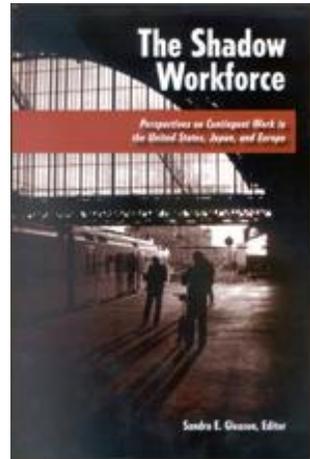

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Japan's Growing Shadow Workforce

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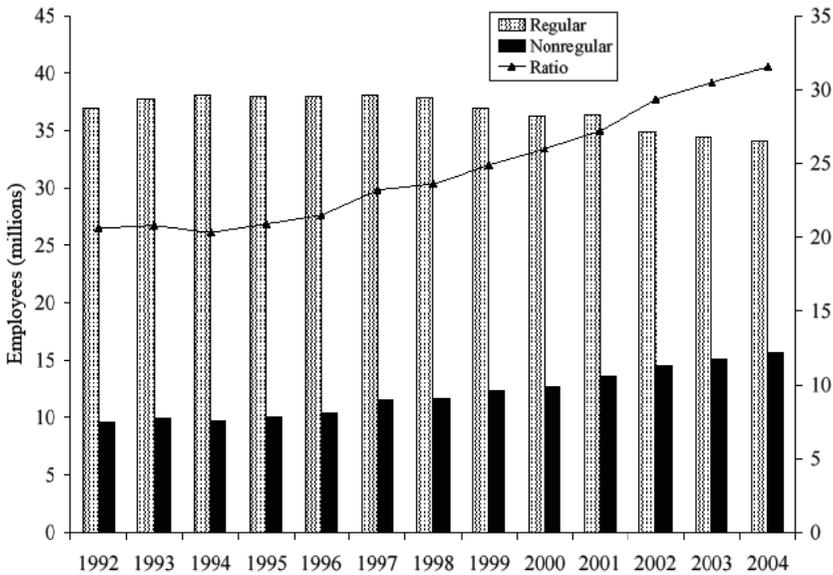
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Temporary clerical workers. Computer programmers on short-term contracts. Manual laborers hired by the day, part-time store clerks, middle managers on loan from related firms. The work they do is different, but all have something important in common: they are *hiseishain*, or nonregular workers, and by label at least they are non-core employees, handicapped in their ability to take advantage of Japan's strong internal labor markets. They are less likely than co-workers with the status of regular employees to have access to the career ladders and relative employment security that are often referred to as Japan's "lifetime employment system."¹

According to a Japanese government survey, in July 2005 the country had an estimated 16.5 million nonregular workers in a workforce that includes about 50 million employees nationwide (Japanese Statistics Bureau 2005). Nonregular workers thus represent nearly one-third of the nation's employees. Their ranks have been rapidly growing over the past few years, while the number of regular employees has declined. Figure 7.1 illustrates how the percentage of Japanese employees with nonregular status has climbed as companies have turned to nontraditional employment arrangements in their struggle to deal with years of economic malaise.² Since the early 1990s, a sustainable recovery has seemed elusive. Throughout 2005 there were several positive signs, including the first rise in real estate prices in 15 years, an impressive stock market index rise of around 40 percent, and indications of an impending end to years of continued deflation. Many analysts are

Figure 7.1 Changes in the Number and Ratio of Regular and Nonregular Employees



SOURCE: Japanese Ministry of Health, Labour and Welfare (2004).

optimistic that this time an end to years of misery is in sight, especially since there has been considerable restructuring in many areas (Fackler 2006; Reuters, Bloomberg News 2005). Because of the economy, many companies have been forced to merge, restructure, and reduce the number of employees through attrition, early retirement programs, or layoffs. Affected companies have also limited the number of new regular employees hired, and many workers, both young and midcareer, found themselves joining the ranks of the shadow workforce.

Who are these people? In this chapter we look at contingent work in Japan and discuss the various types of workers that make up the nonregular category of employees. Government statistics on nonregular workers provide a good starting point for exploring this issue. Although the terms nonregular employee and contingent worker are far from synonymous, these statistics are particularly helpful in understanding the situation because employers themselves classify the workers as regular or nonregular.³ We use demographic and industry data to identify the

kinds of people employed in nonregular positions, the kind of work they do, and where they work.

In the second section, we focus on the largest group of contingent workers—part-time workers—and the group of workers expected to grow the most rapidly—workers dispatched by temporary employment agencies. From a policymaking perspective, the growth of contingent employment raises an important issue: whether becoming a contingent worker is a voluntary or involuntary decision. Are workers choosing these jobs because they find them appealing for some reason, or do they fall into them because they have few other options? To what extent are organizational needs and worker desires behind the growth in nonregular employment? To evaluate this, we review the results of government surveys of employers and employees. An important part of this issue is the effect of nonregular employment on workers, and we look briefly at some of the implications of such arrangements. We conclude with a discussion of recent social and regulatory trends that may affect growth in contingent work arrangements in the future and provide suggestions for future research.

CORE AND CONTINGENT WORKERS: CATEGORIES AND DEMOGRAPHICS

To understand the position of core and contingent workers, it is useful to first discuss the terminology. In Japan, the majority of workers are hired as *seishain*, which is frequently translated as “regular employees” or “lifetime employees.” This group of full-time employees works with the understanding that, barring serious misconduct or severe organizational problems, they will have jobs until retirement; in this chapter we refer to them as regular or core employees. Those outside this category are called nonregular or noncore employees. In general, regular employees have greater access to training, promotion tracks and associated pay raises, pensions and other forms of social insurance, as well as greater job security. However, it is important to note that these core employees will not all remain in their firms until their mid-sixties, and many nonregular workers form long-term ties to the organizations

where they work. Consequently, these categories are not as mutually exclusive as they may appear.

To investigate where the changes in nonregular employment are the most pronounced, we use the results of the Japanese Ministry of Health, Labour and Welfare's (MHLW's) Comprehensive Survey on Diversification Employment Forms.⁴ This survey provides information on employment status based on industry, place of employment, gender, and firm size in 1999 and 2003; these are summarized in Tables 7.1 and 7.2. Because of changes in classification, comparison with earlier editions of the study are difficult; only data for 2003 are presented in Table 7.2.

As shown in the Table 7.1, in 2003 the vast majority of Japanese (65.4 percent) were classified as regular employees. In this chapter we focus on the remaining 34.6 percent who are nonregular employees. They have been divided into seven major categories: transferred workers, reemployed seniors, workers dispatched by temporary employment agencies, part-timers, temporary and day workers, contract workers, and other nonregular workers, an ad hoc category that is not discussed in detail here.

