

Where does non-regular employment go?

Some evidences from Japan

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1. Introduction

Discussions of economic issues require, as an essential prerequisite, a statistical grasp of the facts. This point is well illustrated by the fact that the average rate of Japan's unemployment in 2009—a year of economic crisis often described with overstatements and exaggerations as “a recession of unprecedented magnitude” which happens “once in 100 years”—actually turned out to be 5.1%, lower than the 5.4% reported in 2002, which was the highest on record in Japan (according to the Labor Force Survey by the Statistics Bureau of the Ministry of Internal Affairs and Communications).

In retrospect, the employment situation in 2009 was characterized by the rapid pace of change rather than a high level of unemployment itself. It was the first time since employment statistics began to be taken that the unemployment rate shot up by as much as by 1.1 percentage points in the matter of a year.

Yet, as is often stated, once a crisis is behind us, we tend to forget its lessons. Memories of an acute change quickly fade once that change becomes a thing of the past. Nevertheless, the enormous wave of change taking place on a global scale will continue to assault the Japanese

economy and employment in the future, from differing sources and in differing forms.

What is important, therefore, is to build an employment system that can endure the contingencies that are certain to visit us again in the future.

2. capacity for self-reform

Looking back at history, the need to reform Japan's employment system has been advocated on several occasions. According to Professor Keisuke Nakamura of the University of Tokyo, a specialist in labor-management relations, three crises have fallen upon the Japanese-style employment system in the past.

The first came when the liberalization of capital and trade was in progress during the 1960s. The second was immediately after the oil crisis of the mid-1970s. And the third came with the bursting of the bubble economy in the 1990s (Genda and Rebick (2000)). This means that crises threatening the Japanese employment system have occurred roughly in a 15-year cycle. We may well call what's happened since the mid-2000s a fourth crisis. Professor Nakamura argues that each of these crises was

overcome through a change of mode, including the flexible introduction or addition of new elements or improvements: the introduction of the merit-based wage system in the 1960s; the introduction of grades based on professional skills in the 1970s; and the performance-based system in the 1990s.

Looking back at these changes, we may say that the Japanese employment system contains within it a “capacity for self-reform.” In the ongoing crisis as well, a significant change of mode is taking place, with a quiet reform being made to the system of non-regular employment.

The issue that has been raised with regard to non-regular workers is their comparatively low wages and job insecurity (Genda and Kurosawa (2001)). Especially the generations who graduated in recessions continuously face difficulty in poor working conditions as non-regular workers in Japan (Genda, Kondo, and Ohta (2010)). Their vulnerability has been put in the spotlight more widely than ever since the autumn of 2008, when temporary (dispatched) workers were laid off on a massive scale.

Yet, changes that defy the conventional notion of employment insecurity are emerging as well. From the Ministry of Health, Labour and

Welfare's Basic Statistical Survey on Wage Structure (Wage Census), we find an elongation of years of continuous employment at the same enterprise (years at work) for short-time workers in general.

3. Quasi-regular employment

Figure 1 shows that the average number of years of continuous employment of short-time female workers aged 30-34 rose from 2.0 years in 1980 to 3.1 years in 2008. This contrasts with a shortening of the average number of years of continuous work among female regular workers in the same age bracket during the 2000s.

It is also well known that today, one out of every three employees is in non-regular employment. Of these non-regular employees, those without a fixed term of employment or with an employment contract whose term is over one year, who are defined as "permanently employed" non-regular employees, accounted for a mere 6.0% of total employment in 1987, but this proportion had expanded to 22.0% in 2007 as is shown in Figure 2. On the other hand, the proportion of temporary non-regular employees with a contract of less than one year remained almost flat, moving from 12.8% to

13.5% during the same period (according to the Employment Status Survey by the Statistics Bureau of the Ministry of Internal Affairs and Communications).

There were a plethora of reports in the mass media on non-regular employment depicting temporary workers facing life-threatening misery as short-term expendable, throw-away workers, including cases of temporary workers with terminated contracts having to move out of company-provided living quarters. What the data show, in the meantime, is the reality that for non-regular employees as a whole, continuous work is becoming increasingly widespread.

