

**Report on Secondary Analysis of Data from JILPT Fact-Finding Survey on
Diversified Employment Types
-- New and Old Frontier Viewpoints --
Summary**

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Research Period

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Research Objectives

This summary outlines a reanalysis using data from the Fact-Finding Survey on Diversification of Employment (Business Establishment Survey and Employee Survey) (collectively referred to below as the “JILPT-D-Survey¹,”) that the Japan Institute of Labour Policy and Training conducted in August and September 2010.

The JILPT-D-Survey was published as JILPT Research Report No. 132, *Research Report on Non-Regular Employment*, in April 2011. Data from the survey were published as JILPT Survey Series No. 86, *JILPT Fact-Finding Survey on Diversified Employment Types*, in August 2011.

¹ The JILPT diversification survey (JILPT-D-Survey) was conducted in August 2010, covering 10,000 business establishments nationwide with 10 or more workers, and their regular and non-regular employees (including temporary agency workers and contract-based employees, 10 workers per establishment). The business establishment part of the survey collected valid responses from 1,610 establishments and the employee part got such responses from 11,010 workers. Below, the business establishment part will be referred to as the Establishment Survey and the employee part as the Employee Survey.

However, the JILPT-D-Survey is a comprehensive survey, collecting detailed data categorized into regular and non-regular employment type, much of which it was felt could be used further. As such, some of the participants in the abovementioned FY 2010 research, as well as two non-JILPT researchers known for their advanced analyses on non-regular employment, formed a study team in FY 2011 to reanalyze the data based on their areas of focus. The team attempted to make more effective use of the precious, but not fully used, survey data.

Outline of Research Results

(Structure of this report)

In Part I of this report, Chapters 1 to 7 provide the authors' papers on themes based on their areas of focus. Part II carries data aggregation results connected with several policy viewpoints, including matched data from the Establishment Survey and the Employee Survey that the abovementioned and other earlier reports failed to discuss in detail. The final chapter gives an analysis of the results in this report, and indicates some policy implications, mainly with a focus on non-regular employment issues.

(Outline of each chapter in Part I)

The papers in Part I are outlined below on a chapter-by-chapter basis. Chapter 1 takes up the new theme of "regular employees on fixed-term employment contract" (fixed-term regular employees, hereafter), who are recognized as "regular employees" but under fixed-term contract. They have attracted attention as being in an employment type (career course) on the border of or bridge between regular and non-regular employees, and who have failed to be clarified to date due to the absence of relevant data. However, since the JILPT-D-Survey was not specifically designed to focus on this theme, there is naturally a limit to what this chapter can be expected to provide in terms of detailed analysis. Chapter 2 deals with non-regular employees' skill development. The JILPT-D-Survey includes data on the state of implementation of skills development and type or level of work (administrative, professional, decision-making, routine, and assistant jobs), allowing for an analysis of the relationship between skills development and type of work, which has been the most essential factor involved in the skills development opportunity gap between regular and non-regular employees, but which has been left unanalyzed until now. Chapters 3 and 4 look into what is required for non-regular employees to sustain their careers. This is a major issue for the future, as efforts continue to turn non-regular employees into regular ones. Chapter 5 seeks to analyze the traditional issue of gender-based wage gaps based on the JILPT-D-Survey covering both regular and non-regular employees. Chapters 6 and 7 use the survey data to elucidate the unionization of non-regular employees and social insurance for them, which gives a new shape to an old issue.

○Chapter 1 Realities of Fixed-term Regular Employees (by Prof. Wakisaka, Gakushuin University)

- The chapter focuses on fixed-term regular employees—symbolic of the complexity of employment practices—seeking to analyze these employees’ attributes and job characteristics as indicated by data from the survey.
- No major gap exists between fixed-term and non-fixed-term regular employees as far as their attributes are concerned. The only difference is represented by fixed-term employment contracts. Fixed-term employment contracts tend to be renewed to allow fixed-term employees to remain employed for many years.
- Conversely, there are considerable differences between fixed-term regular employees and non-regular employees, including contract workers and part-timers, mainly in terms of treatment.
- Nearly half of fixed-term regular employees are so-called “limited” regular employees.