Transferred Workers

The first group of nonregular employees provides some insight into Japanese personnel systems: *shukko shain*, or “transferred workers” who are on loan from another organization, usually one with close ties, like a parent firm, main bank, or sister subsidiary. While there are various reasons why a worker might be transferred, one increasingly common personnel practice is to transfer older workers who have reached a career plateau to smaller, related firms (Sato 1997). Initially, these workers remain part of their original firms and are paid at their current salary rates, and their pay is often subsidized or provided by their original organizations. However, after two to five years they may be asked to officially join the new firm. If they do, they are no longer classified as transferred employees but rather would be considered regular employees of the new firm. Salaries at the new organization are often lower, but one advantage for individuals is that they may be able to work longer. This practice also can provide value for the new firm if it lacks experienced managerial personnel and is able to acquire them in this way. Transferred workers generally work full time. Although they

Table 7.1 Regular and Nonregular Employment Forms, by Sex and Establishment Size (%)

	Total regular		Nonregular employees													
			Total		Transfer		Temporary		Contract		Dispatched		Part-time		Other	
	1999	2003	1999	2003	1999	2003	1999	2003	1999	2003	1999	2003	1999	2003	1999	2003
Sex																
Total	72.5	65.4	27.5	34.6	1.3	1.5	1.8	0.8	2.3	2.3	1.1	2.0	14.5	23.0	6.5	4.8
Male	85.1	80.0	14.9	20.0	1.8	2.2	1.8	0.9	2.1	1.9	0.6	1.0	5.2	9.6	3.4	4.4
Female	53.0	44.4	47.0	55.6	0.4	0.6	2.0	0.8	2.6	2.9	1.8	3.4	28.9	42.5	11.3	5.5
Establishment size																
1,000 +	74.9	81.0	25.1	19.0	1.0	1.8	0.4	0.2	2.7	2.4	2.0	3.7	14.1	7.4	4.9	3.4
500–999	75.7	73.8	24.3	26.2	2.0	2.9	0.9	0.4	1.7	3.4	1.1	3.9	12.3	11.1	6.4	4.5
300–499	69.1	69.1	30.9	30.9	2.5	1.9	6.7	0.2	3.3	2.8	1.1	2.6	12.1	18.1	5.2	5.4
100–299	73.4	68.6	26.6	31.4	1.9	1.5	0.7	0.3	2.8	3.1	0.9	2.3	13.8	18.5	6.5	5.6
50–29	69.8	63.9	30.2	36.1	1.5	2.0	2.2	0.6	1.7	2.5	0.7	2.6	14.9	23.6	9.3	4.7
30–49	74.6	63.4	25.4	36.6	0.7	1.4	1.8	0.7	2.2	2.2	0.5	1.5	13.4	26.1	6.9	4.8
5–29	70.2	62.1	29.8	37.9	0.5	1.2	2.6	1.3	1.8	1.9	0.4	1.2	17.3	27.5	7.2	4.8

NOTE: In 2003, the part-time worker category does not include pseudo-part-timers (those who are on part-time career paths but work over 35 hours a week). In 1999, such workers accounted for 5.8 percent.

SOURCE: MHLW Comprehensive Survey on Diversification of Employment Forms, 1999, 2003.

Table 7.2 Regular and Nonregular Workers, by Industry and Workplace (percent of employed workers), 2003

	Regular	Nonregular	Reemployed			Temporary		Part-time	Other
			Transferred	seniors	Dispatched	Contract	& day		
Industry									
Construction	85.6	14.4	1.8	1.6	1.0	1.9	0.8	2.5	4.8
Manufacturing	76.7	23.3	1.7	1.5	2.0	1.4	0.3	12.7	3.8
Utilities	91.2	8.8	1.1	2.0	0.8	2.2	0.0	1.6	1.1
Transportation	77.3	22.7	1.5	2.2	1.6	3.2	0.7	10.8	2.7
Wholesale/retail	54.7	45.3	0.8	0.8	1.4	1.4	0.7	37.3	3.0
Finance/insurance	78.3	21.7	1.4	1.6	8.7	2.2	0.0	6.2	1.6
Real estate	64.1	35.9	5.0	5.2	2.0	4.8	0.5	15.5	3.0
Restaurant/hotel	29.1	70.9	0.4	0.6	0.5	2.0	0.5	62.8	4.1
Medical/welfare	70.2	29.8	1.5	1.3	0.8	2.8	0.2	20.7	2.4
Education	60.8	39.2	0.4	1.7	2.0	10.3	0.3	21.7	2.8
Complex service	79.8	20.2	0.6	1.0	0.7	1.9	1.1	7.9	7.0
Service	58.7	41.3	2.6	2.3	2.2	3.5	2.8	23.6	4.4
Workplace									
Office	74.7	25.3	2.3	1.9	2.9	2.8	1.4	10.7	3.3
Factory	73.8	26.2	1.6	1.4	1.9	1.1	0.4	15.9	3.9
R&D lab	82.9	17.1	3.4	0.7	5.7	3.0	0.2	3.7	0.4
Branch	73.1	26.9	1.7	1.6	2.2	3.8	0.3	14.7	2.7
Sale outlet	35.2	64.8	0.3	0.4	0.7	1.1	0.8	57.8	3.7
Other	66.7	33.3	1.3	1.5	1.3	4.1	0.8	20.7	3.5

SOURCE: MHLW Comprehensive Survey on Diversification of Employment Forms, 1999, 2003.

are not labeled as regular staff during this period, they are clearly still participants in the lifetime employment system and tend to be covered by social insurance and pension policies.

While this system has been gaining in legitimacy, the number of workers on loan at any given time is fairly low. As shown in Tables 7.1 and 7.2, transferred workers are more likely to be older males, and they are most strongly represented in the real estate industry. However, growth in this type of employment has been limited in recent years. Transferred workers made up only 1.5 percent of employees in 2003, similar to the percentage reported in 1999 and previous years. Such workers made up only 2.9 percent of employees in midsize firms with 300–500 employees, where they were most strongly represented. It is important to recognize, however, that workers no longer fall into this category if they have officially become regular employees of their new firms, so this measure includes only those currently “on loan.”

Reemployed seniors

The second group of nonregular employees is older workers nearing the end of their careers. *Shokutaku*, reemployed seniors, is a group of older workers who generally have either resigned or retired from positions as regular employees. Most Japanese companies have mandatory retirement, usually at age 60 or 65.⁵ However, many companies find that they can still use senior citizens' knowledge and skills. Employees, too, may wish to work longer for personal fulfillment or financial reasons. As a result, many companies are rehiring retired senior citizens as nonregular employees, often with different work responsibilities, conditions, and compensation packages. This approach, while likely to grow in importance as the workforce ages, is relatively new, so data were not collected on this group as part of the Survey on Diversification of Employment Forms until 2003. As Table 7.2 indicates, these workers are most concentrated in real estate, where they represent already 5.2 percent of industry workers. They also represent 2.2 percent of employees in the transportation industry and around 1.5 percent of employees in the construction, manufacturing, finance, medical, and education fields. Reemployed seniors are most likely to be found working in offices, where they make up about 2 percent of workers,

or factories and branches, where they make up about 1.5 percent. Few work in sales or research and development.

Because of the falling birthrate, the number of young people entering the workforce has been declining over the years. Reemploying seniors is one way to deal with the challenges of an aging workforce, so this category of nonregular employees should be closely watched.

Temporary and Day Workers

While the number of reemployed seniors seems poised to grow, the situation for the next category of nonregular workers is unclear—the numbers of temporary and day workers have been shrinking, but they may grow if the economy does. Approximately 2.8 percent of workers in service industries and 0.8 percent of those in the construction industry are classified by their employers as temporary or day workers (Table 7.2). Temporary workers are those with work agreements extending between one month and one year; day workers have been hired for a period of less than one month. Many, however, are regularly “rehired” under such agreements and may enjoy more employment security than this implies, particularly when the economy is strong. The current percentages, particularly in the construction industry, are much lower than in previous, more prosperous times.

In fact, employees in this category made up just 0.8 percent of the country’s total workforce in 2003, as shown in Table 7.2. This is a drop from the 1.8 percent estimated for 1999, which again is lower than in previous surveys. While currently small, the number of workers in this category, particularly in construction, may rise if economic recovery continues strong.

Contract Workers

Contract workers, whose employment agreements have specific rather than open-ended time limits, made up 2.3 percent of all employees in both 1999 and 2003, as shown in Table 7.1. Both genders are represented: 1.9 percent of Japanese male workers and 2.9 percent of female workers were employed on a contract basis in 2003. Foreign workers and computer specialists are among those often hired on a renewable contract basis. Of all the categories of employment in Japan,

this one most closely resembles the short-term consulting or project-based hiring that has become a regular practice in some U.S. businesses as firms have sought to downsize, only to discover that they still occasionally need the skills of their former employees. However, contract workers in Japan are not necessarily former employees. The similarity is due to the fact that they are hired for their skills for limited periods which may be extended if the need continues.

