

## **Survey Research on Employees' Side Jobs**

### **Summary**

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#### **Research Period**

Fiscal Year 2004

#### **Objective of the Survey Research**

This research focuses on employees' side jobs in addition to their main occupation, which is one of the diversifying working styles, and attempts to understand the state of affairs of this working style. The JILPT did a research on this topic when the organization was called by its former name of the Japan Institute of Labour, and compiled the results in a report titled, "The State of Employment of Multi-Job Holders and Issues Related to the Labor Law" (JIL Reference Series, No. 55, 1995, and No. 67, 1996). The present research is a sequel to the JILPT's previous research.

In this research, we conducted a questionnaire survey on 5,000 companies nationwide (the final valid responses were received from 1,111 companies), and analyzed the results of the survey while comparing them with the results of the previous research in 1995. We summarized the trends of side job mainly from the Ministry of Internal Affairs and Communications' "Employment Status Survey" and other existing statistics. At the same time, existing survey results on individual employees were retabulated in terms of side job, and analyzed the relation between workers' attributes and awareness, on one hand, and side job, on the other. In addition, we present an overview of the recent trends related to the various issues of labor laws and side job.

## Summary of Research Results

### I. Companies' response to employees' side job: from the results of JILPT surveys

To examine companies' response to their employees' side jobs, we conducted a questionnaire survey titled, "Survey on Employees' Side Jobs, Work Rules, Etc." (hereafter referred to as the "2004 Survey"),<sup>1</sup> and analyzed the results of the survey in comparison with a similar survey conducted in 1995, titled, "Survey on Work Rules, Etc." (hereafter referred to as the "1995 Survey").

#### 1. Companies are more stringent on regulating regular employees' side jobs (comparison of the 1995 Survey and 2004 Survey)

##### 1) An increase in the number of companies prohibiting or otherwise regulating regular employees' side jobs

The percentage of companies that replied there was no prohibition of side jobs by regular employees declined (from 18.0 percent in 1995 to 16.0 percent in 2004). On the other hand, the percentage of companies prohibiting side jobs by regular employees rose substantially (from 38.6 percent to 50.4 percent). This was a common trend among companies of all sizes.<sup>2</sup> It can be said that companies' regulations on regular employees' side jobs were tightened during this period (Figure 1).

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<sup>1</sup> The outline of the survey is as shown below.

(1) Subject: 5,000 companies in all parts of Japan selected based on the number of employees and industrial distribution.

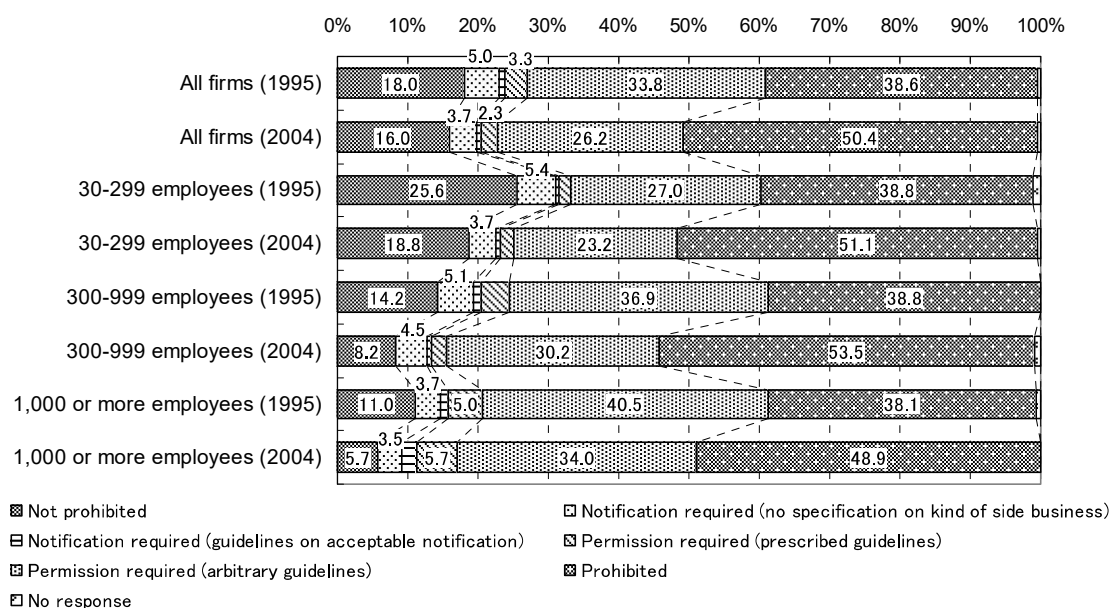
(2) Survey method: mail survey.