○Chapter 2 Employment Types and Skills Development (by Prof. Okunishi, Hosei University)

- A large gap exists between regular and non-regular employees in skills development opportunities provided by employers. This chapter finds that the gap is largely attributable to differences in job contents and career positioning. It also attempts to compare conditions in Japan with those in France, which is known for its advanced vocational training.
- As it is well known, education and training opportunities differ depending on employment types. As such, it is natural to assume that companies have their reasons for differentiating education and training opportunities by employment type. The reasons are assumed to include differences in job contents and careers. (Data regarding job categories are used to calculate job ratings that are analyzed as an indicator.)
- Education and training opportunities increase as required job performance levels (job ratings) are raised. Positive correlations are seen between education and training categories including on-the-job, off-the-job, and voluntary training, indicating that these categories complement each other.
- Job contents for regular and non-regular employees already differ at the time their careers start. Job content levels rise for both regular and non-regular employees as their years of service increase. However, the rise is more rapid for regular employees, further expanding the gap between them and non-regular employees.
- Status as a non-regular employee adversely affects OJT and off-JT probabilities, even when controlling for many individual and company attributes other than employment type. Other negative factors include the employee’s being female or older. Among other factors influencing training opportunities are educational histories, company sizes, industrial categories, and job categories, but the influences of these factors are not simple.
- Factors that increase education and training probabilities for non-regular employees include labor union membership, and systems or practices for turning them into regular employees.

- In both Japan and France, which is known for its advanced vocational training, education and training opportunities increase as required job performance levels are raised. In both countries, training opportunities differ depending on employment type, as well as on the attributes of the workers and companies. France differs from Japan in that it sees the large training opportunity gap as a problem and is making policy efforts to address it, including the establishment of a training scheme known as DIF (Le droit individuel à la formation—The Individual Right to Training). France also has official regulations on companies' vocational training spending, resulting in a greater percentage for such spending than in Japan.

- While it may be right for companies to differentiate career courses depending on employees' skills, efforts, hopes, and so on, the problem is whether the present employment-type-based differences match with employees' skills, efforts, hopes and so on. In this respect, to say the least of it, the gap between employees' efforts or hopes and the education and training opportunities given by companies, is notably larger for non-regular employees.

○ Chapter 3 Does Education and Training Encourage Workers to Stay with Their Companies? (by Lee, JILPT Assistant Fellow)

- This chapter presents an analysis of whether education and training, particularly general training, could encourage employees to stay with their companies.

- The analysis indicates that general training (including support for off-JT and personal development) provided by employers can encourage core personnel (including regular employees) and employees motivated to develop their skills (including those who work at personal development) to stay with their companies.

- On the other hand, such effect was seen with regard to OJT for non-regular employees.

- Employees who view company-provided education and training as insufficient, particularly those who undergo off-JT and are dissatisfied with that, are more likely to leave their present companies.

○ Chapter 4 An Analysis of the Continuation of Employment Types for Non-Regular Employees and Their Workplace Commitment (by Fujimoto, JILPT Assistant Fellow)

- This chapter analyzes incentives for non-regular employees to continue in that work type. It focuses on their reasons (i.e., whether they are positive (voluntary) or negative (involuntary)) for selecting specific employment types and on their sense of commitment to the workplace (data indicate sense of contribution to the workplace).

- The analysis indicates that whether employees had a positive or negative reason for selecting their present employment types may influence their continuation of their present work types, but commitment to the workplace was not seen to influence employees' continuation of their present employment types. However, employees' hopes to continue working at their companies were strongly related to their commitment to the workplace.