This change in favor of continuous employment for non-regular workers has led to an improvement of their treatment. It is often said that it is difficult for non-regular employees to move into regular employment. But in reality, Figure 3 represents that somewhere near 400,000 non-regular employees move into regular employment each year through job changes according to the Detailed Tabulation of the Labor Force Survey by the Statistics Bureau.

An analysis of the characteristics of this change reveals that

non-regular workers who have worked continuously for two to five years or so have greater chances of finding jobs as regular workers than those with shorter tenures (Genda (2010)). The reason is that recruiting companies interpret this willingness to stay with one company for a long period as a sign that the individual will not quit easily. Such workers are given high marks for their perceived tenacity.

In addition, non-regular workers have generally been lumped together in terms of treatment, irrespective of experience and capability, based on the assumption that they have few learning opportunities on the job. But the fact is that more often than not, there is a positive correlation between number of years of service and annual income among non-regular workers as there is with other workers. They do not always need to switch companies to make gains. There are non-regular workers who are highly regarded thanks to their length of service within a company, and who are therefore promoted to regular positions (See for detail Genda (2010)).

From now on, a new employment system is expected to spread under which workers are subject to flexible adjustments in contingent times but guaranteed stable treatment in normal times. At a time when

uncertainties are increasing on a global scale, firms will rein in the hiring of regular workers in favor of non-regular workers, who can be more easily subjected to flexible adjustments in times of contingency. On top of this, firms will hope to retain capable workers as long as possible in view of the looming concern over potential labor shortages.

For non-regular workers like other workers, the top priority should be opportunities for stable employment. What works best for the development of the capabilities of non-regular workers is on-the-job training at a stable workplace. Non-regular workers who succeed in gaining and acquiring skills and experiences find it possible to move on to higher stages as regular workers or artisans.

Since it is economically rational for both companies and workers, the inclusion of non-regular workers will continue to increase. As a consequence, there will be an increase in what may be called “quasi-regular employee” who are categorized as being in “stable employment in normal times and flexible employment in contingencies,” and who constitute an intermediate form which fills the gap between regular employees and non-regular employees. In the future, we must endeavor to develop an

employment system in which the barriers for people starting out as quasi-regular employees to move into positions as regular employees or artisan-style work are lowered as is shown in Figure 4.

4. Policy Implication

What sort of policy will be needed, then, for the development of an employment system based on the strong presence of quasi-regular workers? One important element will be policies that do not stand in the way of desirable changes.

With the revision of the Worker Dispatch Law, dispatched workers in the manufacturing sector and registration-type dispatch will likely be restricted in the future. But it is not rare for workers on registration-type dispatch to be converted into regular workers. Worker dispatch not only provides a valuable employment opportunity but also is being utilized as a form of quasi-regular employment. The blanket prohibition of worker dispatch, which ignores these realities, would be a mistake.

I do not deny that there are many problems with non-regular employment or fixed-term employment. Non-regular employees who have

no choice but to jump from one place of work to another face the risk of troubles, including becoming involved in illegal labor practices. It is important nonetheless not to restrict non-regular employment on the pretext that there are problems with the practice. What is needed instead is to lay out a system to quickly and individually resolving troubles faced by non-regular workers.

As a one-stop service to deal with labor problems, the government operates comprehensive labor consultation booths at 385 locations around the country. But according to the result of a survey conducted by this author, only 10 percent or so of unmarried non-regular workers are aware of this service. An urgent task for expanding it is to make the system better-known and stronger lest workers facing problems find themselves abandoned without recourse to rescue.

Despite the prevailing belief that the termination of fixed-term employees is easy, it is not so legally. The Labor Contract Act stipulates: “With regard to a fixed-term labor contract, an employer may not dismiss a worker until the expiration of the term of such labor contract, unless there are unavoidable circumstances” (Article 17, Clause 1).

This stipulation notwithstanding, in the absence of the consensus over what constitutes “unavoidable circumstance,” the global crisis triggered by the Lehman shock came as a heavy blow exacerbating an already chaotic situation. As contradictory as it may sound, transparency in dismissal rules works to create an environment in which firms continue to hire non-regular workers without concern as long as an abnormal situation does not occur.