(3) Survey period: November 2004.

(4) Number of response: 1,111 (response rate of 22.2 percent).

<sup>2</sup> It should be noted, when comparing the figures of 1995 and 2004, that the size of companies in 1995 is based on the number of all employees, whereas that in 2004 is based on the number of regular employees.

**Figure 1. Companies' Handling of Regular Employees' Side Jobs**



The companies that regulated their employees' side jobs (prohibition, permission, and notification) were asked the reasons for the regulation in the 2004 Survey (multiple answers). As a result, 78.1 percent said “we want our employees to devote themselves to business,” 49.3 percent answered “side job will have adverse effect on the performance of business,” 40.9 percent replied “side job will disrupt order in the company,” and 27.8 percent said “we need to protect confidential business information.”

**2) Disciplinary action against violation of regulations is slightly more stringent**

Looking at companies' response to violators of regulations on side job (disciplinary action, etc.), the percentage of companies that answered they imposed “no disciplinary action in particular” declined (18.4 percent to 16.4 percent). On the other hand, the percentages increased on many other items, including “dismissal (including disciplinary dismissal)” (41.3 percent to 43.7 percent), “demotion” (11.7 percent to 15.1 percent), and “reprimand (an order to submit a written apology)” (31.1 percent to 33.5 percent).

**3) The majority of regulations on side job are provided for in work rules**

Majority of companies regulated side jobs of regular employees through provisions in work rules in both 1995 (83.6 percent) and 2004 (78.0 percent) surveys, which was followed by about 10 percent of companies that did so by means of corporate practice.

**2. Companies' negative outlook for regular employees' side job** (comparison of the 1995 Survey and 2004 Survey)

**1) An increase in the percentage of companies that see side job as not possible considering regular employees' working hours**

The proportion of companies that see side job outside regular working hours to be possible considering regular employees' working hours fell (68.5 percent to 49.1 percent). On the other hand, the proportion of companies that see side job as not possible increased considerably (29.9 percent to 50.1 percent).

**2) An increase in the percentage of companies that expect the number of employees with side job to not increase in the future**

The percentage of companies that expect the number of employees who take on a sideline to increase in the future ("increase" and "slightly increase") declined (14.8 percent to 8.1 percent). On the other hand, the percentage of companies that expect the number of such employees "to not increase at all" rose substantially (41.2 percent to 53.4 percent).

**3. Companies' views on regular employees' side jobs and activities outside scheduled working hours** (2004 Survey only)

**1) Only a few companies see any advantage in side job**

As high as 78.5 percent of companies see "no particular advantage" in regular employees' side jobs, while a small percentage of companies saw any advantage in regular employees' side jobs and mentioned, "it can supplement lowering of wages" (12.1 percent) and "it contributes to expanding employees' horizons and developing their ability" (8.6 percent).

**2) The largest disadvantage of regular employees' side business is the decline in work efficiency due to fatigue**

On the other hand, a large majority of companies answered there were disadvantages of side job, with 90.5 percent saying "employees' work efficiency will decline because of fatigue," followed by "it disrupts organizational discipline" with 58.3 percent, "it will prevent the company from ordering employees to work overtime or on holidays when necessary" with 49.7 percent, and "concern about leakage of important in-house information" with 34.9 percent.

**3) On activities outside the regular working hours, many companies think they should provide support for employees' self-development and volunteer activities**

