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Changing Labour Market and Gender Equality: The Role of Policy

LABOUR POLICIES FOR PART-TIME WORKERS IN JAPAN

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This document is a detailed outline of the presentation by Hiroki Sato, The Institute of Social Science, University of Tokyo, Japan. The presentation will be made at Workshop B on "Employment Flexibility and Gender Equality"

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1. Introduction

1. This short report focuses on two points concerning part-time workers in Japan. Current conditions for part-time workers in Japan are explained in the first half of the report. Issues in labour policies for part-time workers are introduced in the second half of the report.

2. Definitions of part-time workers used in Japan must first be explained before current conditions for part-time workers in Japan can be outlined.

2. Multiple Definitions of Part-Time Workers

3. The following three definitions of part-time workers are commonly used in Japan.

- The first definition of a part-time worker is a worker's self-definition as a part-time worker.
- The second definition of a part-time worker is a worker whose actual working hours are less than 35 hours per week. The third definition of a part-time worker is a worker whose scheduled weekly working hours are less than those of ordinary workers employed in the same workplace.
- The third definition is part-time workers covered by The Part-Time Work Law of 1993. Additionally, because the statutory number of working hours is 40 hours per week, the scheduled weekly working hours of most companies are less than 40 hours per week.

4. The three definitions of part-time workers have some elements that overlap and some other elements that are mutually exclusive. The relationships between part-time workers according to the first definition and part-time workers according to the second or third definitions cause problems. The relationship between part-time workers according to the first definition and part-time workers according to the second definition is shown in Table 1.

5. According to Table 1, 69.7 percent of self-defined part-time workers have actual working hours of less than 35 hours per week, which corresponds to the second definition. However, 30.3 percent of self-defined part-time workers have actual working hours of more than 35 hours per week, and these workers are not part-time workers according to the second definition.

6. The cause of this discrepancy is that the everyday meaning of "part-timer" in Japanese does not mean only short-hours employment. "Part-timer" also means someone who works as a non-permanent employee of a company. In short, workers may see themselves as "part-timers" if they perceive themselves to be non-permanent employees or if the company does not treat them as permanent employees even though their working hours are the same as ordinary workers. The term "quasi-part-time worker" is used for workers who are not treated as permanent employees despite the fact that their weekly working hours are the same as ordinary workers.

3. Current Conditions of Part-Time Workers

7. Trends in part-time workers and their current working conditions in Japan should be outlined at this point.

3.1 *Increase in Part-Time Workers (second definition)*

8. Trends in part-time workers are shown in Table 2. The following facts can be understood from Table 2.

- First, the percentage of all employees accounted for by part-time workers doubled in the 10-year period from 1987 to 1997. Part-time workers accounted for approximately 20 percent of all employees in 1997.
- Second, the rate of increase in female part-time workers was higher than the rate of increase in female employees from 1987 to 1997. As a result, the percentage of female employees accounted for by part-time workers has increased.
- Third, the percentage of part-time workers accounted for by females has declined slightly. However, there has not been any change in the fact that roughly 70 percent of part-time workers are female.
- Fourth, the rate of increase in total part-time workers is higher than the rate of increase in female part-time workers. This is due to substantial increases in student and older part-time workers.

3.2 *Main Components of Part-Time Workers (second definition)*

9. The main components of part-time workers are the following four classes of workers.

- Middle-aged married female part-time workers
- Student part-time workers
- Older male part-time workers
- Younger part-time workers

10. Middle-aged, married females are the most numerous of these four groups of part-time workers. Additionally, debate concerning part-time workers generally proceeds with this group in mind.

11. Older males tend to engage in part-time employment after mandatory retirement. An increase in older part-time workers is expected in the future.

12. Younger people are persons engaged in part-time employment after graduation from school rather than as permanent employees.

3.3 *Characteristics of Working Conditions of Part-Time Workers*

(1) Wage Differential Between Part-Time and Permanent Employees

13. Comparison of hourly wage for female permanent employees and part-time workers allows confirmation of a trend of growing wage discrepancy between these two types of employees (Table 4). Establishing the wage level of permanent employees as 100 indicates that the wage level of part-time workers was 69.3 in 1996.