To increase the transparency of rules, it is important to create opportunities to make the voices of non-regular workers heard through open discussions among the government, management and labor including non-regular workers, as well as through an accumulation of rulings on lawsuits filed over unjustifiable dismissals. At the moment, however, there is a shortage not only of opportunities but also of personnel who can take note of their voices.

Regarding the rules for dismissal, the principle that needs to be established for fixed-term employees ahead of that for regular workers is rules for financial compensation. As many cases of dismissal of dispatch workers lead directly to the loss of housing, income guarantees are an

essential requirement for ensuring the basic livelihood for a certain period of time in order to dissipate the sense of insecurity in immediate living faced by workers who have been dismissed.

Any policy that ignores market trends is bound to fail. Policies that prompt moves that create hope are needed at a moment when we simply cannot overlook the miserable conditions that people face.

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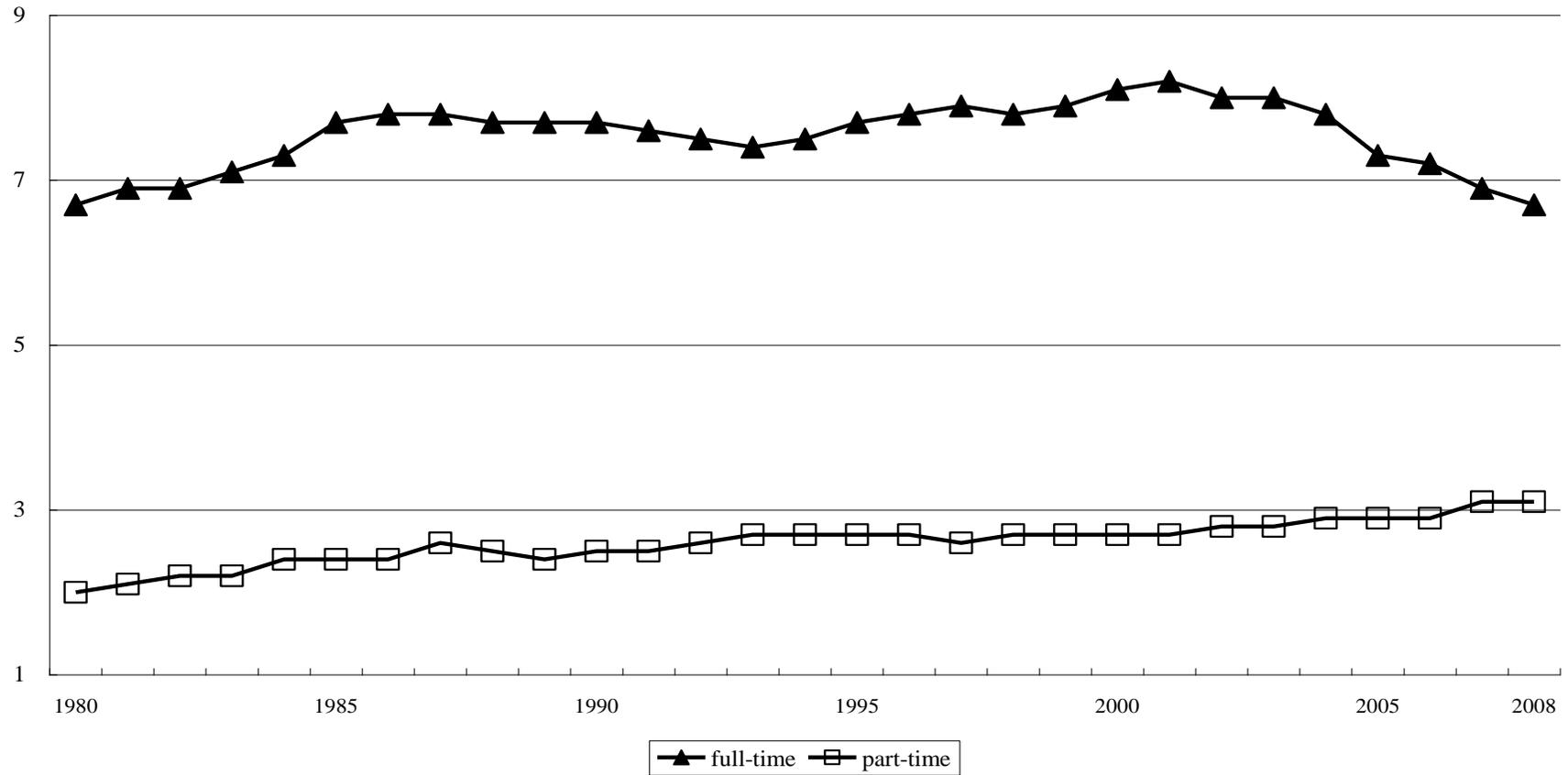
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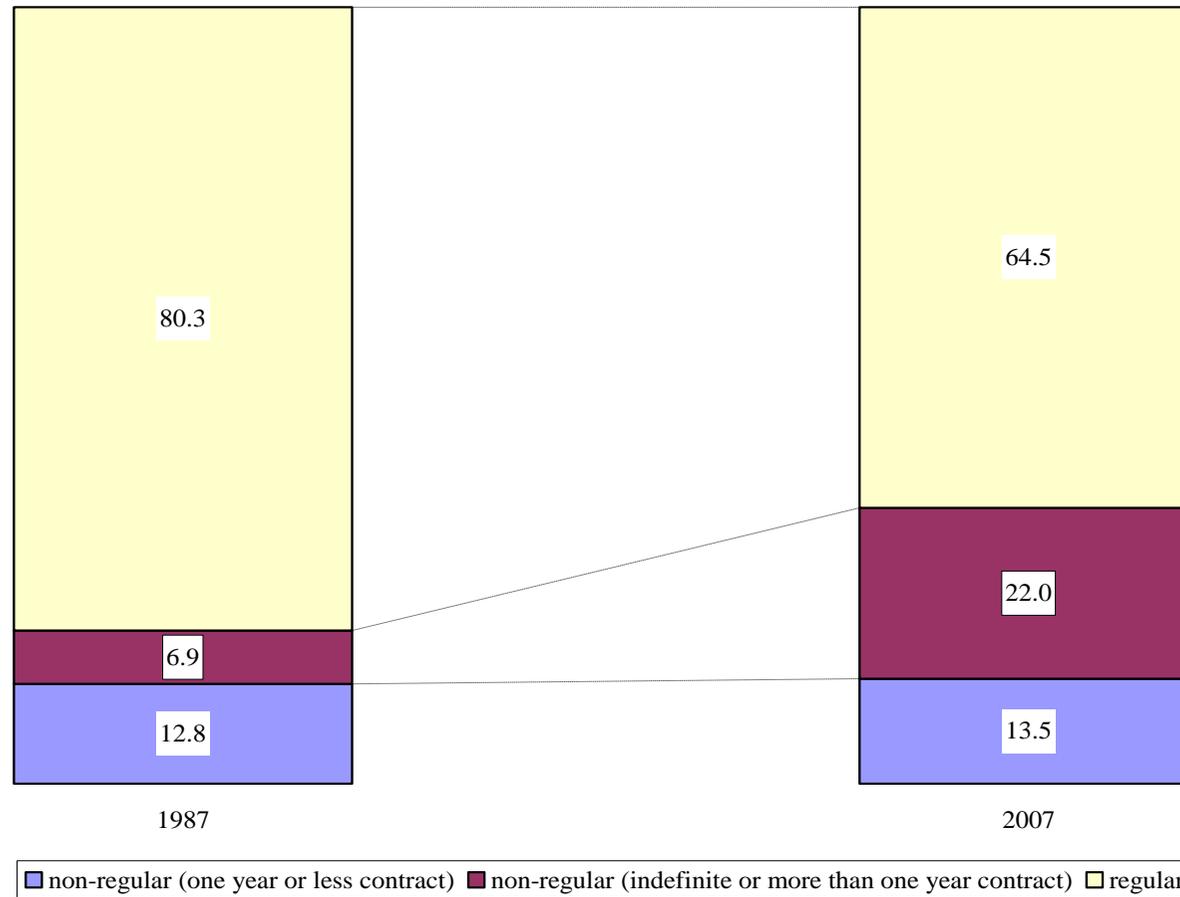
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**Figure 1. Average years of continuous working years within same firms
(30 to 34 year old, female)**