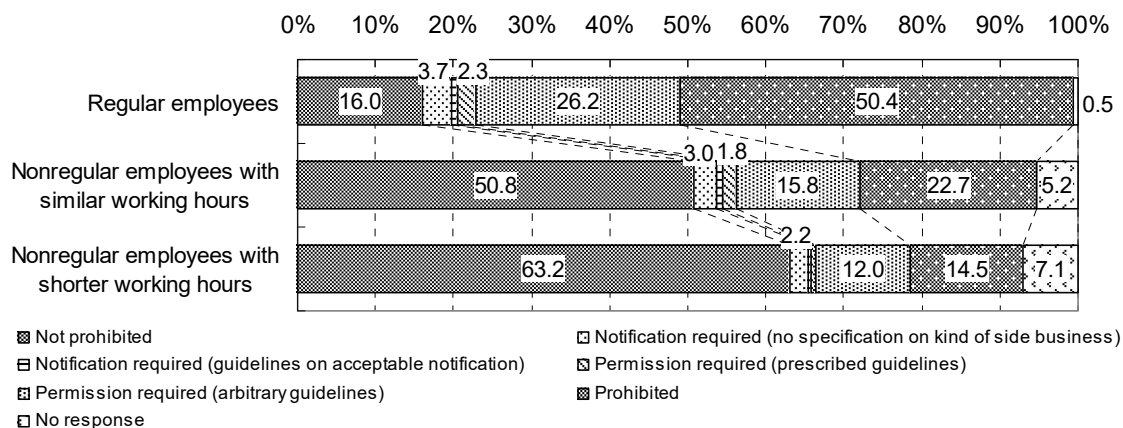
On companies' support or approval for regular employees' activities outside the scheduled working hours, there were many positive responses ("agree" and "more or less agree") on giving "support for self-development" (73.6 percent) and providing "support for NPO and volunteer activities" (51.5 percent). At the same time, there were many negative responses ("more or less disagree" and "disagree") on "permitting side job to offset the lowering of the company's wages" (66.4 percent), "allowing employees to have side jobs to prepare for a job transfer or starting a new business" (63.1 percent), and "giving discretion to employees with regard to their activities outside the regular working hours" (55.3 percent).

**4. Companies are relatively more lenient about side jobs of non-regular employees**

(2004 Survey only)

In the 2004 Survey, we also investigated on companies' regulation of side job by non-regular employees. As a result, 50.8 percent of the companies did not prohibit side job by non-regular employees whose working hours were about the same as those of regular employees, and 63.2 percent of the companies did not prohibit side job by non-regular employees whose working hours were shorter than those of regular employees. This shows that at many companies, regulation of side business is much more lenient for non-regular employees when compared with regular employees (Figure 2).

**Figure 2. Companies' Handling of Side Business by Regular and Non-regular Employees**



Of the companies that have regulation for regular employees' side jobs (prohibition, permission, and notification), about two thirds had provisions in work rules, but the proportion was slightly smaller for non-regular employees. Comparatively, more companies regulated non-regular employees' side job by means of corporate practice, bylaws, or notification. The reasons mentioned by companies for regulating non-regular employees were roughly the same as the reasons given for regulating regular employees. There was no significant difference in the reasons for regulating the side jobs of regular and non-regular employees.

#### **5. High level of awareness among larger companies about the provisions of adding up the total working hours of main job and side job**

Among all companies, 46.3 percent were aware of the provisions of the Labor Standard Law, Article 38 (Paragraph 1)<sup>3</sup>, 66.9 percent among companies with 300 to 999 employees, and 75.9 percent among companies with 1,000 or more employees, indicating a rise in awareness among larger companies. Among all the companies that were aware of the provisions, 90.1 percent also knew about the payment of extra wages for any overtime outside the statutory working hours arising as a result of adding up the total working hours at different places of work. The level of awareness was high among companies of all sizes.

## **II. Trends of side jobs as indicated by the Employment Status Survey**

### **1. Percentage of employees with a side job is declining on the whole but remains unchanged when those with a side business in farming or forestry are excluded**

The "Employment Status Survey" by the Statistics Bureau of the Ministry of Internal Affairs and Communications is the most comprehensive government statistics on side jobs. According to this survey, the percentage of employees who have a side job peaked in 1979 at 5.9 percent but continued to fall after that to 3.6 percent in the latest survey in 2002. This trend, however, is influenced in large part by the decline in the number of those who engage in farming or forestry as side business. Incidentally, the percentage of employees who have side job outside farming or forestry rose from 2.2 percent in 1979 to 2.7 percent in 1997 and fell to 2.3 percent in 2002; therefore, the