○ Chapter 5 Dual Labor Market and Wage Gaps (by Hori, JILPT Vice Senior Researcher)

- The chapter uses the survey data to estimate and analyze gender-based wage gaps and differences between regular and non-regular employees in the dual labor market.

- In the primary labor market, women's wages are some 6% lower than men's. Non-regular employees other than *shokutaku*-temporary employees rehired after retirement age have no statistically significant wage gap with regular employees, indicating that there is no statistical gap between regular and non-regular employees in monthly wages. As shown later, while non-regular employees have less probability of finding jobs in the primary labor market, wages for non-regular employees other than *shokutaku* working in the primary labor market are not different from those for regular employees.

- In the secondary labor market, women's wages are some 2-3% lower than men's. Among non-regular employees, part-timers receive 17% less in wages than regular employees, and contract employees receive 5% less. However, *shokutaku*, temporary agency workers, and contract employees have no statistically significant wage gaps with regular employees.

- In the primary labor market, wages tend to rise as workers age; this is not the case in the secondary labor market. In both markets, the length of service or job experience has no significant relationship with wages. (However, the square value of the length of service in the primary labor market has a significant relationship.)

- An employee's age, length of service, and job experience is significantly related to whether that employee belongs to the primary or secondary labor market (but not with regard to the square value of the length of service). This indicates that higher wages and longer lengths of service or job experience are more likely to represent jobs belonging to the primary labor market.

- Workers who have gone through more job changes have higher probability of belonging to the secondary labor market. Both in the primary and secondary markets, wages tend to decline as job changes increase.

- The analysis finds that age is a major factor behind the gender-based wage gap in the primary labor market. As far as the labor market is divided into the primary and secondary markets, women tend to find jobs in the secondary market, as even those who had been working in the primary market before childbirth have no choice but to shift to the secondary market after giving birth. This background may explain why age is a major factor behind the gender-based wage gap in the primary labor market.

○ Chapter 6 Current Unionization of Non-Regular Employees and Related Issues (by Asao, JILPT Research Director General)

- This chapter uses the survey data to analyze existing labor unions for non-regular employees and their effects as much as possible.

- Non-regular employees have gradually been unionized. For unionized non-regular employees, some relative effects leading to improvements in working conditions are seen, although these effects

are not necessarily specific. Meanwhile, the unionization level of temporary agency workers is remarkably low.

- Non-unionized workers tend to become unionized when they are dissatisfied with wage gaps. This indicates that past unionization alone has failed to address the wage gaps sufficiently.

○ Chapter 7 Present Treatment of Social Insurance for Non-Regular Employees and Related Issues

(by Asao, JILPT Research Director General)

- The chapter uses the survey data to analyze the present situation of social insurance applied to non-regular employees.

- The analysis confirms that social insurance is made to apply less frequently to non-regular employees, including part-timers, than to regular employees.

- The treatment of social insurance for non-regular employees is apparently linked to business establishments' reasons for using non-regular employees. The Employee Survey indicates that the treatment of social insurance for non-regular employees is also linked to scheduled weekly work hours, annual income, and other institutional factors, as well as whether their jobs are similar to or different from regular employees' jobs. In addition, organized part-timers are more likely to have social insurance apply to them.

(Policy Implications from Analyses in Part I)

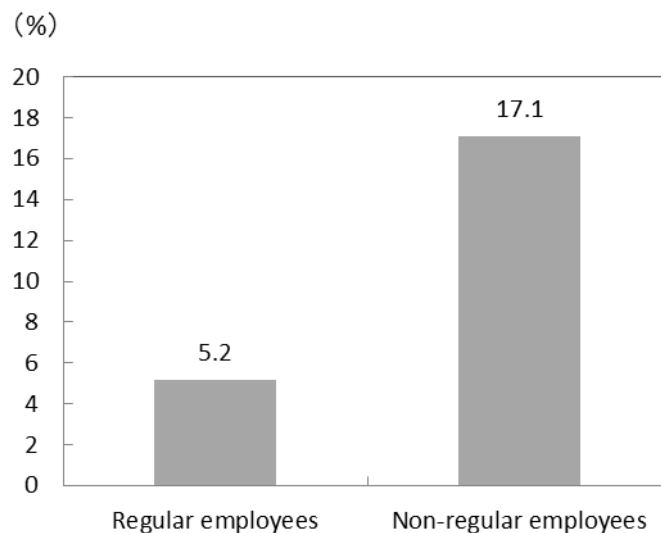
The following policy implications are based on the Part I chapters:

Chapter 1 attempts to analyze the realities of fixed-term, regular employees—regular employees under fixed-term contracts. The analysis indicates that fixed-term regular employees, if interpreted as representing an intermediate position between regular (typical) and non-regular employees, may be generally closer to regular employees in working conditions. It also indicates that fixed-term regular employees considerably overlap so-called “limited” regular employees. If contract employees and part-timers become non-regular employee without fixed-term contract with little change in their working conditions, they may be put into an intermediate position closer to non-regular employees. Attention may also be paid to fixed-term regular employees as a bridge between regular and non-regular employees. To this end, however, more details of fixed-term regular employees may have to be figured out.

Chapter 2 looks into a skill development gap between regular and non-regular employees and makes it clear that the gap is attributable to differences between skills required for regular and non-regular employees. Workers cannot become regular employees because they have not developed skills as regular employees. Because they cannot become regular employees, they have been given no skill development opportunities by their companies. In order to break through such chicken-or-the-egg problem, Japan should provide more policy support for non-regular employees' skill development, as seen in France, which is known for its advanced vocational training.

Nevertheless, skill development gaps between regular and non-regular employees in France do not seem to be so different from those in Japan. Actually, therefore, such support is a difficult challenge. While it may be right for companies to differentiate career courses based on their employees' skills, efforts, hopes, and so on, we must go back to the basic question of whether the present differences based on employment types meet those employees' skills, efforts, hopes, and so on. At present, many people may be facing such skills development gaps (see Figure 1). At least, policy support should be provided to prevent the division between regular and non-regular employees under the strong influence of temporary economic conditions from defining their future careers. Skills development is important to this end, and steady and persistent efforts are needed.

Figure 1 Percentage of employees who proactively develop their vocational skills in the absence of education and training provided by their companies



Those who are not provided with education and training by their companies account for only 5.2% of regular employees who are proactively developing their vocational skills and for 17.1% of non-regular employees who are doing so.

Chapters 3 and 4 analyze job continuation for non-regular employees. Chapter 3 concludes that education and training, including OJT programs, can encourage non-regular employees to retain their current status. Chapter 4 points out that commitment to the workplace can also encourage employees to continue working, to some extent. Given the economic environment, we should expect that there will continue to be a strong need for non-regular employees. There may also be many people who are seeking to be non-regular employees. Therefore, it is important for policy measures to promote turning non-regular employees into regular employees according to their requests, while paving the way for them to retain their status. In this respect, consideration may have to be given to providing non-regular employees with accurate education and training opportunities in light of their

career formation, and to enhancing their workplace commitment as indispensable members of the workplace.

Chapter 5 uses the survey data, including those for regular and non-regular employees, to analyze the ever-present issue of gender-based wage gaps. It also includes the viewpoint of the dual labor market. The chapter takes advantage of statistical methods to produce an excellent analysis, although, readers who are not familiar with such methods may have difficulties in understanding it. We would like to clarify here that the labor market's division into the primary and secondary sectors is based not on any preset standards such as company sizes, but on different ways wages are determined (the wage function). Among the results of the analysis, the gender-based wage gap (equivalent to 6%) first attracts attention. Also of note is the information this chapter does not explicitly give, namely, the viewpoint that the dual structure may be related to Japan's gender-based wage gaps, which are wider than in Europe and the U.S.: these have labor market structures similar to Japan's dual market, but their labor market structures may not be based on the ways wages are determined. If so, the elimination of the abovementioned gap in the primary sector may come into sight, but any more progress in narrowing the gap may be difficult to achieve. Further studies on this matter are expected.

