

Toward the Diversity of Regular Employees Under the Polarization of the Japanese Labor Market

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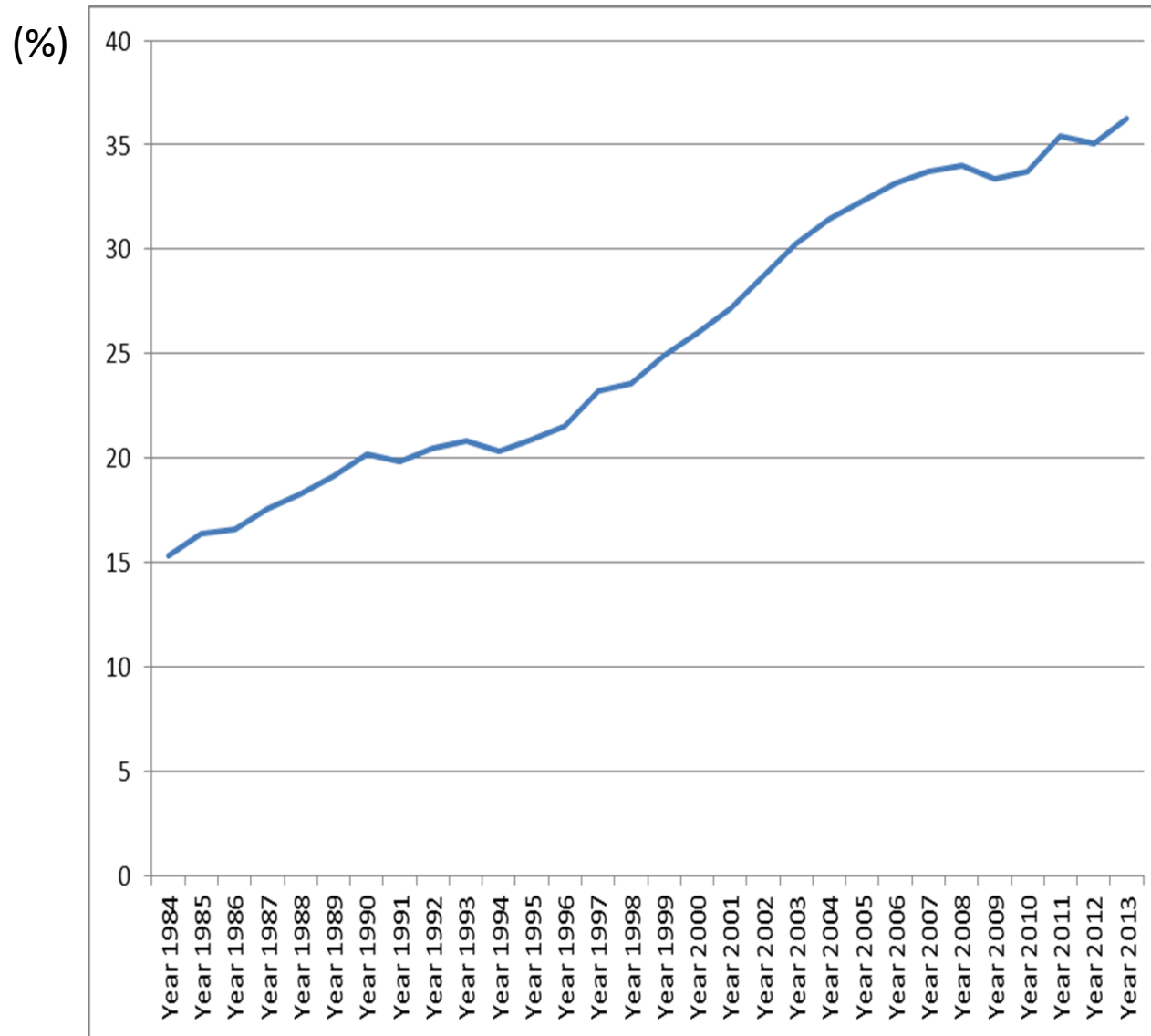
International Symposium

