

Flexibility of Employment and Deregulation of the Labour Market Policies in Present-day Japan

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1. Introduction

Flexibility of employment has been introduced into Japanese companies since the latter half of 1970s after the first oil crisis. Most companies have reduced weight in management and have tended to cut down or restrain the increase of their core workers. On the other hand, they have been willing to introduce irregular or atypical employees, such as dispatched workers, part-timers, temporary workers and so on.

These tendencies were still more reinforced in 1980s. Since the second quarter of 1987, the Japanese economy has recovered from “endaka-fukyo” (the recession caused by the yen’s steep rise) which had begun in the autumn of 1985. Since then, for about three years, Japanese economy enjoyed a boom called “bubble economy”. Most companies raised money at low cost. Surplus money was invested not only in equipment and plant, but also in real estate, stock, paintings and so on. This made the Japanese economy swell rapidly. However, the above mentioned tendencies in personnel management have not been changed so much. The rapid expansion of the atypical employees has been the most significant trend in the Japanese labour market, and this trend paralleled similar developments in other industrialized countries.

In short, flexibility of employment in personnel management has two aspects. The one is the reduction or restraint of regular male employees, who have been, in Japan, supposed to be protected under "lifetime employment system". The other is the introduction of various forms of irregular or atypical employees, such as temporary workers, dispatched workers, part-time workers, casual workers and so on. Both of these are closely related to each other. That is to say, regular male employees are often replaced with atypical employees.

The deregulation of the labour market policies has close relations with the flexibility of employment. The former will promote the latter more and more. In this paper I will make it clear that the flexibility of employment and the deregulation policies of the labour market in present-day Japan have caused some serious problems from the viewpoint of increase of the stable employment.

2. Flexibility of employment in the 1980s

2.1 The increase of atypical employment

As **Table 1** shows, in Japan, regular employees decreased from 34,640,000 people in 1981 to 33,620,000 in 1988 as a result of "endaka-fukyo", shortly, they began to increase, and numbered 34,720,000 people in 1990. Looking at the number of regular employees from 1981 to 1990 in total, they are almost equal. On the other hand, irregular or atypical employees increased by 2,410,000 people, 47.9%, over seven years from 5,030,000 people in 1981 to 7,440,000 in 1988, during the period containing "endaka-fukyo". Moreover, they continued to increase by 1,260,000 people, 16.9%, from 1988 to 1990, for a total increase of 3,670,000 people, 73.0%, from 1981 to 1990. In particular, the increase of female irregular or atypical employees is remarkable.

Atypical employees of both sexes accounted for 20.0% of the total

Table 1 The Employees by Forms of Employment in Non Agricultural Industries
(in 1,000 persons)

		1981	1988	1990	rate of increase 1981-90
regular employees	male	24,740	23,560	24,270	-1.9%
	female	9,900	10,050	10,450	5.6
	total	34,640	33,620	34,720	0.2
irregular employees	male	1,550	2,050	2,320	49.7
	female	3,490	5,390	6,380	82.8
	total	5,030	7,440	8,700	73.0
part-time employees	male	140	230	250	78.6
	female	2,410	4,140	4,750	97.1
	total	2,550	4,370	5,010	96.5
arubaito	male	670	780	1,000	49.3
	female	710	760	1,020	43.7
	total	1,380	1,540	2,020	46.4
others	male	730	1,040	1,070	46.6
	female	370	490	610	64.9
	total	1,110	1,530	1,670	50.5

Note : Part-time employees are those who are called "part-timer" at the place of work. It is the same with "Arubaito".

Source : Statistics Bureau, Management and Coordination Agency, *Report on the Special Survey of the Labour Force Survey, 1981, 1988, 1990.*

employees in 1990. Atypical female employees accounted for 37.9% of the total female workers. We consider most of them to be precarious or unstable, because their working conditions and benefits (wages, working hours, insurance and so on) are worse than those of regular employees (see Table 2).

After 1980s we can find the increase of atypical employees in all areas. However, it was not until 1990s that the reduction or restraint of regular male employees including white collar workers and managers at the middle level was introduced to Japanese personnel management. So, in the first place, I will examine the atypical employment.

Table 2 Wage Differential between Regular Employees and Part-timer
— Female — (yen)

Year	Manufacturing				Wholesale and Retail			
	Hourly Scheduled Wages		Bonuses and Others		Hourly Scheduled Wages		Bonuses and Others	
	Regular	Part-time	Regular	Part-time	Regular	Part-time	Regular	Part-time
1979	523 (100.0)	439 (83.9)	268,700 (100.0)	76,700 (28.5)	587 (100.0)	470 (80.1)	297,100 (100.0)	57,700 (19.4)
1983	648 (100.0)	525 (81.0)	338,400 (100.0)	91,900 (27.2)	721 (100.0)	565 (78.4)	368,000 (100.0)	68,200 (18.5)
1989	782 (100.0)	627 (80.2)	418,900 (100.0)	98,100 (23.4)	893 (100.0)	651 (72.9)	474,800 (100.0)	65,000 (13.7)
1994	1,020 (100.0)	783 (76.8)	560,600 (100.0)	110,500 (19.7)	1,156 (100.0)	836 (72.3)	618,800 (100.0)	71,500 (11.6)

Source : The Ministry of Labour, *Basic Survey on Wage Structure, 1979, 1983, 1989, 1994.*

2.1.1 Part-time employee

Definition of part-time employees

The most difficult problem that we come across in studying part-time employment is the definition of part-time employees. In Japan they can be defined in one of three ways, first, those employees whose working hours during the week surveyed are less than 35 hours ; second, those whose scheduled working hours per day are shorter or whose ordinary working days per week are less than those of regular employees ; and third, employees who are called “part-time employees” at their place of work.

The distinction between part-time employees and “*arubaito*” is a difficult problem, too. In general, the working hours of the former are longer than that of the latter, but the difference is only relative. We often call middle-aged employees working for a short time, part-timers, whereas young employees, particularly students, we call “*arubaito*”.