Contract workers are most likely to be found in the education field, where they made up 10.3 percent of all employees, or in real estate or services, where around 5 percent of employees were hired under such contracts. They are most often found working in branches, labs, or offices (Table 7.2). Another group of workers that are hired under time-limited contracts are those who are dispatched by agencies.

Workers Dispatched by Temporary Employment Agencies

Although there were some firms that specialized in locating contract employees, temporary employment agencies were officially prohibited until 1985. This prohibition was at least partially because of Japan's history of limiting the activities of temporary agencies to encourage long-term employment relationships between employers and employees. Even when legalized, temporary employment agencies were limited to providing staff for a few types of white-collar positions, such as computer programming or secretarial work.

Workers dispatched by temporary employment agencies represented a mere 2.0 percent of all employees in Japan in 2003, as shown in Table 7.1, but this is up from just 0.07 percent in 1994 and 1.1 percent in 1999. This category has strong potential for continued growth due to regulatory changes. In 1985 the Japanese government instituted new regulations that opened the way for the expanded use of temporary employment agencies and gradually increased the number of occupations for which agencies were allowed to provide workers to 26 by 1996. In 1999, the government further expanded the industries and occupations that could be staffed by temporary workers to include all except port transportation (longshoremen), construction, security services, and others so designated by the government. More regulatory changes came into effect in 2004, when the length of time dispatched employees could be used for a position was increased from one year to three.⁶ The new

policy direction was chosen in the hopes of opening up new options for skilled women and older men seeking employment.⁷

Dispatched workers are most concentrated in the finance sector. Table 7.2 shows that they made up 8.7 percent of workers in that industry in 2003, a jump from the 3.6 percent reported in a similar survey done in 1994. With the use of dispatched workers recently made legal in most jobs, continued growth can be expected and additional study is needed. The attention that dispatched workers have already received from researchers and policymakers is rivaled only by employees in one other nonregular category, part-time workers.

Part-Time Workers

By far the largest group of nonregular workers is composed of part-time workers. As shown in Table 7.1, 23.0 percent of all Japanese employees were hired as part-timers in 2003, up from 14.5 percent in 1999. While nearly 10 percent of male employees were part-timers in 2003, 42.5 percent of female workers fell into this category, nearly equaling the 44.4 percent of women who were hired as regular employees. As shown in Table 7.2, 62.8 percent of employees in the restaurant and hotel industry were part-timers in 2003, as were 37.3 percent of employees in the wholesale and retail field, and just over 20 percent of workers in the medical and education areas. Even in factories, nearly 16 percent of workers are part-timers.

Although the data are somewhat older, one of the best sources of information on this group of workers is the 2001 MHLW Survey on Part-Time Workers. That study found that there were approximately 11.2 million part-time workers, representing 26.1 percent of all employees and about three-quarters of all nonregular workers. The difference in percentages reflects a difference in the definition of part-timers. While the Comprehensive Survey on Diversification of Employment Forms includes only workers who work shorter hours, the MHLW study includes *giji-paato*, or what we refer to in this paper as “pseudo-part-timers,” workers who are officially hired by their companies as nonregular workers and classified as “part-timers” but who actually work over 35 hours a week. The study found that approximately 14.9 percent of the country’s part-time workers are “other part-timers,” a broad classification that comprises pseudo-part-timers and several different types

of nonregular employees, such as seasonal workers at auto factories.

In Japan, then, there are two different types of part-time workers—those who work shorter hours, and those who have been labeled part-timers as a way of showing that they are not regular “lifetime” employees. In the United States, the determination of part-time employment is based solely on hours of work. In Japan, on the other hand, the identification of an employee as part-time is a description of a career path and the human resource (HR) practices that accompany it. The part-time label in Japan is similar to the American idea of a “mommy track” career option for women. In the United States, the idea of a “mommy track” first gained popularity in prestigious law firms where female lawyers wished to reduce their weekly work hours from the 70-plus often required at junior levels to a more reasonable 35 to 45 hours, giving them more time for their families. While a 40-hour week is not part-time, it involves working fewer hours than more career-focused colleagues at such firms. In Japan, the situation involving part-time workers is often similar.

Many Japanese organizations have developed “part-time” positions largely as a way to hire women in their thirties and older who wish to combine work with caring for their families. These nonregular workers vary in the degree to which their positions are truly contingent. Some have low-skill, short-term, dead-end jobs, but others may do skilled work for the same organization for years. They often perform the same tasks as regular employees and work alongside them. While some organizations are experimenting with career paths specifically for part-timers or allowing workers to switch from part-time to regular employee status, one problem for motivated “part-time” workers is that they are less likely to have access to the same career options as regular workers. They also tend to have lower hourly wages, something we will discuss in greater detail later in the chapter.

Differences in education also provide some insights into wage differentials. Table 7.3 indicates that 59.8 percent of workers with only a junior high education are in contingent work arrangements, while only 17.1 percent of university graduates are in such arrangements. Just under 40 percent of workers with a high school or technical school education are in contingent work, along with just over 30 percent of junior college graduates.⁸

Table 7.3 Employed Workers with Regular and Alternative Work Arrangements, by Educational Attainment (percentage of graduates), 2003

	Junior high	High school	Technical school	Junior college	University
Regular employees	40.2	61.2	62.0	68.2	82.9
Nonregular employees	59.8	38.8	38.0	31.8	17.1
Transferred	1.4	1.5	1.1	0.8	2.5
Reemployed seniors	6.9	1.7	1.0	0.5	1.0
Temporary	2.3	1.0	0.3	0.2	0.4
Contract	3.4	2.0	4.3	2.5	2.6
Dispatched	1.5	1.6	2.9	3.7	1.9
Part-time	34.2	27.6	23.8	21.2	7.1
Other	10.1	3.9	4.4	2.9	1.6

NOTE: Figures indicate percentage of workers at each level of schooling whose jobs fall into the employee category.

SOURCE: MHLW (2005).

Dramatic growth in the percentage of employees with part-time status can be seen in nearly every industry and type of workplace. Because they represent the fastest-growing category as well as the majority of nonregular workers, we will explore the conditions and motivations of workers classified as part-timers in greater detail.

Nonregular Employment: A Summary

While nonregular employment may not be strictly viewed as contingent, workers in this category in general enjoy less job security and are less likely to be considered for training and promotion opportunities. As nonregular employees, they would rarely be considered for middle- or upper-level management positions in larger organizations. Although there are slight differences in the findings of various government surveys, it is clear that the number of nonregular workers is increasing in Japan. This trend is important since more than one-third of the country's workforce already falls into the nonregular category.

We have discussed all of the categories generally included in nonregular employment. We will now turn our focus to the largest group,

part-time workers, and the group most likely to show strong growth in the future: employees dispatched by temporary employment agencies. Because these two groups have been studied more extensively than other nonregular workers, there are more data available about them.

WHY CONTINGENT EMPLOYMENT ARRANGEMENTS?

The two groups on which we have chosen to focus have one important thing in common: they both are predominantly female. According to the Japanese Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT) Labour Force Survey, in 2001 7.1 million of Japan's 7.7 million part-timers were female (92 percent), and women make up the majority of dispatched employees as well (MPHPT 2003). Currently, well over half of all working women fit into one of these two categories, a marked contrast to 1960, when just 5.9 percent of working women were classified as part-timers and worker dispatching was not permitted. Over subsequent years the percentage of female employees who are classified as part-timers has gradually risen, passing the 20 percent mark in the early 1980s, the 30 percent mark in the early 1990s, and the 50 percent mark early in the new century (Bureau of Labor Statistics 2002, 2005). During that time, the percentage of self-employed women and those working in the fields or family enterprises also has declined. As women have moved into the corporate world, part-time employment and dispatching agencies have emerged as routes to jobs for those who have quit regular employment to focus on family. In this next section we will look at why employers and workers are choosing nonregular employment arrangements and some of the broader implications.