The Science of Japanese Personnel Management—
Rethinking Employment Systems in the Era of Globalization

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Change in the Ratio of Non-Regular Workers



Source: "Labour Force Survey", Ministry of Internal Affairs and Communications

Details on Recent Ratios of Non-Regular Workers

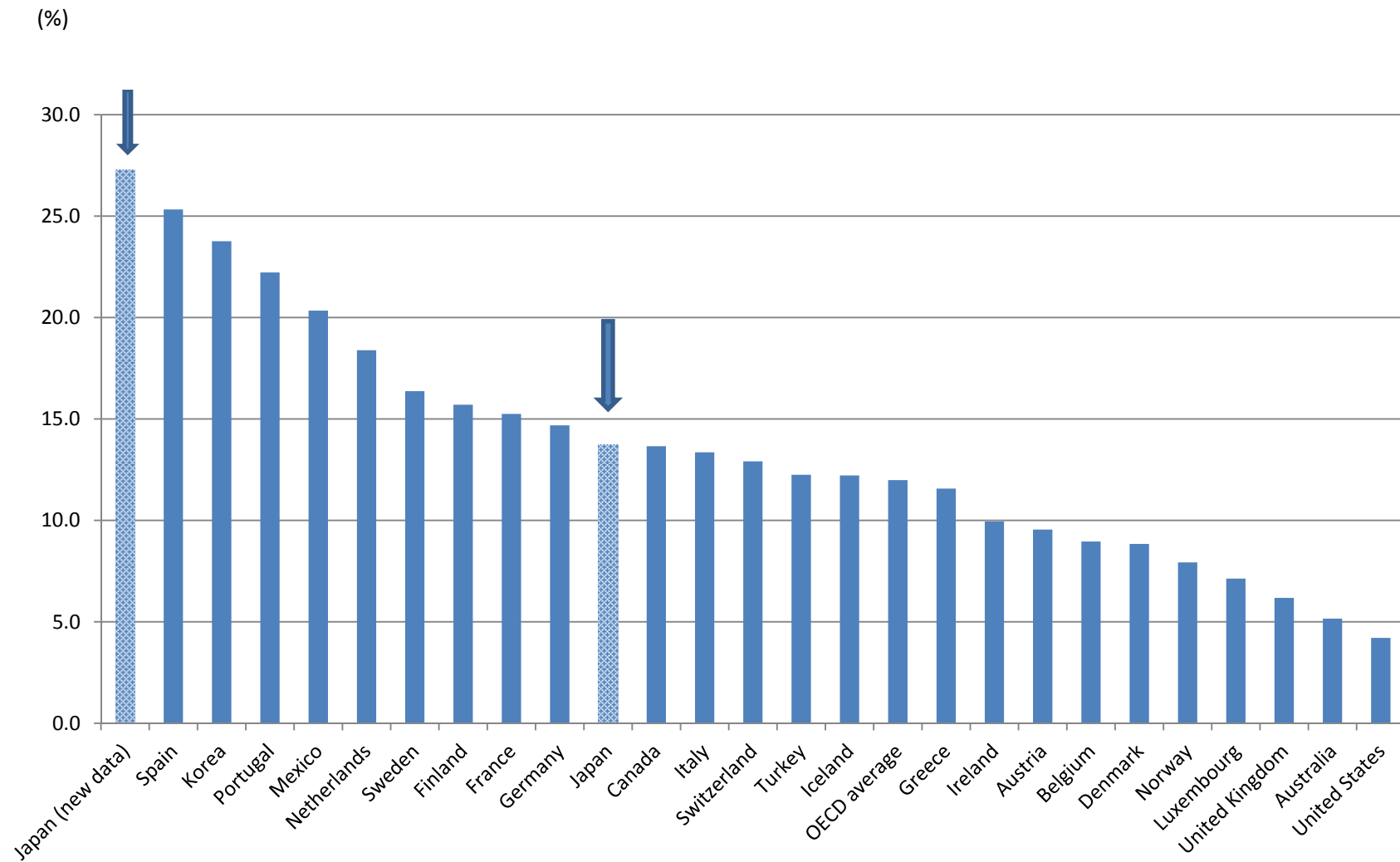
	Company employees, excluding executives	Regular employees	Non-regular employees	Part-time workers, <i>arbeit</i> (temporary workers)		Dispatched workers from temporary work agencies	Contract employees	Other	
				Part-time workers	<i>Arbeit</i> (temporary workers)				
2013 Jan.-Mar. average (%)	100.0	63.7	36.3	25.0	17.7	7.3	2.4	7.3	1.6