According to the Ministry of Labour’s *Annual Report on the Labour Force Survey 1990*, female employees in non-agricultural industries whose working hours during the week surveyed are less than 35 hours account for 5,010,000 people. However, as **Table 1** shows, the total

Table 3 Scheduled Working Hours of Female Part-time Employees in Comparison with that of Regular Full-time Employees

Size of Firm and Industry	Total	about 10% shorter than F.T.	about 20% shorter than F.T.	about 30% shorter than F.T.	about 40% shorter than F.T.	about the same as F.T.
Total	100.0	13.8	21.5	20.2	32.0	11.8
1000 or more	100.0	13.3	22.3	21.0	32.5	10.1
300-999	100.0	15.0	17.7	18.4	33.5	15.4
100-299	100.0	15.0	21.5	16.9	26.4	20.2
30-99	100.0	18.6	25.2	16.5	21.7	17.9
Manufacturing	100.0	19.8	33.6	11.8	8.9	25.9
Wholesale and Retail	100.0	14.1	21.5	22.6	33.1	8.2
Services	100.0	7.5	11.4	18.1	47.3	13.9

Source : The Ministry of Labour, *Investigation into the actual conditions on part-time employees*, 1986.

female *arubaito* and part-time employees account for 5,770,000. The difference between the two groups above mentioned (about 760,000 people) is due to the difference of the definition. **Table 1** includes those part-time employees and *arubaito* who are called “part-time employees” and “*arubaito*” at their place of work. This shows that some of them work for more than 35 hours during a week surveyed.

Thus, one of the significant aspects of part-time employees in Japan is that they often contain those working for as long hours as full-time employees. I call them “*full-time part-timers*”. Their working conditions and benefits are worse than those of the full-time, regular employees, even if their working hours are the same.

Table 3 compares the scheduled working hours of female part-time employees with those of regular full time employees. On average 11.8% work almost the same hours as full-time employees, 13.8% have working hours about 10% shorter than full-time employees. The manufacturing sector, however, employed more than twice as many women in these categories than service industries did.

No labour law in Japan prohibits employers from employing part-timers working for long hours. So, some employers employ female

workers under worse working conditions than that of regular or ordinary employees by calling them “part-timers” and evade their responsibility which every employer originally has to take (Goka, 1988).

On the other hand, today, in order to employ housewives as part-time workers several firms have adopted the part-time employment system of extra short time working, for example, working only two or three hours a day. It seems that the applicants for this system are increasing among housewives. However, many such part-time employees are not covered by job security legislation except for payment of wages.

Increase of part-time employees and their distribution by industry

First, let us look at the general trend of part-time employees in Japan. The recent rapid increase of part-time employees has centered around women. Female part-time worker increased from 2,410,000 people in 1981 to 5,270,000 in 1994, so that currently more than a quarter of female workers are employed part-time. The labour shortage during the “bubble economy” had expanded the demand for the female part-time employees. According to the Ministry of Labour’s *Survey on Employment Trends 1988*, 1,340,000 people became part-time workers for a year. 48.3% of them entered employment from non-labour force groups such as housewives.

Next, looking at the number and distribution of female part-time employees by industry (Table 4, in 1987), it is the wholesale and retail industries that employ most female part-timers (1,681,000 out of 4,407,000 people, or 38.1%), followed by manufacturing (34.5%) and services (20.8%). The share in other industries was negligible. The ratio of female part-timers to total female employees in each industry is again the highest in the wholesale and retail industries (38.7%). Particularly, in fast food stores, family restaurants, super markets, department stores and so on, that ratio is more than 50%, and at some firms, more than 90%. In these industries female part-time employees

Table 4 Number and Ratio of Female Part-Time Employees by Industry

	Female Employees Total (A)	Part-time employees (B)	Arubaito (C)	B/A	B+C
					A
Total	16,234	4,407 [100.0%]	916(172)	27.1%	32.8%
Construction	542	85	33(1)	15.7	21.8
Manufacturing	4,378	1,522 [34.5%]	101(6)	34.8	37.1
Transport/Telecommunications	429	75	25(1)	17.5	23.3
Wholesale/Retail	4,342	1,681 [38.1%]	419(116)	38.7	48.4
Finance/Insurance/Real estate	1,026	93	26(1)	9.1	11.6
Services	5,080	918 [20.8%]	266(45)	18.1	23.3
Government	359	22	37(1)	16.4	16.4

Note 1 : Part-time employees or *Arubaito* are those who are called "part-time employees" or "*arubaito*" at their place of work.

Note 2 : Figure in parenthesis of *Arubaito* is those who are at school.

Source : Statistics Bureau, Management and Coordination Agency, 1987 *Employment Status Survey*. 1989.

have increasingly come to be the majority of the workforce. If 20-30% of them were absent due to some reason, the management immediately would have to stop.

Compared with the mid-1970s, the ratio of part-timers working in manufacturing has decreased, while the ratio of that in wholesale and retail industries and service industries has increased. Thus, the share of female part-time employees working in tertiary industries has increased recently. However, it is significant that still, more part-timers in Japan work in manufacturing than in the European countries. This is one of the factors which may boost Japan's industrial competitiveness.

2.1.2 Dispatched worker (Temporary worker)

Next we will study the private employment business which dispatches worker to user company in today's Japan. This is different

from the private employment business which runs fee-charging employment exchange service. Dispatched workers' jobs include computer programmers, system engineers, business office equipment operators, translators, interpreters, secretaries, janitors and other jobs.

Dispatched workers are handled by two types of dispatching businesses in Japan. One registers temporary workers on its waiting list. When a client contacts the dispatching agency with a request for workers with certain skills, the agency selects members with those skills from its list. The contract of employment between the dispatching agency and the dispatched worker isn't made until the latter begins work for the client. Between jobs the workers receive no pay or benefits from the agency. Under the Workers Dispatching Law enacted in 1986 this system is called as "general workers dispatching undertakings."