14. The dissatisfaction of part-time workers in their companies and jobs is concentrated in “low wages” because the wage levels of part-time workers are subject to low increases (Table 5).

15. The following points are cited as causes of the increasing wage differential between permanent and part-time employees.

- First, the occupational composition of permanent and part-time employees is different, and part-time employees tend to be concentrated in occupations with low wage levels.
- Second, there is a substantial difference between permanent and part-time employees in rate of increase in wages as employment continues, and the wage differential widens as the length of service increases.
- Third, some part-time workers elect to work so as to keep their annual income below certain levels, and adjust their working hours so that they do not exceed these income levels. This fact tends to restrain wage increases for all part-time workers. The cause of this “employment adjustment” will be explained later in this report.
- Fourth, the monthly salary system of permanent employees has raised the hourly wages due to recent decreases in the number of working hours. On the other hand, part-timers are paid by the hour, so their hourly rate has not been increased by the decrease in the number of working hours.

(2) Employment Contracts of Part-Time Workers

16. Fully 36.8 percent of part-time workers have fixed-term employment contracts. The term of employment is not fixed for other part-time workers. For persons for whom the term of employment is fixed, investigation of the length of contracts indicates that 11 to 12 months is the most common, at 50.5 percent. The average contract period is 8.4 months. Additionally, employment contracts longer than one year are forbidden in Japan. Thus, employment of more than one year is treated as employment of indeterminate period.

17. Even though the term of employment is fixed, many workers (83.6 percent) have their contracts renewed. The average number of contract renewals is 9.5. Because there are many contract renewals even though the term of employment is fixed, it is understood that part-timers are not temporary employees, and many companies use these workers as regular employees. As a result, the length of service of part-timers has increased.

(3) Involuntary Part-Time Workers?

18. Few people elect part-time employment because they cannot obtain a position as a permanent employee. Many part-timers are attracted to flexible working arrangement that allows them to select working hours and days suited to their lifestyles. Thus, many people voluntarily select employment opportunities for part-time employment.

19. Because there are many voluntary part-time workers, many of these workers desire to continue part-time work in the future as well (Table 6).

(4) Unionisation Rate for Part-Time Workers

20. Although labour unions are beginning to make efforts to organise part-time workers, unionization rates are extremely low for part-time workers. The hesitation of part-time workers to join labour unions is the main reason why the organization has not progressed.

4. Labour Policies for Part-Time Workers

21. The main points of contention in labour policies for part-time workers concern

- tax and social insurance systems,
- job security,
- elimination of the irrational gap in labour conditions between part-time and permanent employees, and
- provision of employment management.

4.1 Part-Time Workers and Tax and Social Insurance Systems

22. “Employment adjustments” of housewife part-timers are actions to restrain annual income within certain limits because net income is actually reduced due to the tax system and social insurance schemes if annual income exceeds certain levels.

23. The fact that the household is the basic unit of tax and social insurance systems produces the “employment adjustments.” Additionally, because there is advantageous treatment of housewife part-timers in terms of the tax and social insurance systems, many housewife part-timers elect to work within limits that allow them to retain those advantages.

24. The causes of these “employment adjustments” are explained in detail below.

- First, if the annual income of a housewife part-timer exceeds the non taxable limit (¥1.03 million), she will have to pay income tax. In addition, her husband’s employer generally stops paying a spouse allowance. Many companies stipulate that the wife’s income does not exceed the non-taxable limit (¥1.03 million) as the payment standard for spouse allowances.

The spouse allowances of major companies tend to be about ¥15,000 per month, which is ¥180,000 per year, and it is an amount that cannot be ignored.

- Second, if the annual income of a housewife part-timer exceeds ¥1.3 million and her working hours are at least three-fourths of an ordinary worker, she becomes an employee covered by social insurance and must pay insurance premiums by herself. The social insurance (pension and health insurance) of a housewife whose annual income does not exceed ¥1.3 million is covered by her husband's social insurance as a dependent of her husband, without her having to pay insurance premiums. Thus, the insurance premium of that housewife is in essence covered by her husband's social insurance system.
- Third, if the annual income of a housewife part-timer exceeds ¥1.41 million, her husband is not entitled to the spouse tax deduction. The amount of spouse tax deduction is determined according to the annual income of the housewife.

