.7	11.0	9.5	7.8	21.1	20.7	21.9	37.3	40.7
Better pay	8.9	11.8	8.0	7.0	7.5	15.7	15.5	16.2	8.8	14.6
Cannot find regular employment	25.8	31.1	24.1	21.6	20.2	40.0	39.6	41.0	31.2	36.1
Do not want to be part of an organisation	8.6	10.8	7.9	7.5	9.0	23.1	26.2	15.6	5.4	9.9
Shorter working hours / days	23.2	14.9	25.8	28.8	14.5	14.7	15.8	12.2	8.8	8.8
Can work a convenient hours	30.9	26.2	32.3	38.8	21.6	15.2	17.0	10.8	5.5	9.9
To adjust annual income or hours	9.5	3.2	11.5	12.4	4.3	5.0	5.0	4.8	2.9	3.3
Easy job and low responsibility	9.4	9.0	9.5	10.9	11.7	6.3	6.3	6.1	7.3	4.3
Support household / pay school expenses	35.0	15.6	41.1	42.3	39.1	15.5	15.4	15.7	15.7	14.4
Compatible with household responsibilities or other activities	22.6	11.8	26.1	25.8	33.5	23.5	26.1	17.4	7.4	10.3
Short commuting time	28.1	15.0	32.3	33.	22.8	15.0	14.0	17.4	13.5	14.4
Physically too weak to work as regular employee	5.3	3.8	5.7	5.6	9.7	2.7	2.7	2.8	9.1	2.6
To have extra money for one's own	24.6	20.6	25.9	28.0	17.0	16.7	16.8	16.4	11.1	14.5
Other	3.4	5.2	2.8	1.7	7.0	4.4	4.2	4.7	12.4	7.0

## Conclusions

- Changed circumstances have raised the percentages of non-regular employment but with important inter-industry differences
- A large group of non-regular employees (part-timers) actually hold rather stable employment
- Costs rather than flexibility appears to be the major motivation
- A continued duality but on static rather than dynamic grounds
- The rise in non-regular employment actually helps to uphold the internal labour market but also limits mobility