Nonregular Employment: The Employer Perspective

Firms in the United States have found that the potential benefits of using contingent workers include reducing wage and benefit costs, saving money on training by employing already trained employees, and flexibility in adjusting the size of the workforce to changing economic conditions. A common strategy is to keep core competencies in the

hands of more permanent core employees, with temporary workers doing more simple and/or peripheral work and serving as buffers against changing circumstances and needs.⁹ Japanese employers apparently have found similar benefits in hiring nonregular employees.

As part of the General Survey on Part-Time Workers, the MHLW surveyed both employers and employees on their reasons for choosing this employment arrangement, analyzing the responses separately for part-timers working less than 35 hours a week and for those hired on part-time or other nonregular career tracks (pseudo/other part-timers) but working essentially full-time hours. The results are summarized in Tables 7.4 and 7.5.

Employers were allowed to choose all applicable reasons for hiring part-time workers. As might be expected, the leading reason given for hiring part-timers in all cases was reducing personnel expenses, chosen by 65.3 percent of employers in 2001 (see Table 7.4). While this was also the leading response in 1995, at that time it was selected by only 38.3 percent of employers as a reason for hiring part-timers, and 29.3 percent as a reason for hiring pseudo-part-timers. Also among the top four reasons for hiring part-time workers in 2001 were coping with peak demand periods on an annual (39.2 percent) and daily (27.3 percent) basis, and the fact that work tasks were easy (31.4 percent). While increased work volume was also a popular response in 1995, only 17.1 percent of employers cited it as a reason for hiring part-timers in 2001, about the same number who said that it was easy to hire such workers, and that such arrangements lead to easier employment adjustments when work volume declines.

The 1995 survey asked employers to consider separately their reasons for hiring “true” and “other” part-timers. Overall they were similar, but some differences did emerge. Respondents were much more likely to say that they had hired pseudo- and other part-timers because they wanted workers with skills, knowledge, and experience, and because this was viewed as a useful mechanism for rehiring women who had previously left the organization, presumably to care for their families. They were much less likely to say that such workers were easy to hire, that their tasks were easy, or that they were hired to help cope with annual peaks in demand.

Perhaps almost as interesting as looking at the reasons employers gave for hiring workers as part-timers are the reasons they did not. In

Table 7.4 Employer Perspective: Reasons for Hiring Nonregular Employees (percentage of employers who agreed)

	Part-timers		Pseudo/other part-timers ^a
	1995	2001	1995
Increased work volume	29.8	17.1	26.8
Difficult to hire new graduates as regular employees	10.7	5.8	9.1
Easy to hire such workers	19.9	17.8	9.8
Cope with peak demand periods each day	9.3	27.3	10.7
Cope with peak demand periods on an annual basis	37.3	39.2	9.2
To hire workers with experience, skills, and knowledge	13.2	12.2	21.1
The tasks involved are easy	35.7	31.4	19.0
To reduce personnel expenses	38.3	65.3	29.3
Easier to make employment adjustments when work volume declines	12.4	16.4	12.8
Way of rehiring or extending the work years of older workers	4.4	7.3	3.6
Useful to rehire women who have previously left the organization	5.8	5.1	20.9
Other	9.0	6.5	16.8

NOTE: Figures given indicate the percentage of responding employers who checked each reason given for hiring such workers. Figures are totals for all industries; multiple responses were permitted.

^aPseudo-part-timers are those who are classified as part-time workers by their employers but who actually work over 35 hours per week. Other part-timers are those who have been included in this category because they are not regular employees but generally do not work shorter than normal hours (e.g., seasonal factory workers).

SOURCE: MHLW (2002).

2001 a mere 7.3 percent mentioned using this as a means to extend the employment of older workers, and only 5.8 percent said that they had hired part-timers because it was difficult to hire fresh graduates as regular employees.

In summary, employers preferred to hire workers under a part-time arrangement because it reduced costs and provided labor force flexibil-

Table 7.5 Employee Perspective: Reasons Women Work as Nonregular Employees (percentage of workers who agreed)

	Part-timers		Pseudo/other part-timers ^a	
	1995	2001	1995	2001
The hours are a convenient fit with my daily schedule	55.8	50.9	23.0	21.0
Shorter hours	27.9	34.2	10.5	12.2
Good pay and conditions	7.7	7.4	11.2	12.7
Interesting work	18.0	21.7	23.6	25.0
Easy to quit	7.8	5.6	6.1	3.7
Could not find a full-time position	14.3	20.8	33.0	37.6
Cannot work full time due to household responsibilities	19.8	18.3	8.9	9.0
Cannot work full time due to elder/invalid care responsibilities	2.0	2.2	2.0	1.3
Cannot work full time due to personal health problems	5.9	4.7	5.9	2.9
Because my friends and acquaintances are part-timers	6.8	5.5	6.8	2.8
Other	8.3	9.2	8.3	20.1

NOTE: Figures given indicate the percentage of responding female employees who checked each reason given for taking a "part-time" position. Figures are totals for all industries and demographic groups; multiple responses were permitted.

^aPseudo-part-timers are those who are classified as part-time workers by their employers, but who actually work over 35 hours per week. Other part-timers are those who have been included in this category because they are not regular employees, but generally do not work shorter than normal hours (e.g., seasonal factory workers).

SOURCE: MHLW (2002).

ity. In the case of pseudo- and other part-timers, the firms hired these workers in part because of their skills and knowledge, often obtained through previous regular employment. Employers did not indicate they were hiring part-timers because they were unable to recruit regular employees; instead, they appreciated the benefits of hiring workers under nonregular agreements.

Why Nonregular Work? The Employee Perspective

If economic benefits are the primary reason for employers to hire nonregular employees, what is the appeal for the workers themselves? The same study sheds some light on the issue. As shown in Table 7.5, in 2001 only 7.4 percent of true female part-time workers cited good pay and conditions as a reason they chose to take on their jobs. Only 5.6 percent of the surveyed women cited ease of quitting. The most popular responses were that the hours were convenient given their daily routine (50.9 percent) and the shorter working hours (34.2 percent). About one-fifth cited interesting work and the need to handle household responsibilities as reasons for taking a part-time position. Almost 21 percent in 2001 said they did so because they could not find a full-time position; 14.3 percent gave that response in 1995.

As might be expected, there were differences between the reasons given by true part-timers and those who are merely labeled as such. The leading reason pseudo- and other part-timers were in such a position: they could not find a full-time job as a regular employee. A lack of regular employment options was cited by 37.6 percent of such part-timers in 2001, up from 33.0 percent in 1995. On a more positive note, 25 percent gave interesting work as a reason for choosing their position, while about one-fifth noted that their work hours were convenient. Pseudo- and other part-timers were slightly more enthusiastic about the economic benefits of their jobs than their truly part-time colleagues: 12.7 percent noted that the pay and conditions were good. As might be expected, given that these employees worked over 35 hours a week, the inability to work full-time was not a major factor; however, 12.2 percent cited shorter hours as a reason for taking such a position.

A separate survey conducted in 2003 provides information on the motivation of part-time and dispatched employees of both sexes (MHLW 2005). The responses of male part-timers were similar to their female counterparts, as shown in Table 7.6. The leading reason for taking a part-time position, mentioned by almost 50 percent, was convenient hours. About one-fourth gave shorter hours and the need to supplement family income as reasons for taking their part-time jobs, and about one-fifth cited convenient fit with family or personal activities and a shorter commute. Over one-fourth of the part-time men could not find a position as a regular full-time employee. The main differences between the

Table 7.6 Reasons for Choosing Nonregular Jobs, 2003 (percentage of employees choosing each option, multiple responses allowed)

	Part-timers		Dispatched workers	
	Male	Female	Male	Female
Utilize qualification or skill	11.9	9.0	35.4	17.8
More money	6.8	7.0	20.4	14.6
Could not find work as a regular employee	26.8	20.5	42.0	39.6
Dislike restrictions by firms	11.5	6.7	16.4	24.6
Shorter hours	23.3	29.9	4.9	17.0
Convenient hours	45.4	37.6	8.6	16.7
To qualify for income-related tax or social insurance benefits	4.3	13.9	1.6	5.7
Easy tasks and less responsibility	11.9	10.6	6.1	6.3
Supplement household income	23.4	46.0	5.9	17.7
Compatible with family or other activity	17.9	27.3	10.2	26.6
Shorter commute	18.5	36.0	12.1	15.7
Health	2.5	6.2	2.1	2.9
Earn personal spending money	30.7	27.4	10.8	18.1
Other	0.5	1.9	6.7	3.8

SOURCE: MHLW (2005).

responses of male and female part-timers in this survey is that women were slightly more enthusiastic about work schedules that would allow them to balance their work and family lives, as well as somewhat less likely to have been unable to find a job as a regular employee.