The other system is called "special workers dispatching undertakings". In this case the dispatching agency has its staff on a regular payroll. A permanent contract exists between workers and the agency, so they are paid wages even when not working.

Since the mid-1970s the dispatching agencies have been increasing rapidly. From July 1986 to May 1991, the Ministry of Labour licensed 2,134 applications of "general workers dispatching undertakings" and accepted notices of 9,132 applications of "special workers dispatching undertakings". These agencies have concentrated in metropolitan areas. In particular, Tokyo has 4,335 (38.5%) out of 11,266 dispatching agencies in Japan, followed by Osaka with 1,252, 11.1%, Kanagawa with 925, 8.2%, Aichi with 604, 5.4%.

Trends of increase in workers dispatching businesses

A dispatching agency can be classified into one of the three types according to its origin. The first is an agency originally specializing in the temporary workers dispatching business. The second type is

Table 5 Trend of Number of Regular Employees in Banking
(person)

Year	City Banks		Local Banks		Total Number of Employees	Total Number of Female Employees
	Number of employees	Number of Female	Number of employees	Number of Female		
1978	187,664	85,762	164,012	73,313	351,676	159,075
1983	177,018	70,068	166,638	70,189	343,656	140,257
1988	155,874	50,283	160,377	61,202	316,251	111,485
1978	-31,790	-35,479	-3,635	-12,111	-35,425	-47,590
↓						
1988	(-16.9%)	(-41.4%)	(- 2.2%)	(-16.5%)	(-10.1%)	(-29.9%)

Source : Association for Banking Labour Research, *Ginko Rodo Chosa Jihō* (The Bulletin of Banking Labour Research).

one which has entered the temporary workers dispatching business from an unrelated business such as banking, trading, insurance, shipbuilding or machinery manufacturing. The third is a joint venture formed by a foreign dispatching agency and a Japanese agency.

In the second case, where banks, trading and insurance companies founded subsidiary firms managing dispatched workers, the parent company's aim is usually to have the subsidiary firms dispatch the workers, frequently on part-time working basis to itself. Parent companies, usually large ones, have been reducing or restraining the number of regular employees, especially women, and replacing them with dispatched workers. Since the end of 1970s this trend has become striking. **Table 5** shows the decrease of regular employees, especially females, from 1978 to 1988 in banks, and **Table 6** lists the subsidiary dispatching agencies founded by banks and the number of dispatched workers employed by them.

Certain heavy manufacturing industries, such as shipbuilding and steel, have entered the temporary workers dispatching business in order to remove their surplus workers, especially those middle aged and older, and transfer them to dispatching agencies during structural slumps.

Table 6 The Subsidiary Firms running Workers Dispatching Businesses Founded by Main City Banks (September 1990)

Name of Banks	Name of Subsidiary Firms (Worker Dispatching Agencies)	Time of Foundation	Number of Dispatched Workers
Daiichikangin Taiyo-Kobe-Mitsui	Daiichikangin Office Service	May 1985	4,000
	Taiyo-Kobe-Mitsui Operation Service	Nov. 1972	5,000
	Taiyo-Kobe-Mitsui Business Service	Jan. 1985	(total number of 3 firms)
	Taiyo-Kobe-Mitsui Office Service	Jan. 1985	
Fuji	Fuji Career Bureau	May 1983	7,000
Mitsubishi	Diamond Staff Service	Feb. 1985	4,700
Kyowa	Kyowa Career Service	Oct. 1987	1,800
Sanwa	Sanwa Staff Service	Mar. 1988	1,300
Sumitomo	Izumi Office Service	Jul. 1982	3,700
Daiwa	Daiwa Office Service	Jul. 1985	1,700
Tokai	Tokai Career Service	Jul. 1986	2,500
Takugin	Takugin Career Service	May 1979	2,200
Saitama	Saigin Business Agency	Aug. 1984	2,300

Source : *NIKKIN* (trade paper of financial business), 14 September 1991.

Why have most large firms replaced a large number of regular workers with dispatched workers? On the whole they have intended weight reduction in management. By introducing dispatched workers, a company can reduce labour costs overall and change labour cost from a fixed cost into a floating cost. It then becomes possible for a company to improve the fork of profit and loss, and to adjust the workforce, rapidly and easily, to respond to the demands of the market.

When the Workers Dispatching Law was voted on by the Social Labour Committee of the House of Councilors in May 1985, the Committee also resolved that the government should pay attention to harmonizing the workers dispatching businesses with Japanese customs of employment, and take measures to ensure that dispatched workers would not replace regular workers. However, considering the present situation of the workers dispatching business, one cannot but conclude that the former resolution has become a dead letter.

Working conditions and benefits of dispatched workers

During the economic boom from the middle of 1987 to 1990 the

demand for workers dispatching businesses was expanded, and the price that the client paid to the dispatching agency rose. This price varied with the work done by dispatched workers. The operation of business office equipment demanded a higher price than clerical work such as filing and accounting. In Tokyo, for example, the hourly cost of the former was between 2,200 and 2,700 yen, while that of the latter was between 1,900 and 2,200 yen in 1990.

The hourly wage of dispatched workers, which was paid out of the price, also varied. Dispatching agencies sometimes took as much as 60% of the dispatching price, and have no obligation to release or explain their margins.

In those days most dispatched workers were paid about 1000-1500 yen an hour. It seems to be much higher than that of part-time employees. However, the working conditions of dispatched workers are fraught with uncertainty. The most difficult problem, especially for temporary workers as registered members, is to be paid nothing during the period between assignments, but holidays, overtime and insurance are serious concerns as well.

According to the Ministry of Labour's survey on the workers dispatching business, 17.6% of the dispatching agencies hiring temporary workers as registered members did not provide temporary workers with paid holidays as stipulated by the Labour Standard Law. 12.0% did not have any system of paid holidays. 26.7% did not exercise medical examinations in hiring temporary workers (The Ministry of Labour, 1990).