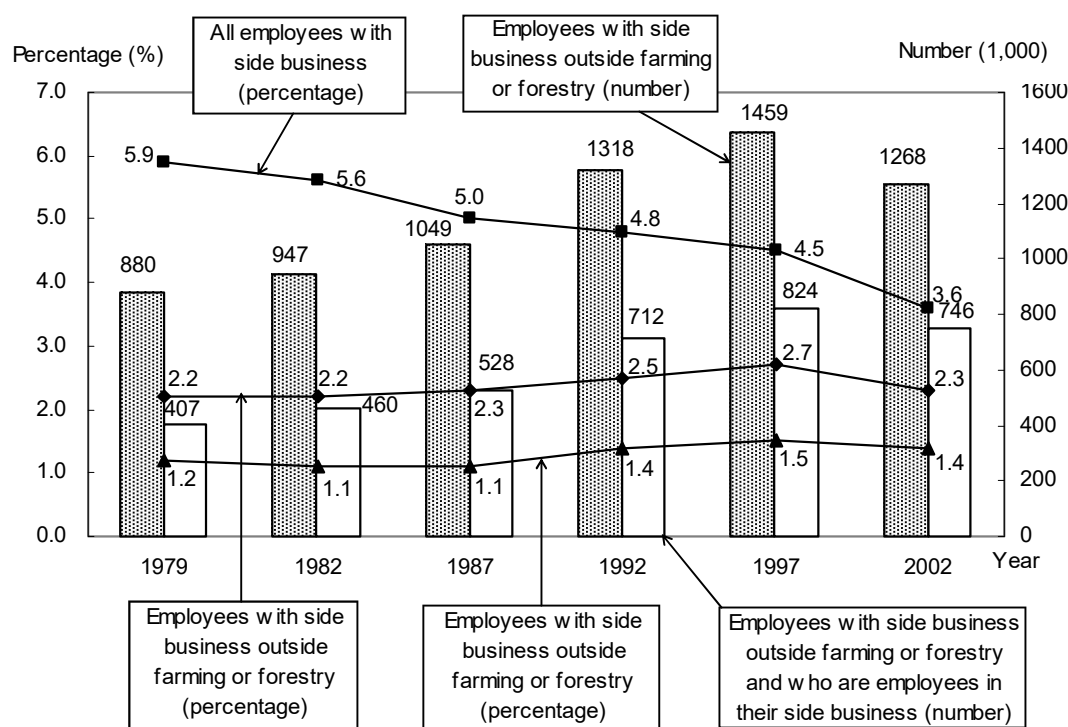
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<sup>3</sup> **Labor Standard Law, Article 38:** When a worker is working at two or more places of work, the provisions of the law shall apply to the total working hours of the worker at different places of work.

trend is virtually flat or slightly upwards. The percentage of employees with a side job declined considerably from 1979 to 2002, but, as to employees engaged in a side job also as employees, the decline was very small, from 1.5 percent to 1.4 percent.

If we look at the actual numbers instead of percentages, the number of employees engaged in a side job outside farming or forestry increased from 880,000 in 1979 to 1,459,000 in 1997 and then declined to 1,268,000 in 2002. If we look at the number of employees who have a side job outside farming or forestry and who are, at the same time, employees in their side business, it was 746,000 in 2002, lower than 824,000 in 1997 but higher than 712,000 in 1992 (Figure 3).<sup>4</sup>

**Figure 3. Changes in the Percentage and Number of Employees with a Side Job**



## 2. Increase in the number of employees who wish to have an additional job

Also according to the Employment Status Survey, the percentage of employees who wish to have an additional job peaked in 1977 at 6.1 percent, after which it declined to 4.5 percent in 1987, stayed level at 4.5 percent in 1992, and rose again in 1997 to 4.9 percent and in 2002 to 5.1 percent. It has been on the upward trend since the 1990s.

<sup>4</sup> The trend is more conspicuous among women. The number of woman employees who have a side job outside farming or forestry and who are employees in their side job increased from 379,000 in 1997 to 384,000 in 2002. (In terms of percentages, it remained level at 1.7 percent in both years.)

As we have seen above, the percentage and number of employees with a side job, even when they are limited to non-farming or non-forestry side jobs, declined from 1997 to 2002. It is conceivable that this decline was influenced by the sluggish labor demand and the decrease in the number of those starting their own business under the difficult economic environment of this period.<sup>5</sup> Considering that the number of those wishing to have an additional job is on the increase, it is probable for the number of employees with a side business to increase in the future. We will carefully follow the future trends.