The inability to secure a position as a regular employee was one of the leading reasons both men and women chose to become dispatched workers, cited by 39.6 percent of women and 42 percent of men. Nearly one-fifth of female dispatched workers also cited family needs or the ability to use special qualifications or skills as a reason for taking a nonregular position or reported disliking restrictions at regular jobs. Financially, too, some dispatched workers feel they have an advantage over employees in “regular” positions: more money was given as a reason by 20.4 percent of men and 14.6 percent of women. While some men also referred to a dislike for company restrictions on regular workers (16.4

percent), male dispatched workers were much less likely than women to have such feelings or to be motivated by shorter, more convenient hours, shorter commutes, or the notion that a nonregular position was compatible with family or other activities.

To summarize, convenient hours that mesh well with personal schedules are one of the main reasons many nonregular employees, particularly women, have taken such positions. Shorter, convenient hours appear to provide a strong attraction for women in truly part-time positions, and even a fair number of dispatched workers appreciate this aspect of their work. On the other hand, high proportions of both men and women working as dispatched employees or pseudo/other part-timers reported that they had tried and failed to find positions as regular employees. For men, good pay or the ability to use skills often were reasons for choosing their work.

INSTITUTIONAL INFLUENCES

Several institutional characteristics influence the labor market choices made by Japanese women and the staffing decisions made by Japanese employers.

Factors Affecting Women's Choices

Some workers seek shorter hours because they need to combine employment with household responsibilities. Their decision is reinforced by the expectations placed on employees in the lifetime employment system and the income tax system.

The benefits of being a regular employee are many in Japan: beyond a high degree of job security, career-track employees have traditionally gained through predictable salaries designed to match life-cycle needs. As regular employees' skills (and often family responsibilities) grow, so does their income. On the downside, however, Japanese companies require regular employees to work long hours, socialize with co-workers and customers in the evenings, attend company sporting events on the weekends, and relocate whenever and wherever requested. The dedication required can make it difficult for regular employees to contribute

to the household in other respects since many will be away from home from 7 in the morning until 8 or 10 at night, leaving little time to wash the dishes or help children with homework. Thus, while the relatively stable economic contribution of a regular employee is valuable, it is difficult for a family to handle daily tasks if both parents work. Having one partner who stays at home or has a less time-consuming job makes sense for families with children or elders who require care.

Japanese personnel systems have traditionally tended to promote men and track women into lower-paying, dead-end positions with the often-fulfilled expectation that they will leave when they marry or have children.¹⁰ Generally it is the wife who adjusts her employment and handles the bulk of family responsibilities. A Japan Institute of Labour study on occupations and family life found that most wives working part time handled about 85 percent of household duties. Full-time work appears to be made possible with assistance from grandparents or other relatives, who reduce the wife's share to 65 percent; 16 husbands contributed very little.¹¹ Thus, demands that regular employees work long hours and relocate when requested, combined with the need for someone to handle household tasks, is one source of institutional pressure encouraging some women to select a nonregular employment option.

There are also direct financial inducements for married women to choose less-lucrative employment options. The government does not assess income taxes on the wages of a household's second earner if that person's annual earnings fall below a certain threshold, currently set at ¥1.03 million (about \$8,650), although due to tax deductions the actual level at which taxes are paid is generally higher.¹² In addition, as long as earnings remain below ¥1.3 million (roughly \$11,000), the second earner does not have to pay national health and pension insurance premiums, while retaining access to such benefits through the primary earner.¹³ For families this means that when the second earner's income falls into the range just above ¥1.3 million, there is a drop in real earnings. Many companies also pay family allowances to male employees with wives whose earnings fall below a specified level, most commonly ¥1.3 million or ¥1.03 million (about \$8,650), with the amounts varying by firm.¹⁴ Thus, Japanese wives have several incentives to keep their earnings at a level equal to approximately \$700 to \$900 per month. In fact, the 2001 MHLW General Survey on Part-Time Workers' Conditions found that 29.1 percent of female part-timers earned between ¥.8

and ¥1.0 million, and that 26.7 percent adjusted their hours so that their earnings would fall below these thresholds, with 19.4 percent of female part-timers seeking to keep their wages below ¥1.03 million (MHLW 2002).

Incentives for Employers

Companies also have financial incentives and the need for flexible staffing that make alternative forms of employment attractive, even if the wages paid regular and nonregular employees are the same. Employers bear one-half of the burden of supporting social insurance plans, but do not have to make contributions to unemployment insurance, pensions, or health insurance, and do not have to handle payroll taxes for many part-time or temporary workers. They do not make unemployment insurance contributions for part-time employees who work less than 20 hours per week, and get a reduction on rates for those who work between 20 and 30 hours per week. Although they must make contributions to social insurance schemes for those labeled as part-timers who work full-time hours, they do not pay pension or health insurance taxes for part-timers who work less than three-quarters of the weekly hours of regular workers.¹⁵ In the case of temporary workers, many of these costs are paid by the agencies that dispatch them (Houseman and Osawa 1995). Many firms also do not provide optional benefits, such as corporate insurance, company retirement allowances, or semiannual bonuses, to nonregular workers.

Table 7.7 shows the proportion of employers who pay social insurance premiums for all, some, or none of their part-time employees, as well as the proportion providing retirement allowances, or bonuses. While most provide these benefits to all regular employees, few provide them for all part-time workers, and the difference may or may not be reflected in the wages paid to nonregular employees. The cost savings can be significant. Most regular Japanese employees receive bonus payments twice annually, in July and in December. Bonuses give Japanese companies some flexibility in personnel costs; they are adjusted to reflect firm performance and are therefore lower when the company is not doing well. In 2005, the average semiannual bonus for summer was ¥470,00 (\$3,917) (MHLW 2005).

Table 7.7 Percentage of Employers Providing Benefits for Regular and Part-Time Employees, 2003

	Regular	Part-time
Employer survey		
Unemployment insurance	100.0	53.2
Health insurance	100.0	36.0
Pension insurance	100.0	33.1
Corporate insurance	23.0	3.1
Retirement allowance	66.1	7.3
Bonus	79.3	37.4
Employee survey		
Unemployment insurance	99.4	56.4
Health insurance	99.6	36.3
Pension insurance	99.3	34.7
Corporate insurance	34.0	4.3
Retirement allowance	74.7	6.0
Bonus	82.4	29.2

NOTE: Provision of unemployment, health, and pension insurance for regular workers is compulsory.

SOURCE: MHLW (2005).

Another reason that nonregular employment arrangements appeal to employers is their need for flexibility. Under the Japanese traditional lifetime employment system, employees joined the firm when young, worked hard for many years, and enjoyed gradual improvements in salary and position as they aged. As an organization grew, it was able to hire ever-larger numbers of young people who were relatively inexpensive and managed by the more experienced workers. Without growth, there was an oversupply of more expensive middle-aged workers for the limited number of management posts available.