25. The above considerations are summarized in Table 7. These effects have established thresholds in annual incomes of ¥1.03 million, ¥1.3 million, and ¥1.41 million of housewife part-timers due to taxation and social insurance systems. Thus, many housewife part-timers take actions to adjust their employment and limit their income within these ranges.

26. For example, if the annual income of a housewife part-timer increases ¥200,000 from ¥1.29 million to ¥1.49 million, it is estimated that her actual net income will increase by only ¥5,288 because she will have to pay social insurance premiums and taxes. Although she would have to increase her working hours by 1.2 times to increase annual income by ¥200,000, her actual net income will increase by only ¥5,288.

27. The effects of "employment adjustments" cause the distribution of annual incomes of female part-time workers shown in Table 8.

28. "Employment adjustments" have become a barrier to increasing the wage levels and full-scale education and training of part-time employees. For example, if a company provides education and training to increase the abilities of part-time employees and promotes them to positions that pay higher wages, part-time employees take actions to reduce their working hours in order to avoid increasing their annual incomes. "Employment adjustments" restrain wage increases for all part-time employees, and also reduce incentives for part-time employees and companies to invest in education and training.

29. This fact strengthens the argument that special treatment of part-time workers under the tax and social insurance systems should be eliminated. Specifically, elimination of the spouse tax deduction in the income tax code and insurance premiums borne in accordance with income even if working hours are short and annual income is low are viable concepts for reform.

30. These reforms would eliminate the system of the household as the basic unit of taxation and social insurance systems, and substitute a system of the individual as the basic unit. Systemic reform would affect working housewives and require companies to assume the burden of insurance premiums for low-income part-time employees. In this manner, it would be a revision that causes major social impacts. Therefore, the political reality is that raising of the non taxable limit would tend to be chosen. However, that is not a fundamental solution, and raising of the non taxable limit would only make the situation where permanent employees become part-time workers.

4.2 *Application of Protective Labour Laws and Employment Security*

31. Part-time workers are also subject to application of the Labour Standards Law, Minimum Wage Law, Law on Securing of Equal Opportunity and Treatment between Men and Women in Employment, and other protective labour laws as long as they are employees.

32. For example, part-time workers also have the right to annual paid vacations under the Labour Standards Law. Additionally, part-time workers who work at least 22 hours per week are covered by employment insurance. However, part-time workers who work from 22 hours per week to less than 33 hours per week receive fewer paid days of employment insurance than employees who work 33 hours per week or more.

33. The job security of part-time workers is legally the same as permanent employees even if their employment period is not fixed, or a fixed-term employment contract is renewed repeatedly. Dismissal without cause is nullified as an abuse of the employer's dismissal right. The doctrine of abusive dismissal, which renders dismissals without just cause null and void as abuse of the employer's dismissal right, is applied to part-time workers as well as permanent employees.

34. However, the actual reality is that compared to permanent employees, part-time workers can be fired rather freely if they have a fixed-term employment contract, and persons without a fixed employment period are also frequently dismissed rather easily.

4.3 *Wage Differentials Between Part-Time Workers and Permanent Employees*

35. Comparison of the hourly wages of permanent employees and part-time workers indicates that the wages of part-time workers are considerably lower than those of permanent employees. Additionally, the bonuses, retirement allowances, and other working conditions of part-time workers are inferior as well. Exactly how to improve this discrepancy in working conditions has become a major issue.

36. To the extent that they have the same working hours and jobs as permanent employees, it is clear that it is not rational to treat "quasi-part-time workers" quite differently than permanent employees. However, differences in working conditions between permanent employees and part-time workers also include some rational differences.