### 3. Characteristics of employees with a side job

From the Employment Status Survey, we considered the characteristics of employees who have a side job, as follows:

- (1) On the percentage of employees with a side job by age group, the percentages in the 2004 Survey were 2.2 percent for the age group of 15 to 24, 1.6 percent for the age group of 25 to 29, and 1.9 percent for those in the age group of 30 to 34. In contrast, the percentages were 4.0 percent for the age group of 40 to 44 and 4.6 percent for those between 45 and 54. This shows that the percentage of employees with a side job is higher among older employees. A similar trend can be observed among employees who are also employees in their side jobs, but the difference between the younger and older employees diminishes considerably.
- (2) By income from employees' main business, there was a general trend where the lower the income of employees, the higher the percentage of employees having a side business. With regard to male employees, however, the percentage of employees with a side job increased among those with an annual income from the main job of ¥4 million and above.
- (3) By the number of working days per year spent on the main business, the percentages of employees with a side business were 6.0 percent among those with less than 200 working days, 2.9 percent with 200 to 249 days, and 3.2 percent with 250 days or more. The percentage was high among employees with less than 200 working days spent on the main business. The percentage also rose among those whose main business was seasonal or irregular and among those with shorter weekly working hours.

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<sup>5</sup> For example, a person who lost his or her main job would no longer count as "a person with a side job" even if that person continued to engage in that side business.



### III. Side job as considered from the workers' viewpoints

To examine the relation between workers' attributes and perceptions, on one hand, and side business, on the other, we retabulated and analyzed the "Working Person Survey 2000" (hereafter called the "WP Survey"), which is an existing survey on individuals taken by Works Institute of Recruit Co., Ltd.<sup>6</sup> We present below the main features obtained from the results of a probit analysis in which various attributes were comprehensively taken into consideration.<sup>7</sup>

#### 1. Attributes and awareness of regular employees who had or wish to have a side job

According to the WP Survey, 4.5 percent of regular employees had a side job, 26.0 percent did not have but wished to have one, and 69.5 percent of regular employees neither had nor wished to have a side job. The results of the probit analysis are as shown below.

##### 1) Attributes with an effect on regular employees to have a side job

More female employees than male employees, more older employees, more employees working at a company with a smaller number of employees, more employees with shorter working hours, more employees with the experience of retirement or severance or being a *freeter*, more employees in the finance, insurance, and real estate industries, and more employees with a transportation- or telecommunications-related job had a side job.

##### 2) Attributes with an effect on regular employees to wish that they had a side job

More male employees than female employees, more employees who graduated from a technical college, junior college, university, or a higher educational institution, more employees with the experience of retirement or severance or being a *freeter*, more employees in the service industry, and more employees with a clerical, sales, specialist, technical, or managerial job wished they had a side job.

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<sup>6</sup> The "Working Person Survey" was carried out in 2000 on workers in the Tokyo metropolitan area (13,221 respondents), the Kansai region (2,012 respondents), and the Tokai region (2,020 respondents). For our analysis, the University of Tokyo's SSJ Data Archive (Information Center for Social Research on Japan, the Institute of Social Science) provided us with the data that Works Institute obtained in the questionnaire survey. We would like to take this opportunity to thank the Information Center for Social Research on Japan and the Works Institute.

<sup>7</sup> For your reference, we have also done individual cross-sectional analyses, which are contained in the report's body text.

### **3) Regular employees with a side job, regular employees wishing to have a side business, and their perceptions about their workplace and work**

In relation to the question of whether or not regular employees had a side job, those with a side job were, in comparison with those without, more likely be considering changing jobs or becoming independent in the future, and they were slightly less satisfied with their current working style. On the other hand, in relation to the question of whether or not regular employees wished to have a side job, those wishing to have a side job were more likely to be considering changing jobs or becoming independent in the future and were more worried about their employment at their current workplace.

## **2. Attributes and awareness of non-regular employees with a side job or wishing to have a side job**

According to the WP Survey, 11.5 percent of non-regular employees had a side job, while 22.8 percent of non-regular employees did not have but wished to have one, and 65.7 percent neither had nor wished to have a side job. The results of the probit analysis are as shown below.

### **1) Attributes with an effect on non-regular employees to have a side job**

More employees who graduated from a technical college, junior college, university, or higher educational institution, more employees with the experience of being a *freeter*, and more employees with a transportation- or telecommunications-related job had a side job. On the other hand, employees in the manufacturing industry and public service were less likely to have a side job.

### **2) Attributes with an effect on non-regular employees to wish they had a side job**

More male employees than female employees, more employees with the experience of retirement or severance or being a *freeter*, and more employees who graduated from a technical college, junior college, university, or higher educational institution wished they had a side job.