Few dispatched workers, particularly, registered temporary workers, receive social insurance of any kind. In addition to this, in nine cases out of ten they are not paid travel expenses. Therefore when they are dispatched to a distant location, it becomes a considerable financial burden for them.

The labour shortage, which the “bubble economy” had caused, created intense competition among workers dispatching agencies. In order to recruit workers, they raised wages and, increasingly, offer fringe benefits such as overseas training and special holidays. Still, dispatched working remained an unstable occupation.

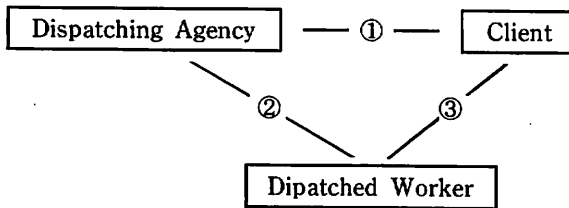
2.2 Systems supporting the flexibility of employment

2.2.1 Enactment of the Workers Dispatching Law

What are workers dispatching businesses?

The law pertaining to the workers dispatching businesses, formally titled, “The Law for Securing the Proper Operation of Workers Dispatching Businesses and Improving Working Conditions for Dispatched Workers”, which we will refer to as “the Workers Dispatching Law”, passed the Diet in June 1985 and come into effect on 1 July 1986. Before then, such businesses had been prohibited by Article 44 of the Employment Security Law, which was designed to combat the practice of labour supply projects, a form of forced labour prevalent before Second World War. In enacting the Workers Dispatching Law, the government decided that a workers dispatching business did not constitute a labour supply project, defined as someone making an illegal profit by supplying workers whom he did not legally employ and whom he frequently controlled by force.

Figure 1 shows the system of workers dispatching businesses in Japan. The triangular relationship consists of the dispatching agency (the Workers Dispatching Law calls it “the employers of dispatching undertakings”), the client (the Law calls it “client”) and the dispatched worker. First, the employment agency and the client make a worker dispatch contract with each other. The latter pays the former for dispatching of the workers. The employment relationship exists only between the employment agency and the dispatched worker. Yet the

Figure 1 System of Workers Dispatching Businesses

Note :

- ① Dispatching agency and client make a worker dispatch contract.
Client pays money to dispatching agency.
- ② Dispatching agency and dispatched worker make an employment relation.
Dispatching agency pays wage to dispatched worker.
- ③ Client directs and supervises dispatched worker.
The latter works for the former and provides service with him/her.

latter does not work for the agency but for the client. The client does not enter employment relationship, but directs and supervises the dispatched workers without hiring them.

Thus, the government made it lawful to direct and supervise workers without employing them, and to employ workers in order to let others direct and supervise them. In this manner it became possible for client to avoid many employer's responsibilities.

The scope of designated work and length of service of dispatched workers

The Workers Dispatching Law limits the designated work of dispatched worker to two categories. One is, "work which requires special knowledge, ability or experience for expeditious and appropriate performance", and the other is, "work which is considered to require special management of the workers engaged therein because of the characteristics of the form of engagement or employment, etc." (Article 4)

The designation was decided by cabinet order. As Table 7 shows, nowadays, 16 kinds of work are permitted, such as the operation of office machines (word-processor, typewriter and computer), writing

Table 7 List of Designated Work of Worker Dispatching

No. 1	work for development of information processing systems, design or production of programs
No. 1-2	design or drawing for machinery, apparatus and equipment
No. 1-3	operation of audio-visual equipment used for production of broadcasting programs
No. 1-4	production of broadcasting programs etc.
No. 2	operation of office machines such as computer, typewriter and telex, etc.
No. 3	interpretation, translation, shorthand
No. 4	secretary for managerial executives
No. 5	filing or classification of papers, etc.
No. 6	market research or analyzing of its results
No. 7	drawing up balance sheet and profit-and-loss statement or processing financial affairs
No. 8	drawing up papers on overseas trade and on domestic transaction
No. 9	introduction or explanation of efficiency of machines or method of operation of machines, which requires high-level speciality
No. 10	tour conductor, welcoming and sending service for tourist inside the building at busstop, port and airport
No. 11	cleaning business for buildings
No. 12	operation, check or maintenance of facilities of building
No. 13	reception or guide for visitors at building or fair, or management of car park

computer software, processing of financial affairs, filing of papers, machine design, tour conducting, and building maintenance.

Manufacturing jobs are not included in the scope of designated work. If agencies dispatch workers to factories, they will be punished by the authorities.

“The Labor Ministry said it will order a Kanagawa automobile parts assembling firm early next week to stop sending workers to subcontract firms without a license in violation against the Labor Dispatch Law. …… According to the Ministry of Labor, the company, Sankyo Kogyo in Yokohama, sent out its 530 employees to subcontract firms in places such as Tokyo, Saitama, Ibaraki, Shizuoka and Mie Prefecture. They included 300 second generation Japanese

recruited from Brazil, the Ministry said." (*The Japan Times*, 11 March 1988).

The period of most workers dispatching is also limited. While the period of work for categories No.11 and 12 of **Table 7** is indefinite, that of others is fixed at no more than one year. The purpose of limiting the term of service of the dispatched workers is to prevent the client from relying too readily on dispatched workers and thereby protect the jobs of the client's regular employees. As noted earlier, many companies are apt to reduce full-time employees in favour of dispatched workers. However, the Workers Dispatching Law does not prohibit the dispatching agencies and the clients from renewing the worker dispatch contract. In reality the total period of workers dispatching, even if the worker dispatch contract is renewed, is limited to less than three years.

Collective bargaining

The Workers Dispatching Law does not request the client to bargain collectively with a trade union organized by the dispatched workers, because the Law does not consider that a contract of employment exists between the client and the dispatched workers. Therefore, according to the Law, if the workers have complaints about working conditions, they can report to the client's designated representative or to the dispatching agency. Upon receiving any complaints, the agency and client should deal with them quickly. It is the dispatching agency's duty to bargain collectively with any trade union representing the dispatched workers.