For much of the period following World War II, the Japanese economy grew rapidly, allowing the lifetime employment model to develop and flourish. However, in recent years Japanese firms have found that constant growth is not possible. Furthermore, due to the rapid aging of Japan's population, the average age of the Japanese workforce has increased. The high level of uncertainty that characterized the 1990s when even leading financial firms failed and many businesses under-

took restructuring efforts, combined with the population demographic trends, made more flexible employment arrangements attractive. Consequently, more temporary and part-time workers have been hired, without the implicit understanding that they will be trained, promoted, and given life-cycle wages.

EFFECTS OF CONTINGENT EMPLOYMENT ON EMPLOYEES

How does being hired as a noncore worker affect the economic welfare of these employees? In this section, we look briefly at the differences in compensation, social insurance coverage, career options, and legal protections. The question of whether employees voluntarily or involuntarily choose nonregular employment is discussed. Factors that may affect the future growth of nonregular employment are reviewed.

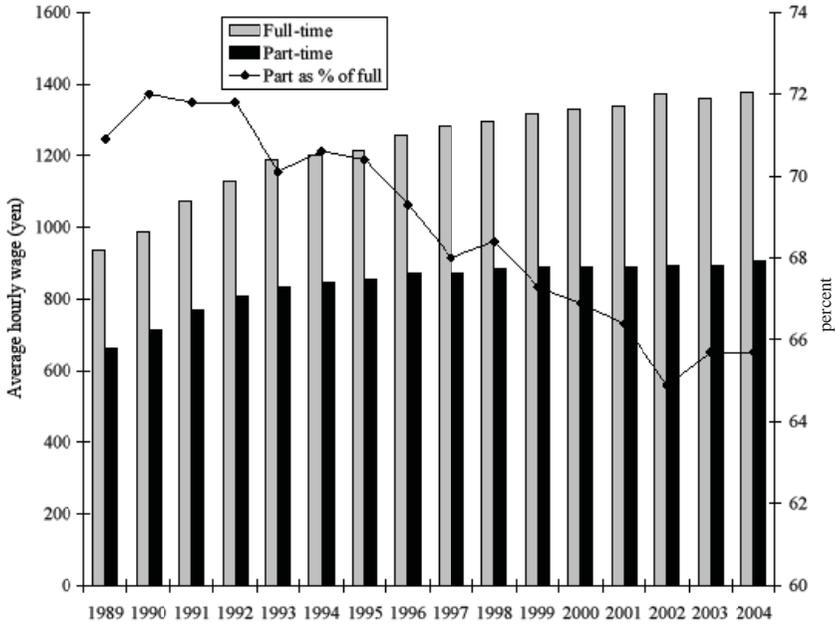
Compensation

The best data on wage disparities deal with part-time workers. There is a significant difference between the average hourly wage for full- and part-time employees. In 2004, the average hourly wage for part-time female employees was ¥833 (roughly \$7.00), less than two-thirds of the pay received by women in full-time positions (see Figure 7.2). Part-time male employees earned more money, on average, but took home just over half of the average pay of their full-time counterparts (see Figure 7.3). Part-time workers of both genders earned, on average, considerably more than the Japanese minimum wage.¹⁶

Figures 7.2 and 7.3 show how the difference between part- and full-time wages has changed. In 1990, part-time women earned about 72 percent of the wages full-time women did; this declined to about 65 percent in 2004. Partly because full-time men tend to earn more than their female counterparts, the decline of about 7 percent has been less dramatic for part-time males.

Due to the weak economy and continued deflation, wage growth for all types of workers in Japan has been limited. However, in general, part-time workers who stay with their employers do see their wages rise.

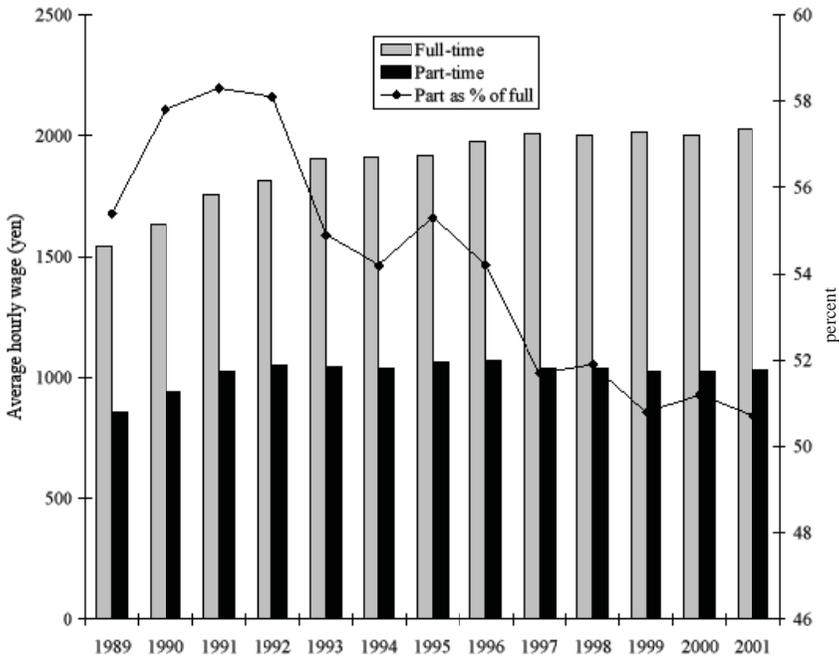
Figure 7.2 Wage Disparity between Part- and Full-Time Workers (Women)



SOURCE: MHLW Basic Statistical Survey on Wage Structure, various years.

Some 29 percent of companies who participated in the MHLW study on part-time work reported that they had implemented periodic wage increases for their part-time workers; 31 percent offered pay raises based on seniority and 56 percent offered semiannual bonuses to workers in this category (MHLW 2005). Several researchers have concluded that there is little difference in the pay raises offered to regular full-time and part-time female employees when wage data is adjusted for tenure with the employer and women who reduced their hours to remain under the ¥1.3 million tax benefit threshold are eliminated from consideration.¹⁷

The courts have prevented firms from taking unfair advantage of workers by simply labeling them nonregular workers. For example, in 1996 an auto parts manufacturer was required to pay compensation to 28 female pseudo-part-time workers who were doing essentially the

Figure 7.3 Wage Disparity between Part- and Full-Time Workers (Men)

SOURCE: MHLW Basic Statistical Survey on Wage Structure, various years.

same work as full-time workers but were paid less. The court concluded that the guiding principle should be “same job, same pay” and that paying part-time workers less than 80 percent of the wages earned by full-time female employees in the same position with equal seniority is illegal (Japan Institute of Labour 1996).

Compensation, however, involves more than pay, and there are concerns that contingent workers may not receive important benefits. Health insurance coverage, a major issue in the United States, is not a problem for Japan’s nonregular employees due to the country’s national health insurance system, which covers everyone. Occupational safety and health coverage also is universal for all workers. However, the level of coverage for unemployment insurance, almost universal among regular employees, stands at only 53.2 percent for part-timers (Japan Insti-

tute of Labour 1997). Similarly, just 33.1 percent of part-time workers are covered by the government's mandatory pension scheme, similar to Social Security in the United States. However, married workers whose spouses are enrolled in these programs qualify for benefits through their working spouses (Houseman and Osawa 1995).

Nonregular employees also may suffer from not being allowed to participate in employer bonus or retirement allowance programs established for regular workers. Table 7.7 shows three-quarters of surveyed employers said that all of their regular employees were involved in retirement allowance programs and 82.4 percent gave all regular employees bonuses, but only 6 percent reported offering retirement allowances to part-timers and only 29.2 percent gave bonuses to part-timers. As discussed earlier, those semiannual bonuses represent a relatively large amount of money: about \$8,000 for 2005.

Retirement allowances are one-time lump sum severance payments given to workers when they leave an organization. In firms that have such plans, the amount received is based on company policy, usually reflecting salary, level, and years of service. Even for young female workers the amounts can be significant, and for older workers they represent a considerable retirement resource. The average retirement allowance paid to a 60-year-old male college graduate who retires after spending his entire working career at a single firm in clerical or technical positions and was promoted at an average rate was ¥24.35 million (approximately \$202,000) in 2005.¹⁸ Nonregular workers who do not benefit from bonus and retirement allowance plans may be at a financial disadvantage compared with regular workers.