↓ New series starting in Jan. 2013

	Non-agricultural employees, excluding executives	Indefinite-term (permanent employees)	Fixed-term employees (total)	Fixed-term Employees (more than one year)	Casual workers	Daily workers

Source: "Labour Force Survey", Ministry of Internal Affairs and Communications

Ratio of Temporary Workers: OECD Countries (2011)



(Source) OECD Stat.

Ratio of Temporary Workers: OECD Data

- In Japan,
 - 1985: 10.2% (Male: 5.1%, Female: 19.3%) → 2009: 13.7% (Male: 8.1%, Female 21.3%)
→ 2011: 13.7%
 - Source: Monthly Household Labour Force Survey.
 - Temporary worker: A worker whose main job is a fixed-term contract lasting not more than one year, occasional, casual or seasonal work, daily workers, or work lasting less than 12 months.
- As a whole,
 - North America 1985: 8.0% → 2009: 7.5% → 2011: 7.6%
 - Europe 1985: 9.1% → 2009: 14.0% → 2011: 14.5%
 - OECD (Whole) 1985: 9.4% → 2009: 11.6% → 2011: 12.0%
- Examples of countries whose ratio has increased,
 - Spain 1987: 15.6% → 2009: 25.4% → 2011: 25.3% (95: 35.0%, 2006: 34.0%, 2008: 29.3%)
 - Portugal 1986: 14.4% → 2009: 22.0% → 2011: 22.2%
 - Netherlands 1985: 7.6% → 2009: 18.3% → 2009: 18.4%
 - Germany 1985: 10.0% → 2009: 14.5% → 2011: 14.7%
 - France 1985: 4.7% → 2009: 13.5% → 2011: 15.3% (2000: 15.5%)
 - Italy 1985: 4.8% → 2009: 12.5% → 2011: 13.4% (2008: 13.3%)
- While the ratio of fixed-term workers has been low and has not increased in the English-speaking world, many countries which have deregulated fixed-term employment have experienced a rise in the ratio of fixed-term workers.

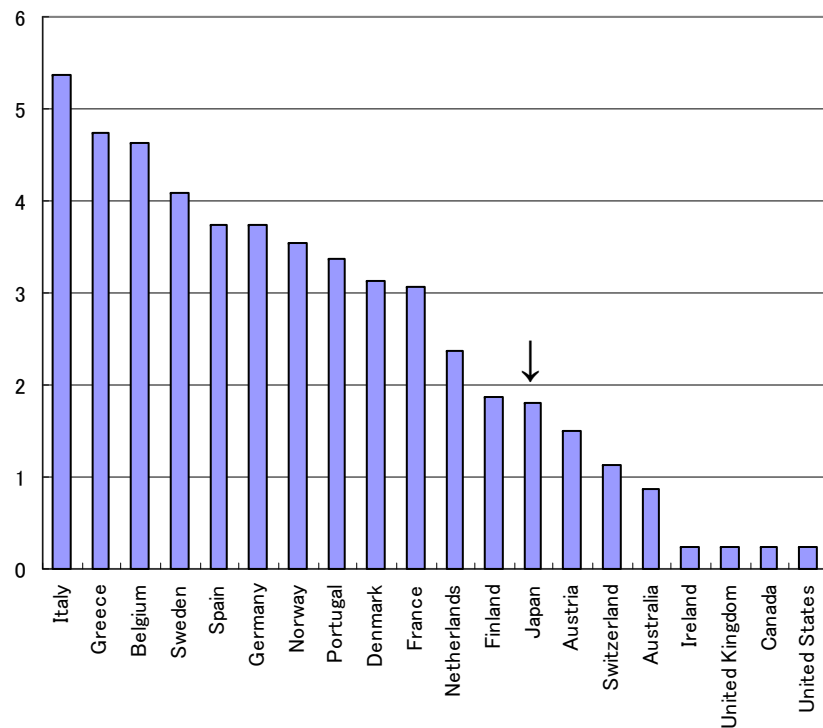
Ratio of Non-Regular Workers by Length of Contract