To sum up, although the dispatched workers work for the client, the Workers Dispatching Law does not require the client to take full responsibility for their working conditions and treatment. Instead it places the burden of responsibility more on the dispatching agency.

2.2.2 Regulation on the protection for the part-time employees

There had been no special labour laws concerning part-time employment in Japan until June 1993. Formally, the Labour Standards Law, related labour laws and regulations applied to part-time employees as to regular ones. However, some employers still have misunderstood that the Labour Standards Law and related labour laws do not apply to part-time employees, and so they have discriminated against the latter, as above mentioned. In order to eliminate this discrimination and to rectify working conditions and benefits for the part-time employees, we had two choices. One was to apply consistently the existing labour laws to them, the other was to draft new laws concerning them.

The Japanese government was leaning towards the latter solution and debated a new bill in 1988. However, some employers' groups such as NIKKEIREN (the Japan Federation of Employers' Association) strongly opposed the bill because they feared it might regulate the introduction of part-time employees in such a way as to eliminate existing employment management flexibility. The government took back its original policy, and instead of new legislation, the Ministry of Labour issued "Guidelines of the Items to be considered with Regard to the Treatment and Working Conditions of Part-Time Workers", in June 1989. Now, We look at these Guidelines in detail.

The Guidelines defined part-time employees as those who work considerably shorter hours either per day, per week or per month than the scheduled working hours of regular employees who engage in similar jobs in the same place of work. The phrase, "considerably shorter" is defined as, "shorter by 10 to 20% than the scheduled working hours of regular employees".

Next, the Guidelines pointed out the following steps should be taken with regard to the treatment and working conditions of part-time

workers :

First, in order to clearly define the working conditions of part-time workers when hiring, the employer should deliver a written statement, (we call it an “employment notice”) spelling out such working conditions as wages, working hours and so forth to the employee. Moreover, the employers who employ more than 10 employees, including part-time workers, should make the rules of employment covering part-time workers according to the Labour Standard Law.

Second, in order to rectify the working conditions of part-time workers, employers should specify in the employment contract, working hours, paid annual leave, term of employment, wages, bonus, retirement allowances, welfare facilities and a medical examination.

Third, in order to ensure employment management of part-time workers, employers should take necessary measures with regard to : 1) proper employment management, 2) providing employment insurance, 3) vocational training, 4) providing part-time workers with opportunities to apply to be regular employees.

As for the last item, the employers were not required to treat part-time employees’ applications preferentially, but only to provide the opportunity for application.

Moreover, as for employment insurance, according to the revised Employment Insurance Law of 1989, part-time workers qualified if they were employed 12 months per year and worked more than 22 hours per week.

Fourth, employers should assign a responsible person for employment management for part-time workers.

Furthermore the Guideline referred to treatment for employees whose scheduled working hours are almost same as that of regular workers. I have labeled them “*full-time part-time employees*”, as noted earlier. However, strangely enough, the Guideline did not prohibit

employers from discriminating against “*full-time part-time employees*” compared with the regular full-time employees. This discrimination is against the existing Labour Standards Law, and so the government should take measures to prohibit it immediately.

Later, the new Part-time Workers Law was passed the Diet in June 1993 and enacted in April 1994. However, this new Law does not prohibit the above mentioned discrimination.

2.2.3 Role of recruitment magazines

In Japan, several kinds of pay magazines for recruitment have been published since 1980s. They have been playing a big role in the employment exchange services. Nowadays the number of applicants who get jobs through these magazines is five or six times as many as those through public employment exchange service organizations. I consider these magazines are a symbol of privatization of the employment exchange services. According to the national survey on the recruitment magazines and advertisements carried by the Ministry of Labour in January 1989, 79 employment advertising agencies published 90 different types of recruitment magazines, all of which circulation amounted to 31.5 million. Moreover, as for the advertising leaflet for recruitment, 291 agencies issued 298 types of leaflet.

Many applicants who want to get jobs buy these magazines at bookshops, supermarkets, kiosks and so on. A copy of recruitment magazine contains two or three hundred pages and costs about two or three hundred yen. The number of pages depends on the quantity of job offers. Hence at the economic boom the recruitment magazines have a lot of pages, while at the recession they have a few ones.

About ten years ago some job offer companies put false advertisement in the recruitment magazines to attract a lot of applicants. Then, the Ministry of Labour had examined the introduction of new law

**Table 8 Ranking of Personnel Reduction by Company
Number of Employees Reduced**

from March 1994 to March 1995	
Company	Reduced Number
1. NTT	20,908 persons
2. Nippon Steel	5,048
3. Sharp	4,800
4. Toyota	3,298
5. Fujitsu	2,883
6. Hitachi	2,660
7. Nissan Motor	2,221
8. NKK	2,024
9. Sumitomo Metal	1,968
10. Nittu	1,853
11. Kawasaki Steel	1,851
12. Mazda	1,840
13. Kobe Steel	1,594
14. Mitsubishi Electric Industry	1,421
15. Oki Electric Industry	1,275
16. NEC	1,209
17. Toshiba	1,090
18. Matsushita Electric Industry	1,065
19. Minolta	973
20. Mitsubishi Heavy Industry	964

Source : Toyo Keizai, *Monthly Bulletin of Statistics*, August 1995.

for protection of the applicants. However, many recruitment advertising agencies opposed the introduction of new law so strongly that the Ministry of Labour gave up this attempt and only issued the notification which said the Ministry should strengthen the control for those agencies. Some agencies organized *Association of Job Journals of Japan* in February 1985. This Association made its own code which its member should keep.

3. Flexibility of employment and deregulation policy in the 1990s

3.1 The increase of employment flexibility and unstable employment

In the autumn of 1990, triggered by the collapse of the bubble

economy, the boom suddenly turned to recession. Since then Japan has been troubled by long recession again, following “endaka-fukyo” at the mid-1980s.