To summarize, benefit coverage is not as complete for many nonregular workers as for regular workers, although the lack of medical insurance is not a problem. Wages, on average, are lower, but those who remain in their positions see their earnings rise at about the same pace as regular employees with similar tenure.

Career Paths

Many part-time workers remain with the same firm for many years. Over 40 percent have tenure of 5 years or more, and 18.1 percent have been with their employers 10 years or more, with the average being 5.8 years. This compares to an average of 4.8 years in 1995, when only 30

percent of part-timers had tenure of 5 years or longer. As these figures show, average tenure is growing as part-time workers remain with the same organization (MHLW 2002). Those who stay longer may become quite valuable to their employers. Several researchers have made a distinction between “core” part-timers, who may handle important tasks, including managing other part-time workers, and “supplementary” part-timers whose work tends to involve more simple, repetitive tasks and who have little opportunity for advancement or pay increases. There are no data that provide a good estimate of how many part-time workers fall into the two categories. However, it is clear that some of these workers do have opportunities for skill development and advancement, although they do not have access to the same management-training programs available to regular career-track employees. In the case of dispatched workers, the main opportunities lie in improving skills to justify better assignments and pay. In addition to development through work assignments, some dispatching firms offer training programs. While some dispatched workers are eventually hired by the firms to which they are sent, there currently is not a strong trend toward using temporary assignments as a way to screen prospective employees, as has become popular with some firms in the United States. However, the idea that such a strategy may work appears to lie behind the recent changes in the Worker Dispatching Law, and many larger companies do report having systems for switching workers to regular employee status.

Legal Protection

Nonregular workers have the same protections that regular workers do and may not be discriminated against because of their nationality, age, or gender. Since so many nonregular workers are women, the Equal Employment Opportunity Law passed in 1986 and strengthened in 1999 is particularly relevant. While the first version of the law encouraged employers to “endeavor” not to discriminate against women, the current (1999) version flatly forbids unequal treatment of male and female workers in terms of hiring, pay, promotion, and training, in addition to requiring employers to help prevent sexual harassment in the workplace. Part-time workers also have some legal protection under the admittedly weak Part-Time Work Law, which states that employers should “endeavor” to effectively utilize part-timers’ abilities and main-

tain balance with regular workers in terms of working conditions, training, improving employee welfare, and improving employment management. The law also says that part-time workers employed continuously for one year or more should be given advance notice when the employment contract is to be terminated (Kezuka 2000).

Employment security is one major respect in which contingent workers are often viewed as being at a disadvantage. Japanese nonregular workers can, however, obtain employment security through continual renewal of contracts and long tenure. In general, Japanese employers are prohibited from abusing their right to dismiss employees, and without being able to show significant cause, it is more difficult to justify the termination of workers who have worked at a firm for a long period of time, whether as a regular employee or through regular renewal of employment agreements.¹⁹ However, employers are more strictly bound in terms of their ability to dismiss regular workers with indefinite-term contracts than they are nonregular workers with fixed-term contracts. When economic conditions within a firm necessitate layoffs, employers have been allowed to dismiss part-time and other such nonregular workers first, depending on the circumstances (Kezuka 2000). Recently, however, employers seem to be choosing to add nonregular workers rather than cut them. It is interesting to note that, despite the economic struggles that have forced many firms to lay off employees as part of restructuring efforts, the number of nonregular workers continues to grow. Fewer than one in five employers gave the ease of conducting employment adjustment as a reason for hiring nonregular employees in the survey summarized in Table 7.4. Employers apparently are not simply seeking workers they can quickly eliminate. They are in large part motivated by the other benefits associated with hiring nonregular workers.

Voluntary or Involuntary Decision?

Have nonregular workers taken such jobs by choice or because they did not have other employment options? The answers are complex. Workers in the two major groups of nonregular employees do not have the same benefits as core workers in terms of compensation or career options, but it does not appear that all of these workers have low-paying, dead-end jobs. In the surveys reported earlier we noted that many

enjoyed the shorter hours, flexibility, and in the case of male dispatched workers, good pay. On the other hand, the less-permanent nature of such employment agreements is bound to bother some. Indeed, in a 1999 survey 22 percent of temporary and 20 percent of other nonregular employees and dispatched workers wished to change jobs. Some 30 percent of the unhappy part-time and temporary workers cited the casual nature of their employment as a major reason, as did 26 percent of other nonregular workers and dispatched workers (Japan Institute of Labour 1999b).

As several writers have noted, the relatively high job-opening-to-applicant ratio for part-timers seems to indicate that employer desires are driving the growth in nonregular employment (Osawa and Kingston 1996; Wakisaka 1997). The same could be said of the rapid growth in dispatched employment, which has occurred during an economic slump that has made it more difficult for female workers, particularly, to find positions as regular employees. However, the issue is complex. As we have shown, there are many reasons why women with families may find more flexible working conditions and shorter hours attractive, particularly if they are offered some opportunities for advancement and pay increases. For some workers, nonregular employment may in fact be a voluntary choice to support their preferred lifestyle. Others, however, are dissatisfied with these employment arrangements and have taken nonregular positions only because they were unable to find other work. While this may be partly due to the poor economy, it is somewhat of a concern that the majority of the affected workers are women. Not all women in Japan enjoy the financial support of an employed spouse. Divorced and widowed women and others who must earn money to support their families need access to regular employment opportunities that will provide them with good incomes and opportunities.

Trends That May Affect Nonregular Employment

There are a number of trends in Japan that may have an impact on the growth in nonregular employment. The first is the rapid aging of the country's workforce. Birthrates have been falling for years and are now at a record low, meaning there will be fewer young, inexpensive recent graduates for Japanese firms to hire in the future. The fertility rate in 2004 showed that the average Japanese woman is having just 1.3

children in her lifetime. Given the decline in fertility, a labor shortage is a strong possibility in the next 20 years. However, shortages have not yet occurred due to a decade of economic malaise and Japan's "second baby boom generation." The corporate restructuring and bankruptcies related to the weak economy, however, have left many former regular employees seeking jobs in an unwelcoming job market. Opportunities for older workers, particularly, are limited.

The government has introduced a number of policies in response to these trends, and some of them have implications for nonregular employment in the future. First, the government has announced the goal of working toward a "gender-equal" society (Japan Institute of Labour 1999c). Concrete measures include the introduction of a mandatory child care leave to care for infants up to 18 months old. The law was recently expanded so that both male and female workers qualify for leave. While government targets call for 80 percent of mothers and 10 percent of fathers to use the program, current rates are 73.1 percent for women and a mere 0.44 percent for men. The government has recently set up a new grant program to encourage small and midsize firms to develop leave programs by partially subsidizing them. Workers also receive financial support for leaves. Through the social security system mothers and fathers of new infants on leave receive 30 percent of their salaries, and upon return to work 10 percent of their salaries are temporarily subsidized. This leave program makes it possible for new mothers to keep their jobs as regular employees (Japanese Institute for Labour Policy and Training 2005b). Inexpensive, high-quality, government-supported day care has long been available to Japanese women who are working, studying, or caring for invalids, although the centers are not necessarily open as late as many regular employees are expected to work.

Officials are also encouraging firms to hire all regular employees—male and female—under the same system, rather than having both a "career track" for men and exceptionally promising women and a "support staff track" for other women, as has been common in the past. Although heavy work expectations still pose a barrier for those with families, such measures may open the way for more women to start in and keep the same sort of regular, career-track positions as their male colleagues rather than starting out as support staff, quitting, and then returning as nonregular employees.