(%)	Male and Female			Male			Female		
	More than one year	One year or less	Total	More than one year	One year or less	Total	More than one year	One year or less	Total
1982	4.6	12.3	16.9	1.6	6.7	8.3	9.7	22.0	31.7
1987	6.9	12.8	19.7	2.2	6.9	9.1	14.6	22.4	37.1
1992	9.6	12.1	21.7	3.1	6.8	9.9	19.2	19.9	39.1
1997	12.0	12.7	24.6	3.9	7.3	11.2	23.6	20.4	44.0
2002	16.6	15.5	32.0	7.3	9.2	16.5	29.2	23.9	53.0
2007	21.7	13.9	35.6	10.7	9.2	20.0	35.5	19.7	55.3

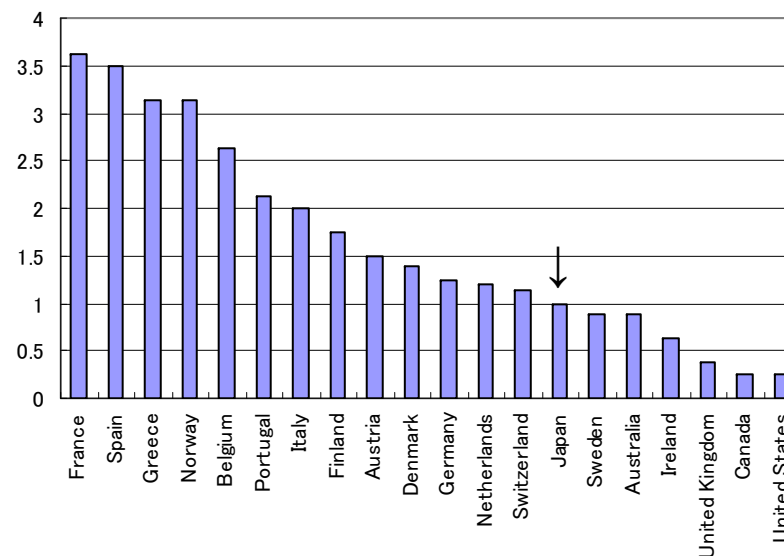
Source: "Employment Status Survey", Ministry of Internal Affairs and Communications