### **3) Non-regular employees with a side job, non-regular employees wishing to have a side job, and their perceptions about their workplace and work**

More employees with a side job and more employees without a side job but with a

wish to have one were considering becoming independent, and those with the intent to becoming independent in the future were likely to be preparing to obtain some kind of qualification. An analysis on whether non-regular employees were satisfied with their working style showed that, among non-regular employees with a side job, dissatisfaction with their current working style was felt more among male employees than female employees and more among employees whose desired working style was employment as a regular employee or as a temporary agency worker.

#### **IV. Legal issues related to side job**

The issues related to the labor laws concerning side job can be summed up as shown below.

##### **1. Effectiveness of companies' provisions for limitation of side jobs**

As indicated in our surveys, it is the general practice of companies to provide for limitation of employees' side jobs in their work rules. Academic theories and precedents have consistently held, however, that the effectiveness of such a practice is limited. In other words, it is interpreted that even though the provision on limitation of side jobs/business may be effective, the side job/business, to be considered as violating the provision, must be regarded as disrupting order within a company and significantly impeding the employee from providing his or her services to the company.<sup>8</sup> This interpretation has been upheld in recent court rulings.<sup>9</sup>

##### **2. Various legal issues related to side job/business**

###### **1) Review of the concept of commuting under the travel accident insurance system**

When a multiple job-holder, a worker who holds more than one job, travels from one workplace to another, the travel between the workplaces is not covered by the travel accident insurance. However, as it is appropriate to have this kind of travel covered by the accident insurance in the same way as commuting between a worker's home and workplace, a bill was submitted to the 162<sup>nd</sup> session of the Diet for the amendment of the Workers' Accident Compensation Insurance Law.

###### **2) Issue of the basic daily compensation for multiple job-holders**

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<sup>8</sup> Kokusai Taxi Case (Fukuoka District Court ruling, January 20, 1984).

<sup>9</sup> National Federation of Health Insurance Societies Case (Osaka District Court ruling, November 7, 2003), Towada Transport Case (Tokyo District Court ruling, June 5, 2001), etc.

When a multi job-holder had an industrial accident, there is a question with regard to the calculation of the basic daily compensation; that is, on which workplace's wages the calculation should be based and whether the calculation should be based on the total wages of both workplaces. This issue will need to be addressed in the future.<sup>10</sup>

### **3) Issue of the provisions for adding up the total working hours**

On the provisions of the Labor Standard Act, Article 38, it is understood today that total working hours at different workplaces under different employers should be added up, but there is doubt as to its effectiveness. There is also a strong argument that the provisions should apply to a case where a worker works at two or more workplaces under a single employer.

### **4) Measures against risk of overwork as a result of having a side job**

There are concerns about overwork as a result of having a side job. Effective preventive measures need to be considered.

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<sup>10</sup> As of today, the calculation is based on the wages of the workplace in which an accident occurred, in principle.

## Summary and Policy Implications

Based on the above surveys and analyses, we can tentatively draw the following policy implications:

- (1) Although the proportion of employees who have a side job has remained at low levels in recent years, this is mainly due to the deterioration in the economic environment, and it is expected, within the trend of diversification of employment and working styles, that having a side job will become an ordinary working style in the future. In other words, even though the percentage of workers with a side job at any given time may be in the single digits, it is anticipated that it will become a normal thing for a person to experience having, for various reasons, a side job for a certain period in his or her long occupational life.
- (2) Companies are generally becoming stricter about regulating employees' side job in recent years, which is understandable to a certain degree given their need to protect confidential business information. On the other hand, companies may find themselves unable to effectively meet employees' needs to engage in side jobs. Discussions are needed to form a broad consensus on employment management of employees with a side job, including management of working hours.
- (3) For example, we analyzed that more women than men had a side job and that many men wished they had a side job but stopped short of actually having one. One of the reasons for this may be that there are no suitable opportunities for them to be employed in a side job. Therefore, one of the challenges would be to develop suitable employment opportunities for side jobs.
- (4) While reasonably expanding the range of side business available to workers, it is at the same time necessary to examine various issues related to side business, such as overwork resulting from having a side job and the adverse effect it may have on workers' health, and implement appropriate measures. Not a small number of employees may choose to be self-employed in their side business, rather than being an employee. Therefore, necessary measures (regarding provision of information, specification of conditions, fair transactions, health, accident compensation, ability development, etc.) should also be introduced outside the framework of existing administrative divisions.

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