For those who find themselves working in nonregular positions, laws on part-time employment and worker dispatching have been created to ensure more fair treatment; a special panel convened to study these issues. These measures are discussed in greater detail in Chapter 8. The recent amendments to the Worker Dispatching Law, of course, hold great potential impact. In allowing nearly all types of jobs to be filled by dispatched workers, and permitting dispatched workers to be used for longer periods, the government has sought to introduce greater flexibility in the external labor market and create new ways for workers to find firms that need their skills.²⁰ The downside is the possibility that these policies could open the way for workers to fall into “permanently temporary” slots. This is one area that certainly bears close watching.

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Nonregular employment has grown dramatically over the past few years, with about one-third of Japan's workforce and over 40 percent of working women falling into this “contingent” category. Workers in part-time employment, the largest nonregular sector, are attractive to employers because of lower costs and flexibility. Many female employees choose part-time work because of shorter hours that fit with their schedules. Growth also appears poised to take off in the dispatched employee category due to regulatory changes that allow expanded use of temporary workers and a large pool of potential workers who have had fewer regular employment options in the sluggish economy, although this may be changing. However, the future of nonregular employment also will depend on changes in the way that companies are managed, social trends concerning women, and changing demographics. The effects of new regulations will need to be carefully researched in order to make any accurate projections.

There are several important topics to be addressed in future research. One important area for analysis is worker dispatching by temporary employment agencies. Researchers need to closely follow the effects of deregulation to uncover where and how such workers are used, as well as the characteristics of dispatched workers and the effects of nonregu-

lar employment on them and their families. Particularly important from the standpoint of policy development is to determine whether a permanently less-advantaged class of workers is developing. Successful temporary-to-permanent hiring programs should be identified and any important lessons shared.

Additionally, it is important to track the effects of government efforts to create a more gender-equal society. Until now, nonregular employment has been very much a gender issue with most affected workers being female. If the new policies are effective, the percentage of nonregular employees who are women should fall. If it does not, future research should look at why the government's approach is not working and what else can be done.

Another important topic for future research is how the nonregular workers are being used in industries where growth in this type of employment is most noticeable, including transportation, wholesale/retail trade, and restaurants. Because of the prevalence of nonregular workers in the retail industry, this is one area where new ways of treating such workers has emerged. For example, one large supermarket chain has announced a policy allowing workers to switch between different employment tracks as their family situations change. Part-timers willing to switch to regular full-time status and accept transfers to other locations may be able to earn promotions; regular full-timers may choose to become part-timers assigned to just one area (Japan Institute of Labour 2002). Approaches like this one provide greater flexibility to make changes in employment status, work hours, and location throughout the very different stages of a worker's family life cycle and career, with strong potential benefits for both workers and employers. Such innovative programs need to be studied so that they can be improved and "best practices" spread throughout the country.

Nonregular employment holds advantages for both workers and employers. However, both researchers and policymakers must closely monitor this growing phenomenon to ensure that nonregular workers are not permanently enshaded by clearly inferior conditions without obtaining some benefits.

Notes

1. Japan's so-called lifetime employment system represents an overall approach to human resource management. However, it does not necessarily mean a guaranteed job for life for all workers. This system involves a strong reliance on internal labor markets: firms focus their recruitment and hiring efforts on new graduates who are trained by the organization and promoted as their skills and experience increase. Students at high schools, technical schools, and universities are recruited for organizational career tracks designed to fit their presumed ability levels and interests. When faced with financial difficulties, firms try other approaches to boosting firm performance, including reassigning staff to new areas or related companies, before laying off regular employees in any career track.
2. Slow economic growth has been a problem for Japan for over a decade, as companies have struggled to deal with the after effects of an investment "bubble" that developed in the late 1980s and burst as the Bank of Japan moved to raise interest rates and tighten the money supply at the end of the decade. Recovery has been complicated by the need to switch to a more service-oriented, advanced economy. Since the early 1990s, the Japanese economy has struggled with falling stock and real estate prices, which skyrocketed during the bubble period and have gradually fallen to the levels of a much earlier era. According to the most recent *Japan Statistical Yearbook* (Japanese Ministry of Public Management, Home Affairs, Posts and Telecommunications 2003, 2005), by 2002 real estate values in the country's urban areas stood at just 65 percent of what they were at their peak in 1990, and in the country's six largest cities average land prices were just 30 percent of 1990 levels, having fallen to where they stood in the early 1980s. A similar pattern can be seen in stock prices. Despite an impressive rise during 2005, at year's end the Nikkei average was still less than half where it stood in 1990.
3. Many writers have pointed out that workers at smaller subcontracting firms also have "contingent" employment as the work they do for larger companies may be handled internally during slow periods, leading to bankruptcy or layoffs among subcontractors. However, since regular employees at even small firms enjoy the full benefits of employment as long as their firms are operating, we have chosen to focus on workers in organizations of all sizes whose employment agreements are more flexible. For a lengthier discussion of how employment at subcontracting firms may be viewed as somewhat contingent, see Clark (1988) and Abeglen and Stalk (1990).
4. Japan's Ministry of Health, Welfare, and Labour (MHWL) performs many of the same functions as the U.S. Department of Labor. It is responsible for drafting and enforcing labor regulations, as well as gathering, synthesizing, and providing information on labor-related topics. The former Ministry of Labour was recently combined with the Ministry of Health and Welfare, creating a larger organization with a wider set of responsibilities.

5. Due to changing demographics in Japan, the workforce is growing older and the government has been working to gradually raise the age at which workers can benefit from the national pension system—just as the U.S. has been raising the age at which people can collect Social Security benefits. See Fujimura (2001) for a discussion of mandatory retirement as well as pensions. The article also describes a reemployment program for retirees at Matsushita.
6. See Morishima and Shimanuki (2005) for a discussion of dispatching, and for legal changes see Mizushima (2004).
7. For further information on the purpose and content of the legislation see Araki (1999). Also see Chapter 8 for a more detailed discussion of the changes.
8. A breakdown of these data by age or gender is not available; however, historical trends in education are reflected here. In the 1960s only 15 percent of the population attended college and 50 percent completed high school, while today these numbers are 50 percent and 95 percent, respectively. Returns to education have traditionally been lower for women, and men have historically been more likely to have a higher level of schooling. Therefore, many of those with low education levels are older workers, and quite a few of them are women.
9. For a discussion of reasons temporary employment can benefit firms in the U.S. context see Greenberger, Heneman, and Skoglund (1997), pp. 93–104. Also see Chapters 2 and 3.
10. For an analysis of reasons companies have treated women differently, see Wakisaka (1997).
11. A lengthier discussion and data are found in Imada (1997).
12. Yen figures have been converted at an exchange rate of ¥120 = US\$1, which has been a common level over the past few years.
13. Women whose earnings fall above the threshold and thus must pay social insurance premiums do not necessarily receive higher benefits, so married women working part-time are not disadvantaged in terms of health care or pensions.
14. For further discussion of the allowances see Houseman and Osawa (1995).
15. While the United States has had a standard 40-hour work week in all industries for many years, Japan has phased out a six-day work week more recently, so three-quarters of the hours of a regular worker was used as a cutoff rather than 30 hours.
16. Minimum wage levels in Japan vary by region and industry. They are revised annually by the government. In October 2005 the highest general hourly minimum wage in Japan was applied in Tokyo, at ¥714 per hour.
17. For detailed analyses of the effects of financial and tax incentives on women's work hours, see Ichino (1985, 1989). Also helpful are Kantani (1994) and Wakisaka (1997). For an excellent discussion on how the ¥1.03 million tax/earnings threshold and minimum wage rates may affect part-time wages, see Abe (2002) and Nagase (2002).
18. For more information see the September 2004 survey of companies belonging to Nippon Keidanren and the Tokyo Employers' Association, as reported in Japanese Institute for Labour Policy and Training (2005a).
19. Unlike U.S. companies who regularly initiate layoffs as a way of improving an

already-strong financial performance, legally Japanese firms must show that they are seriously suffering financially and have tried all other reasonable means before cutting staff.

20. For a discussion of the background of these changes, see Araki (1999).

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