Employment Protection Index for Temporary Workers

1985



2008

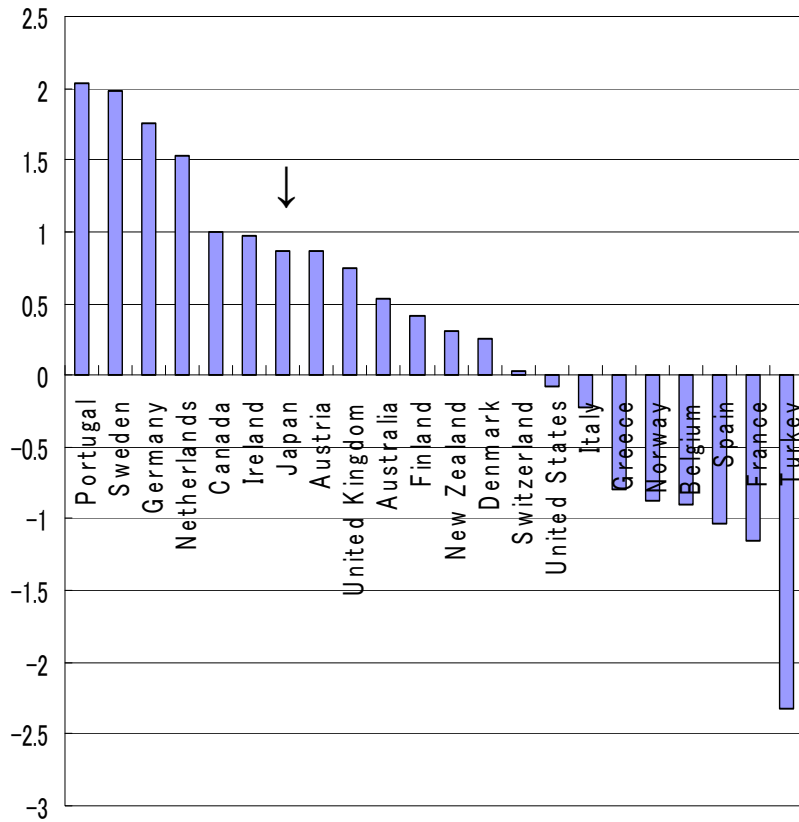


Japan has always had weak regulations on temporary workers (among the weakest of the non-English speaking countries)

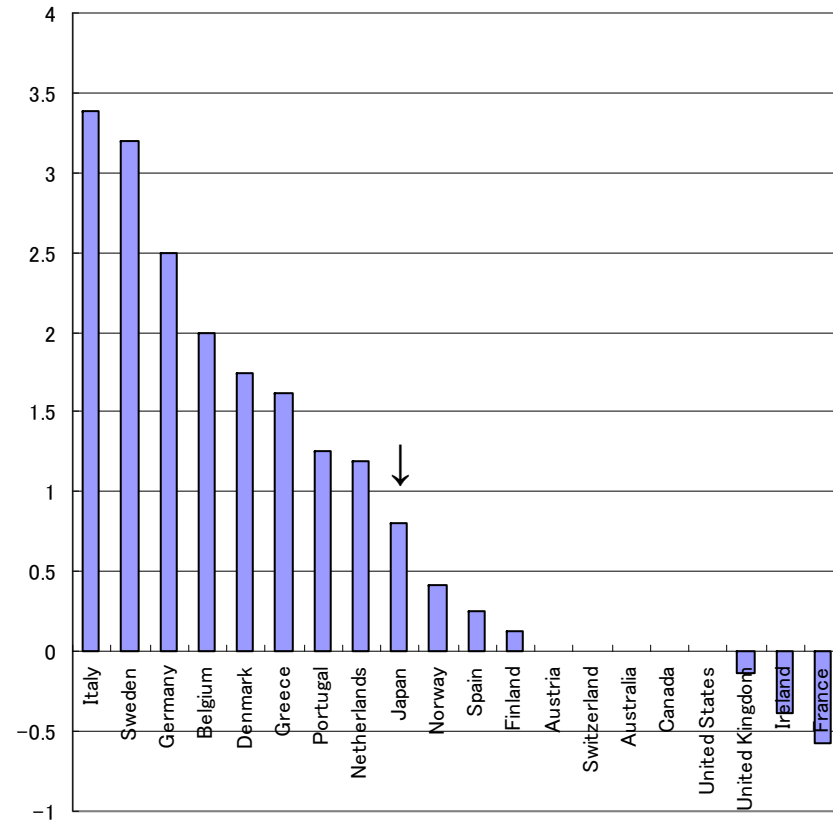
Source: OECD Stat.

Difference in Employment Protection between Regular and Temporary Workers and Deregulation for Fixed-Term Employment

1) Employment protection index for regular workers — that for temporary workers (2008)



2) Change in employment protection index for temporary workers (Index in 1985 — Index in 2008)



(Source) OECD Stat.