“Labour shortage” suffered during the bubble economy was replaced with “employment adjustment”. In Japan, employment adjustment does not only mean a form of direct personnel reduction. It includes various forms such as, in addition to the enforcement of voluntary retirement and the dismissal, cut of overtime work, increase of holidays, transfer of posts, suspension of recruitment, etc. Nevertheless, the leading companies in Japan have promoted the reduction of personnel one after another since 1991. Following the protracted recession, the rapid rising of the yen in the foreign exchange market since the spring of 1993 has offered to employers a plausible pretext for speeding up employment adjustment. As **Table 8** shows, the large-scale personnel-reducing programs have been carried out since then. According to the survey by Tokyo Shoko Research, the big companies, of which stock was listed on the Tokyo stock market, reduced their employees by 127,240 during half a year from October 1994 to March 1995 (*Nihon Keizai Shinbun*, 15 August 1995).

In Europe and U.S., it is widely believed that “the lifetime employment system” of Japan is still strong. But as a matter of fact, the spread of employment adjustment including personnel reduction is assuming an aspect of threatening to dismantle this system.

“The lifetime employment system” was just an employment practice applied only to regular male workers of big companies. Therefore, this system has nothing to do with the vast majority of workers of small and medium-sized companies, women workers and atypical workers such as part-timers, temporary and dispatched workers and so on. A specific feature of the ongoing personnel reduction is that it hits, as one of main targets, even those regular male workers who

Table 9 The New Personnel Strategy by NIKKEIREN

Group	Employment Forms	Section
(first group) utilization of employee's ability accumulated for long period	employment contract for indefinite period	core employees
(second group) utilization of high-level ability of expert	employment contract for definite period	specialist (planning, sales, research)
(third group) utilization of employment flexibility (part-timer, temporary worker, dispatched worker)	employment contract for definite period	clerical work sales work

Source : NIKKEIREN, *Japanese Management in New Era*, May 1995

have been the core work force of big companies and have been believed to be under "the lifetime employment system".

In May 1995 NIKKEIREN proposed the new personnel strategy. It divides the employees to three groups (see **Table 9**), applying the employment contract for indefinite period only to the first group which consists of fewer, mainly male, core employees (NIKKEIREN, 1995).

3.1.1 Middle aged workers including white collar workers and managers as targets of personnel reduction

Since the recession triggered by the oil crisis in the 1970s, the personnel reduction and higher efficiency of production had been pursued mainly at the production lines. But under the recent recession, reduction of white collar workers has been in full swing. The Labour Force Survey shows that, from March 1992 to March 1993, clerical workers decreased by 270,000, specialists and technical workers by 80,000, and those in managerial posts by 60,000 (see **Table 10**). In contrast with these figures, salesmen increased markedly in the same period by 430,000 persons. It reflects the reinforced sales strategy of

Table 10 Changes in the Number of Employees by Occupation
(in 1,000 persons)

	March '88	March '92	March '93	1988-92		1992-93	
				Increase	D.I.	Increase	D.I.
Professional & Technical Workers	522	665	657	27.4%	143(23.6)	△1.2%	△8
Managers & Officials	217	254	248	17.1	37(6.1)	△2.4	△6
Clerical & related Workers	965	1171	1144	21.3	206(33.9)	△2.3	△27
Sales Workers	627	675	718	7.7	48(8.0)	6.4	43
Protective Service Workers & Service Workers	340	416	438	22.4	76(12.5)	5.3	22
Agricultural, Forestry & Fisheries Workers	39	41	41	5.1	2(0.3)	0	0
Transport & Communication Workers	209	210	217	0.5	1(0.2)	3.3	7
Mining Workers	4	2	3		△2		1
Craftsmen, Manufacturing & Construction Workers	1287	1352	1386	5.1	65(10.7)	2.5	34
Labourers	226	256	281	13.3	30(4.9)	9.8	25
Total	4446	5053	5142	13.7	607(100.0)	1.8	89

Source : The Management and Coordination Agency, *Labour Force Survey*, March Issue

companies under the recession.

The reduction of white collar workers is characterized by the fact that middle or old-aged workers, who have been the core of the companies, are made the main targets of personnel reduction on the ground that their labour costs are comparatively higher than that of the younger employees. In January 1993 the Economic Planning Agency which is one of the departments of the Japanese government conducted a questionnaire survey on business activities in fiscal 1992 on a total of 1882 firms excepting banking and insurance companies. According to this survey, an overwhelming majority of firms answered that persons in managerial posts were redundant. Firms that confirmed the redundancy of male employees ranging from 40 to 50 years of age accounted for 45.3%, and those referred to the redundancy of male employees over 50 years of age amounted to 77.1% (*Asahi Shinbun*, 8 April 1993). These figures show that persons in managerial posts are not excluded from the targets of personnel reduction, and actually

**Table 11 Shortage or Redundancy of Personnel by Size of Company
(Manufacturing Industry by Employment Form) (% and point)**

Company Size	Whole Workers			Regular Workers			Temporary & Seasonal Workers			Part-timers		
	Short	Redundant	D.I.	Short	Redundant	D.I.	Short	Redundant	D.I.	Short	Redundant	D.I.
Total	15	20	△ 5	16	18	△ 2	7	13	△ 6	8	11	△ 3
1,000 & over	6	24	△ 18	6	22	△ 16	7	15	△ 8	4	12	△ 8
300-999	22	17	5	22	16	6	7	13	△ 6	14	7	7
100-299	21	19	2	21	18	3	10	10	0	10	9	1
30-99	26	13	13	27	10	17	2	9	△ 7	13	13	0

Note : Surveyed in May 1993

Source : The Ministry of Labour, *Survey on Labour Economy Trend*, May 1993

they are discharged by various measures including forced retirement disguised by voluntary retirement.

Survey on Labour Economy Trend by the Ministry of Labour shows the status of employment adjustment in the manufacturing industry during the first quarter of 1993 by the size of enterprises as follows: 50% of firms with 1,000 or more employees have enforced employment adjustment, firms with 300-999 employees 37%, those with 100-299 employees 33% and with 30-99 employees only 24%. As Table 11 shows, big companies that employed a lot of workers during the boom period at the end of 1980s are feeling redundancy more strongly.