37. The substantial difference in employment management between permanent employees and part-time workers becomes an issue when discussing differences in working conditions between these two classes of employees. For example, permanent employees are not hired for specific jobs, and these employees are under the comprehensive authority to manage personnel affairs. On the other hand, part-time workers are hired for specific jobs, and these workers are not closely bond to the company (Table 9). Because there is this difference in employment management, it is difficult to compare the working conditions of permanent employees and part-time workers simply by comparing working hours for permanent employees and part-time workers assigned to identical positions.

38. The Ministry of Labour inaugurated a study committee in 1998 to develop the necessary methods for comparison of the working conditions of permanent employees and part-time workers so that differences in their treatment can be improved by management and labour.

4.4 The Part-Time Work Law of 1993

39. The Part-Time Work Law was enacted in 1993 for the purpose of improving the employment management of part-time workers. The part-time workers covered by the Part-Time Work Law are workers who have fewer working hours per week than ordinary workers in the same workplace.

40. The Part-Time Work Law states that companies shall endeavour to 1) issue documents concerning wages and other working conditions at the time of hiring, 2) hear the views of representatives of the majority of part-time workers concerning preparation of work rules, and 3) appoint employment managers for part-time workers to improve the employment management of part-time workers.

41. Additionally, the Minister of Labour establishes guidelines that companies are expected adopt for employment improvement.

42. The requirement to endeavour to issue documents concerning working conditions is limited in the Labour Standards Law to clarification of “items concerning wages” through issuance of documents concerning working conditions. On the other hand, part-time workers have different working hours and other working conditions depending on the individual, and clarification of working conditions through work rules is insufficient. Additionally, the latest amendment of the Labour Standards Law mandates issuance of documents concerning working conditions other than wages to workers, and this provision applies to part-time workers as well.

5. Conclusions

43. The main issues in labour policies for part-time workers can be summarized as follows.

- First, neutral taxation and social insurance systems should be applied to the employment behaviour of part-time workers.
- Second, irrational factors that cause differences in the working conditions of permanent employees and part-time workers should be eliminated.
- Third, opportunities should be provided to part-time workers who desire careers as permanent employees. In particular, “quasi-part-time workers” should be dealt as permanent employees under employment management.
- Fourth, the stability of job opportunities for part-time workers should be increased.
- Fifth, opportunities to develop abilities should be provided to housewives who want to work as part-time workers.
- Sixth, models for employment management and development of the abilities of part-time workers should be provided to companies.

Table 1 Working Hours of Self-Defined Part-Time Workers (February 1997)
(%)
(Actual working hours per week)

| Total | Less than 35 hours | At least 35 hours |
|-------|--------------------|-------------------|
| 100.0 | 69.7 | 30.3 |

Source: Statistical Bureau, Annual Report on the Labour Force Survey

Table 2 Trends in Number of Employees
(Non-agricultural industries)
(in tens of thousands of employees)

| | 1987 | 1997 | 1997/1987 |
|-----------------------------|-------|-------|-----------|
| a. Total employees | 4,346 | 5,285 | 1.22 |
| b. Total female employees | 1,581 | 2,077 | 1.31 |
| c. Total part-timers | 506 | 1,114 | 2.20 |
| d. Total female part-timers | 365 | 746 | 2.04 |
| e. c/a | 11.6% | 21.1% | |
| f. d/b | 23.1% | 35.9% | |
| g. d/c | 72.1% | 67.0% | |

Note: Part-timers are workers whose actual working hours are less than 35 hours per week.

Source: Statistical Office, Report on the Labour Force Survey

Table 3 Composition of Part-Time Workers
(%)

| | | | |
|---|--------------|--------------|------------------|
| (1) Students as a percentage of part-time workers | | | |
| Total | Non-Student | Student | |
| 100.0 | 84.8 | 15.2 | |
| (2) Percentages of part-time workers by gender (excluding students) | | | |
| Total | Male | Female | |
| 100.0 | 17.5 | 82.5 | |
| (3) Percentage of married female part-time workers (excluding students) | | | |
| Total | Married | Unmarried | |
| 100.0 | 78.1 | 21.9 | |
| (4) Percentages of part-time workers by age (excluding students) | | | |
| Males | | | |
| Total | Under age 30 | Age 30 to 59 | Age 60 and above |
| 100.0 | 29.3 | 32.0 | 38.8 |
| Females | | | |
| 100.0 | 14.4 | 79.7 | 5.7 |

Note: Part-timers are persons whose working hours are less than those of ordinary employees in the same workplace.