Background and Issues surrounding the Increase in Fixed-Term Employment

- Background
 - Rise of uncertainty, end of stable economic growth → A flexible adjustment of employment has become necessary.
 - Increasing competition in the market due to globalization and deregulation /Obsolescence of human resources associated with IT development → Need to reduce costs / search for cheap labor.
- Problems
 - Flexible adjustment of employment → Unstable employment
 - Substitution with cheap labor / cost reduction → Disparity in employment conditions
 - Decreasing opportunities for education/training → Deterioration of labor quality

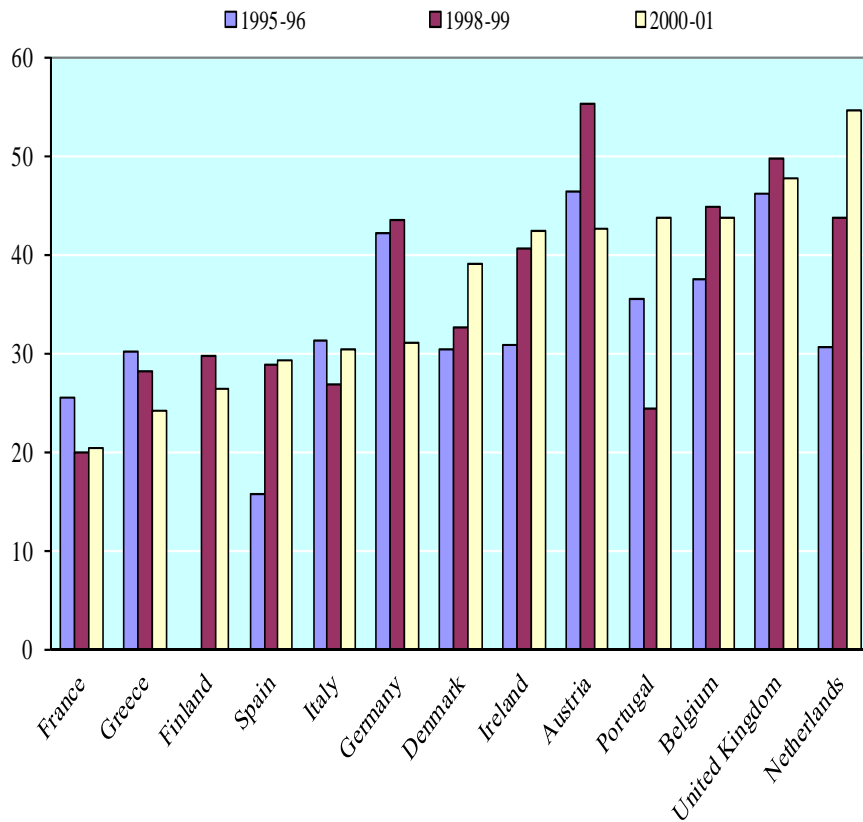
Wage Gap between Regular and Fixed-Term Workers

- Europe (OECD [2002])
 - Spain: 47%, France: 29%, Belgium: 21%, Austria: 19%, Germany: 17%
 - Controlling for individual characteristics, such as age, education, type of occupation etc... → Decrease to 10~20%
- In Japan
 - Wage for regular worker : Wage for Fixed-Term Worker
=100 : 68
(Asao [2001], Using Basic Survey on Wage Structure)
 - Individual characteristics are not controlled for.
 - Controlling for gender, education, occupation, and age:
=100 : 85.5 (Male) 100 : 82.4 (Female)
(Asao [2010], Using special summary of “General Survey on Diversified Types of Employment”, Ministry of Health, Labour and Welfare)
 - The wage gap between regular/fixed-term workers is about the same as in Europe.