3.1.2 Difficulty of getting jobs for new graduates

Reduction of white collar workers is carried on also by means of suspension or decrease of new recruitment. According to the survey of the Ministry of Education, only 67.1% of the school leavers of colleges and universities in March 1995 could get their jobs. This is the lowest record since the survey started in 1950s. The difficulty of finding jobs among female graduates is particularly serious. One of five is unemployed (*Asahi Shinbun*, 5 November 1995). This is an open violation of the Equal Employment Opportunity Law which prohibits employers from discriminating between female and male in the employment opportunities including recruitment, promotion, training

and retirement. There are spreading complaints among female students saying that “since it will be hard to get regular jobs after graduation, we shall have no choice but to find temporary jobs”.

As a result of these personnel management, the average annual unemployment rate in 1994 was 2.9%, which was at a record high since the unemployment survey was started after World War 2. Since the spring of 1995 the unemployment rate has exceeded 3 %.

3.1.3 Expansion of atypical employment

The bottom of the recent recession was in October 1993. However, the Japanese economy has not yet recovered due to the stronger yen in the foreign exchange market and the surplus capital accumulated during “the bubble economy”. Most companies including big ones have continued to reduce or restrain employment. As mentioned above, they keep cutting down the regular workers including white collar employees and middle-level managers and they tend to employ the various forms of atypical workers. According to the General Survey on the Diversification of Employment Forms carried out by the Ministry of Labour in 1994, the ratio of the regular employees among all the employees decreased by 4.7% from 1987 to 1994, while the one of the atypical employees including the part-time workers, casual workers, temporary employees and so on increased by 4.7% (Table 12).

The main portion of the atypical employees is still part-time workers. However, the current type of the atypical employees is contract workers with the fixed term.

“Japan Airlines Co., All Nippon Airways Co. and Japan Air System Co. are filling positions in cabin crews with contract and temporary staff, instead of with regular employees. Facing increasingly severe competition and slow demand, the airlines hope to take advantage of an oversupply in the labour market to cut personnel costs. Japan Airlines intends to cut 900 stewardess positions over the next four years. Currently, all 6,500 JAL cabin crew positions

Table 12 Ratio of Regular Employees and Atypical Ones by Industry (%)

industry	employees in total	regular employees			atypical employees		
		1987	1994	1994-87	1987	1994	1994-87
total	100.0	84.0	79.3	-4.7	16.0	20.7	4.7
manufacturing	100.0	87.2	86.4	-0.8	12.8	13.6	0.8
electricity, gas, water	100.0	92.1	91.0	-1.1	7.9	9.0	1.1
transportation, communication	100.0	93.5	90.1	-3.4	6.5	9.9	3.4
wholesale, retail, restaurant	100.0	73.2	64.1	-9.1	26.8	35.9	9.1
finance, insurance	100.0	88.0	87.3	-0.7	12.0	12.7	0.7
real estate	100.0	79.6	80.9	1.3	20.4	19.1	-1.3
services	100.0	80.8	75.1	-5.7	19.2	24.9	5.7

Source : The Ministry of Labour, General Survey on the Diversification of Employment Forms, 1994

are filled by regular employees. Filling its 1,500 crew slots on domestic flights with contract workers by March 1998 will enable JAL to save 5 billion yen (48 million dollar) to 6 billion yen a year, the airline estimated. The average income of a JAL stewardess is about 8 million yen a year, 20-30% higher than that of a stewardess for a European or American airline. JAL did not hire any stewardesses as regular employees this spring, and it will skip recruiting next year. The company will fill crew shortages with contract employees or seasonal temporary staff." (*The Nikkei Weekly*, 13 June 1994)

When the Japanese airline companies announced these plans, the Minister of Transport, Mr. Shizuka Kamei strongly opposed it for fear of the difficulty of ensuring security in the case of airplane accident. Confronted with the resistance of the Minister of Transport, they withdrew the original plan and announced to change their contract workers to regular employment in three years considering their service record.

Moreover, in July 1995 Toyota announced to change the life time employment system and increase the ratio of the contract employees among its all employees to about 30% in the future. Last year, for the first time, Toyota introduced them to the white collar jobs like designers and is going to employ them for the engineers with high

skill or high level knowledge. Following Toyota, Mitsubishi Motor Co. announced to recruit the contract employees with an annual salary system for specialist jobs during 1995. Mitsubishi as well as Toyota is also aiming to reduce the labour cost by replacing the regular employment with contract employment with the fixed term. This is the first time to introduce contract employment with the fixed term contract to the white collar jobs area at the Japanese leading companies.

3.1.4 The latest situation of the dispatched worker

Since the recession in the 1990s we can find that many temporary workers are dispatched illegally to some sections like manufacturing process line, research section, sales department, to which the Workers Dispatching Law does not permit private employment agencies to dispatch workers. Because a lot of client companies tend to replace regular employees at many places of work with dispatched temporary workers in order to cut the labour costs. This would cause instability of employment.

Moreover, the client companies often break a worker dispatch contract with dispatching agencies halfway before its expiry. As a result, temporary workers are obliged to be dismissed by the dispatching agencies. Cancellation or discontinuation of employment contracts spread over dispatched workers in the clerical section. This has brought about the decrease of a turnover of the dispatching agencies which had increased steadily every year. During the boom, emphasis was placed upon the freedom of dispatched workers. Today, however, instability of their employment has come to the fore as halfway cancellation of their contracts is increasing and conclusion of long-term contracts is decreasing due to the recession.

The recent recession has strengthen the competition among the

dispatching agencies, and the workers dispatching market has changed to buyers' market. Client company has illegally had an interview with temporary workers in advance before making a contract with dispatching agency. The Law strictly prohibits client company from having an interview with the temporary worker because the former is not employer of the latter.