Items (1) and (2) are based on workplace surveys.

Items (3) and (4) are the results of surveys of individuals.

Source: Ministry of Labour, General Survey on Part-Time Workers, 1995

Table 4 Wage Differential Between Part-Time and Permanent Employees (Female)

| Wage level of part-time workers as a percentage of the hourly rate of permanent employees | |
|---|------|
| 1981 | 76.1 |
| 1986 | 72.9 |
| 1991 | 71.8 |
| 1996 | 69.3 |

Note: Overtime pay and bonuses are not included in the hourly rate.

Source: Ministry of Labour, Basic Survey on Wage Structure

Table 5 Dissatisfaction of Part-Time Workers in their Companies and Jobs (Multiple Answers Possible)
(%)

| | |
|---|-------|
| Total | 100.0 |
| No dissatisfaction or anxiety | 57.6 |
| Dissatisfaction or anxiety | 42.4 |
| Low wages | 22.1 |
| Job insecurity | 8.2 |
| Cannot become permanent employee | 7.6 |
| Lack of full fringe benefits | 7.1 |
| Poor human relations | 7.1 |
| Difficulty in obtaining paid leaves | 6.7 |
| Hard work | 5.9 |
| Working hours do not match expectations | 4.8 |
| Cannot exercise one's abilities | 2.3 |
| No opportunity for promotion | 2.1 |
| Lack of opportunities for training | 1.7 |
| Others | 5.6 |

Source: Ministry of Labour, General Survey on Part-Time Workers, 1995

Table 6 Desired Job in the Future (Excluding Students)
(%)

| | Total | Married Females |
|-----------------------------------|-------|-----------------|
| Want to continue part-time work | 70.1 | 78.4 |
| Want to become permanent employee | 12.7 | 10.0 |
| Want to begin self-employment | 2.2 | 1.2 |
| Want to quit job | 1.9 | 1.3 |
| Undecided | 13.0 | 9.1 |

Source: Ministry of labour, General Survey on Part-Time Workers, 1995

**Table 7 Income, Taxes, and Social Insurance
(Annual Income)**

| | |
|---------------------|---|
| Above ¥1.03 million | Spouse allowance is not paid by husband's employer Must pay income tax |
| Above ¥1.3 million | Must pay insurance premiums by herself |
| Above ¥1.41 million | Husband's spouse tax deduction is lost |

**Table 8 Annual Wages of Female Part-Time Workers (1995)
(%)**

| | |
|-------------------------|----------------|
| Total | 100.0 |
| Under ¥500,000 | 8.7 |
| ¥500,000 – ¥599,999 | 4.0 |
| ¥600,000 – ¥699,999 | 5.5 |
| ¥700,000 – ¥799,999 | 8.0 |
| ¥800,000 – ¥899,999 | 10.1 |
| ¥900,000 – ¥999,999 | 23.7 |
| ¥1,000,000 – ¥1,099,999 | 7.9 |
| ¥1,100,000 – ¥1,299,999 | 6.4 |
| ¥1,300,000 – ¥1,499,999 | 5.5 |
| ¥1,500,000 or higher | 17.1 |
| Unknown | 3.2 |
| Average annual wages | ¥1.058 million |

Note: Persons who worked continuously throughout 1995.

Source: Ministry of labour, General Survey on Part-Time Workers, 1995

Table 9 Differences in Employment Management of Permanent Employees and Part-Time Workers

| | Permanent Employees | Part-Time Workers |
|-----------------|---|---|
| Hiring | Hired for a career | Hired for a job |
| Starting salary | Based on academic background and national labour market | Wage rate determined by local labour market |
| Payment | Monthly salary | Hourly rate |
| Ties to company | Obligation of overtime and reassignment | Weak ties to company |