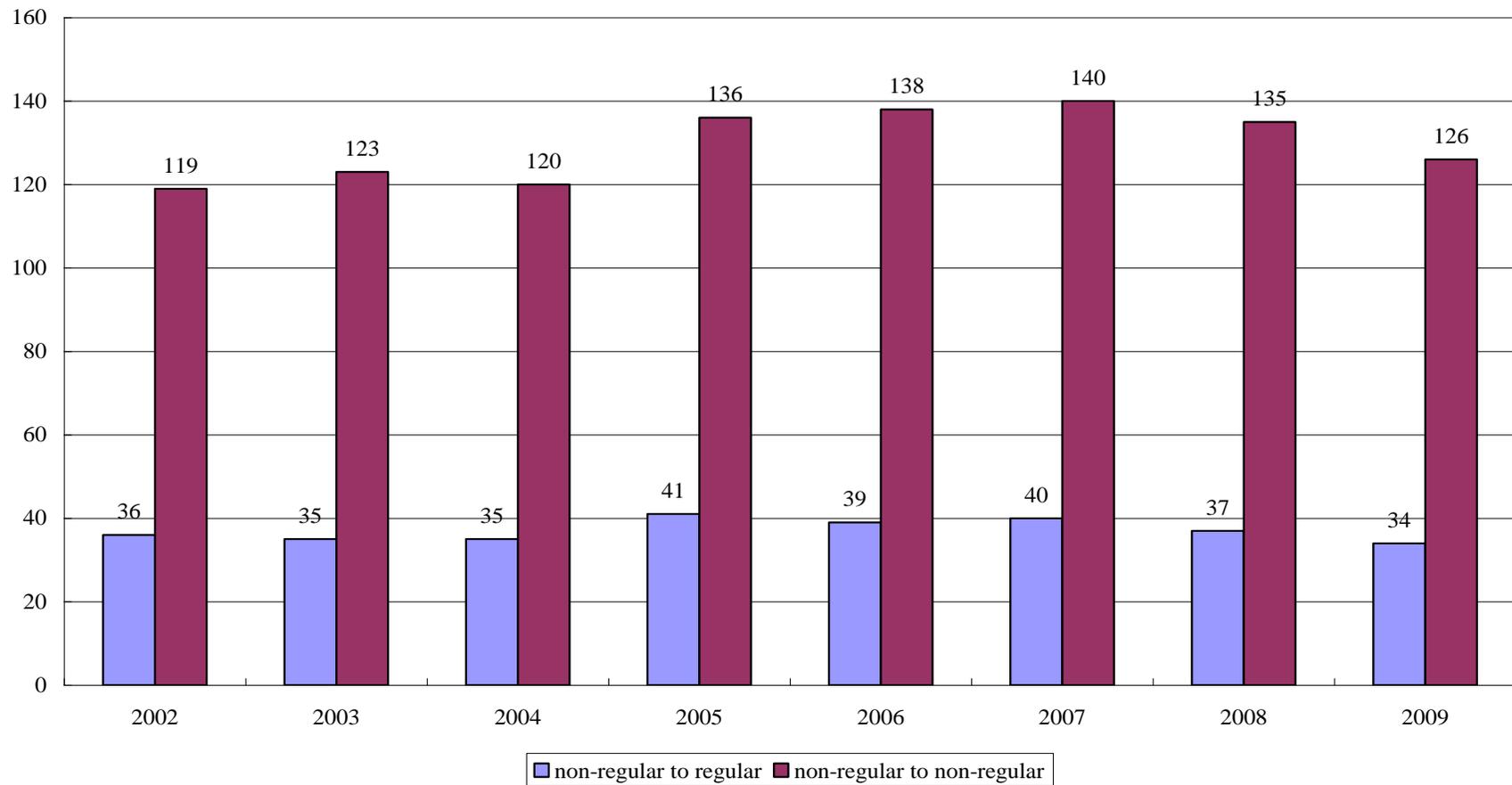
Source. Wage Census, Ministry of Health, Labor, and Welfare

Figure 2. The employment status and positions called at workplaces (%)



Source. Employment Status Survey, Statistics Bureau.

Figure 3. Turnovers from non-regular to regular or non-regular jobs (ten thousand persons)



Source. Labor Force Survey, Statistics Bureau.

Figure 4. Desirable employment system in near future.