Most temporary workers have complaints of their working conditions in client companies where they actually work. They are often ordered to carry out the tasks which the contract does not include. However, they can not express their complaints and can not require the client company to improve the working conditions for fear that they might lose their jobs.

3.2 Deregulation policies in the labour market

3.2.1 Mutual relationship between the deregulation policies and flexibility of employment

Most employers and business circles are thinking that it is indispensable to remove most of the current regulations in both economic policies and social policies in order to improve the efficiency and ability of the Japanese economy and recover from the present protracted recession. They required the Japanese government to carry out the deregulation policies immediately in the every area. Since 1993 the Committee on the Deregulation Policies which is organized in the government has examined the current policies including housing, real estate, distribution, transportation, import procedures, energy, communication, finance, insurance, labour, employment, environment and so on in order to promote the deregulation. I agree that some regulations have become obstacles for our life. Therefore they should be removed quickly. However, as for the regulations concerning the social policies, we should carefully examine them. Because some of

them have played a big role of the protection for most employees. Above all, most regulations concerning the employment and the labour market are important for us. Some employers are eager to remove them so as to improve the efficiency of economy and reduce the labour costs.

In October 1994 NIKKEIREN required the government to practice the five main items concerning the labour and employment policy. These items are as follows ;

- a. abolition of the industrial minimum wage system
- b. increase of scope of designated work permitted by the Workers Dispatching Law
- c. abolition of the regulation on the protection for women workers in the Labour Standard Law
- d. increase of scope of adaptation for the discretionary labour system
- e. increase of scope of designated occupation in the fee-charging private employment business permitted by the Employment Security Law and the enforcement regulation

These deregulation policies would strengthen the flexibility of employment and increase the atypical employees. First, the abolition of the industrial minimum wage system would reduce wages of the part-time employees or temporary workers. Hence it lead to increase of the low wage workers. Second, the revision of the Workers Dispatching Law would make it easy for the employers to introduce dispatched workers. Thus, the deregulation policies would all the more contribute to replacing the regular core employees with the atypical employees, most of whom are paid low wage.

3.2.2 Revision of the Workers Dispatching Law and the regulation on the fee-charging private employment business

The current enforcement regulations of the Workers Dispatching Law limits the designated work of dispatched workers to sixteen

categories (Table 7). The Ministry of Labour is planning to revise the Workers Dispatching Law or its enforcement regulations. This revision intends to add the twelve kinds of designated work to the current sixteen ones, including personnel management, research, edition, care for the aged people and so on¹⁾. This would apparently lead to decrease of the regular and core white collar employees and increase of the temporary dispatched workers.

Moreover, the Ministry of Labour is going to revise the current regulation on the fee-charging private employment business in order to increase the jobs for which the private agency can provide the workers²⁾.

4. Conclusion

The latest increase of flexibility of employment and the push of deregulation policy, on the one hand, would lead to reduction of the regular or full-time employees not only in manual or blue collar jobs but also in white collar jobs. Only a few people would be employed on the employment contract with indefinite term (see Table 9). On the other hand, the various kinds of atypical or unstable employees would increase rapidly. Generally speaking they are paid lower than the regular ones. In result, the increasing flexibility of employment might restrain the size of consumption in the domestic market, and make the recovery from the recession more difficult³⁾.

Let us examine the backgrounds of flexibility of employment. The primary reason for big companies, which glorified the bubble economy and now are taking initiative of these employment strategies including personnel reduction, is their greediness in pursuit of profit even under the conditions of reduced operations due to business deterioration. Considering a business setback, big companies set their goals at

“converting their business constitution to yield profit even when sales make no growth”, or at “building up a business constitution which ensures profit even under low growth”. With these goals firmly set, big companies have embarked on thoroughgoing reduction of fixed expenses, and lowering ratio of break-even point. In so doing, they set the reduction of personnel expenses as a focal issue⁴⁾. While reducing personnel by openly discarding the “lifetime employment system”, they are threatening those workers who remain within companies, by means of intensification of labour, introduction of an annual salary system and enlargement of the pay for job ability, etc.

Thus the Japanese leading companies are keeping the powerful ability to compete against European countries and U.S. However, even if they can keep it, the yen's steeper rise might attack Japanese economy again. In that case, they will be obliged to reduce the labour cost more and more in order to keep the ability for competition. This vicious circle has injured a lot of Japanese employees and in the future it will keep on injuring them. We have to break this vicious circle and to look for the alternative way. Therefore, we should give a careful consideration to the deregulation of the employment policies.

Notes

1) The Ministry of Labour is planning to revise the Workers Dispatching Law or its enforcement regulations. This revision intends to add the following twelve kinds of designated work to the current sixteen ones.

1. publishing and editing of publication
2. instruction of equipments on office automation
3. coordinating of interior design
4. design of advertisement
5. announcing
6. research and development
7. design or change of management systems in firm
8. sales promotion with telephone

9. business accepting client's order including modification of specifications of machines
 10. care for disabled people in hospital and so on
 11. setting of stage scenes and properties in broadcasting program and so on
 12. conducting of arranged tour
- 2) According to the current regulation on the fee-charging private employment business, the kinds of work for which the private employment agencies can provide workers are limited to 29, such as artist, scientist, medical doctor, pharmacist, nurse, dress designer, lawyer, chartered accountant, manager, housekeeper, barber, setter of the table for dinner, model, bartender, interpreter and so on.
- 3) OECD-TUC criticized the deregulation of the labour market at a general meeting in April 1995. Because they could find the fact that most jobs which the deregulation policies of the labour market created were precarious, of low quality and less productive.
- 4) The labour cost which 825 leading companies cut down during fiscal 1993 accounted for 388.7 billion yen. Its main breakdown is as follows; 25.9 billion yen at Nissan, 21.9 billion yen at Mazda, 10.8 billion yen at NKK, 8.8 billion yen at Kobe steel and so on (*Nihon Keizai Shinbun*, 2 September 1994).

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