Chapter 6 deals with the unionization of non-regular employees and Chapter 7 addresses the treatment of social insurance for such employees. Both are new takes on existing issues. Regarding the former, it may be indispensable that non-regular employees should be at least unionized to some extent for improving their working environment. Although it may be difficult for policymakers to support unionization, they should do what they can. At the same time, institutional improvements may have to be considered to collectively position non-regular employees more accurately in the mechanism for establishing terms and conditions of employment at the workplace. When working out employment rules for non-regular and other limited-range employees, for example, perhaps business establishments should be required to not only consult with employee representatives representing a majority of employees, but also to listen to the opinions of representatives for relevant non-regular employees directly or through the employee representatives. Unfortunately, specific proposals may go beyond the scope of this analysis. As for social insurance in Chapter 7, we would like policymakers to consider institutional measures that meet the realities of non-regular employees.

(Policy Implications from Analyses in Part II)

Part II presents a cross tabulation of data for a total of 12 issues, for the purpose of providing reference data. Since the analysis is not particularly exhaustive, it is necessary to exercise prudence in linking the analysis to any specific policy implications. However, a few implications can be cited.

First, the aggregation of data matched between the Establishment Survey and the

Employee Survey indicates many gaps and deviations between business establishments and their employees on the basic particulars of working environment improvements, including job categories or levels and whether regular and non-regular employees engage in similar jobs. It does not necessarily matter which side is right and which is wrong. The business establishment and employee sides may have to be encouraged to share common perceptions through discussion. Perception gaps are seen not only between employers and employees, but also between regular and non-regular employees. Accurate and satisfactory in-house work rules may have to be developed.

Second, some age-based timing is seen for non-regular employees becoming regular ones, although this is not necessarily any strict finding. It is true that this shift is clearly frequent for those in their 20s or early 30s, but also among middle-level non-regular employees, there seem to be not a few internal opportunities for men and both internal and external opportunities for women to become regular employees. This suggests that mid-level male workers may have to take the long-sighted strategy of first becoming non-regular employees and pursuing promotion to regular employees.

Third, whether new graduates become regular or non-regular employees tend to affect their later careers (meaning employment types, here), and this tendency has grown stronger in recent years. Meanwhile, it was reaffirmed that most of those whose first jobs after their graduation were non-regular and who later got regular jobs are working at small or medium-sized enterprises. The two tendencies indicate that it is more recommendable for new graduates to seek regular jobs at small and medium-sized enterprises.

Fourth, it was confirmed that as the ratio of non-regular employees increases at a business establishment, the problem of how to utilize these employees becomes more serious at that establishment. Therefore, business establishments are likely to limit increases in the ratio of non-regular employees. However, the survey data indicate that the critical point may be considerably high. The biggest problem is that it becomes more difficult for business establishments to secure the right human resources. This means that the tendency is closely related to the factors on the labor supply side. Therefore, it is difficult to accurately estimate future conditions based only on the present conditions of the business establishment side. If the employment opportunities did not allow people to secure the minimum standards of “wholesome and cultured living” under Article 25 of the Constitution, the critical point might be brought down to a lower level.

The present labor policy challenges involving non-regular employees are to facilitate non-regular employees’ transition to regular employment upon request and to strongly promote equal treatment to improve the employment environment, as reiterated by JILPT and other reports. This report also includes many findings regarding these two challenges, and should be consulted. The relevant parties should seriously discuss the following questions and find solutions: how regular and non-regular employees should be defined, whether any definition may be left vague in some sense, how non-regular employees should develop their careers, how non-regular employees should be

unionized or included into the mechanism for establishing terms and conditions of employment based on collective labor-management relations and how lifetime social security should be developed for non-regular employees.