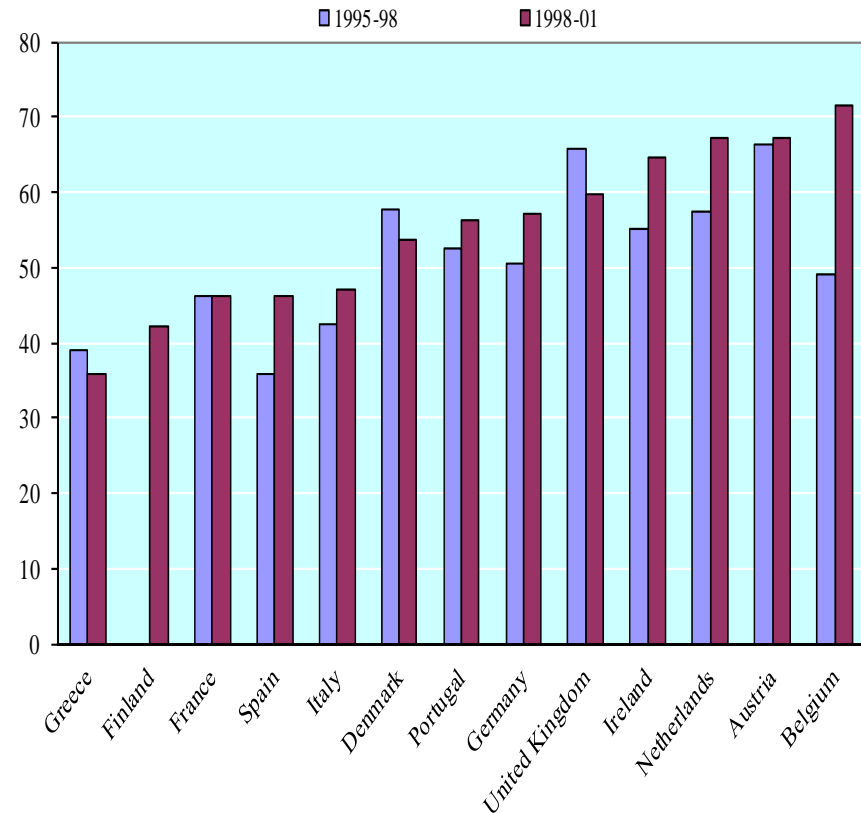
Mobility from Fixed-Term to Regular Jobs

Figure W5.2. Evolution of one-year and three-year mobility from temporary to permanent jobs since mid-1990s

Panel A. One-year mobility



Panel B. Three-year mobility



Source: OECD calculations based on the European Community Household Panel (ECHP), waves 2 to 8.

Analyses of Mobility from Non-Regular to Regular Employment

- Kume and Tsuru (2013)
 - Using “Employment Status Survey”, Ministry of Internal Affairs and Communications (2002, 2007)
 - Ratio of workers who switched from non-regular to regular jobs within the past 5 years:
About 25% (Male: About 40%, Female: About 20%)
- Kosugi (2010)
 - Using “Labour Force Survey”, Ministry of Internal Affairs and Communications
 - Ratio of workers aged 15 to 34 who became regular workers among those who left non-regular jobs in the past year: 19% (2005)
- **Japan is in the lowest group, even compared with the European Countries.**

Promoting “restricted-regular” employment to facilitate the transition to regular employment

- Are regular employees in Japan unique?
 - Regular employees are: (1) indefinite-term (permanent), (2) full-time, and (3) directly-employed.
 - “Implicit contract”: no limitations on job assignment, place of work, and working hours in exchange for job security → “non-restricted employees”
 - Strong complementarity with firms’ authority over broad personnel decisions and employment protection
- It is difficult to switch from non-regular to regular employees.
- We should promote “restricted-regular” employment to facilitate mobility out of irregular employment.
 - “Restricted-regular employees” have restrictions on: (1) duties; (2) place of work; or (3) working hours.
 - About half of large companies have already introduced such a job category.
 - People renewing fixed-term contracts who have worked 5 + years in total can apply to change to an indefinite-term contract (effective in April, 2013).