Has Japan Really Seen a Decline in Part-Time Workers?

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Nobuo Iizuka
Senior Economist, Japan Center for Economic Research

According to the Provisional Report on the Monthly Labor Survey for this April (issued by the Ministry of Health, Labor and Welfare on June 1), the number of part-time employees in Japan declined from the same month last year for the first time in nine years and 10 months (since June 1995). Full-time employees have continued to grow monthly on a year-on-year basis since January of this year, with the number of regular employees (the total for part-time and full-time employees) also having increased over the same month the year before for 16 consecutive months since January 2004. Some observers hold the view that the recent decline in part-timer workers points to a change in the trend of hiring strategies adopted by companies since the latter half of the 1990s, in which the use of low personnel expense part-timers was advanced as a tactical cost-cutting measure. We need to ask ourselves, however, if the number of “part-timers” has in fact declined.

Full-time employees Are Not necessarily Regular staff

Chart 1 shows the trends in the “regular employment index” announced within the previously mentioned Report on the Monthly Labor Survey, comparing each month to the same month the year before. While the number of “part-time employees” has continued to show a high growth rate since the latter half of 1995, the number of “full-time employees” moved into decline from the second half of 1997. It can also be seen, furthermore that the number of “regular employees” (the total for part-timers and general workers) shifted into a negative trend from the latter half of 1998. In January 2004 this regular employees count recovered to the plus column for the first time in nearly six years, while this January the level of “full-time employees” gained ground for the first time in some seven years.

When we think of so-called “full-time employees,” the image that usually comes to mind is that of so-called “Regular staff.” In view of the reported drop in part-time workers and the rise in full-time employees, therefore, it would hardly be surprising to feel the sustained trend of corporate restructuring is taking a breather at last.

I must point out, however, that the “full-time employees” mentioned in the Report on the Monthly Labor Survey do not necessarily add up to “Regular staff.” Checking the definitions in the materials of the Ministry of Health, Labor and Welfare, we find that the meaning of “regular employees” is: (1) Persons hired for an undetermined period of time, or for a predetermined period exceeding one month; or, (2) among persons hired on a daily basis or for periods of within one month, those hired for 18 days or more.
during each of the preceding two months. Within this category, part-time employees are defined as: □ Persons for whom regular daily working hours are less than those of full-time employees; or, □ persons for whom regular daily working hours are the same as those of general workers, while the regularly scheduled weekly working days are less than those of full-time employees. Full-time employees, therefore, are equivalent to the ranks of regular employees when part-time workers are excluded from the count.

For example, someone working on an employment contract exceeding one month, while working the same number of hours as a full-time employee, would be listed as a “full-time employees” on the “Report on the Monthly Labor Survey.” Of particularly keen interest in this respect are the “temporary employees” dispatched by personnel agencies, the numbers of which have been charting conspicuous growth of late. If persons fitting this category work as many hours as full-time employees, they will also be lumped in with full-time employees. The hiring of temporary employees has played an important role in the labor cost cutting strategies advanced by Japanese companies since the latter half of the 1990s. As I suggested at the outside of this report, therefore, the current finds do not support the conclusion that corporate hiring tactics have changed solely on the basis of the statistical drop in part-time workers and the rise in general employees.

**The Core of Employment is “Non regular staff”**

A general impression of the trends in full-time employees and part-time employees may be gleaned from the “Labor Force Survey” (Detailed Results) from the Ministry of Internal Affairs and Communications. This survey uses the designations of the workplaces to classify employees into the six categories of “regular staff,” “part-time worker,” “arbeit(temporary worker),” “Dispatched worker from temporary labour agency,” “contract employee or entrusted employee” and “other.” The five categories
other than “regular staff,” are totaled together as so-called “Non regular staff.” While the “Report on the Monthly Labor Survey” is a survey targeting places of business, the “Labor Force Survey” is a fact-finding survey that directly probes family budgets, and is thus distinguished by its ability to stay abreast of temporary jobs, daily employment and other trends unlikely to show up on the radar screen of the “Report on the Monthly Labor Survey.”

According to the findings of this survey for January-March this year (issued on May 31), with the exception of corporate executive there was a decrease in workers by 110,000 persons compared to the same period in 2004. Although regular staff fell by 470,000 persons from the first quarter of calendar 2004, Non regular staff. rose by 360,000 compared to that same three-month period last year. Examining Chart 2, which reveals the increase in workers in recent years, it is again clear that these “Non regular staff.” have consistently been the engine driving the increase in workers. The results of the April-June quarter Labor Force Survey will not be available until the end of August, so I cannot comment upon them here. At the very least, however, we can say that the “Non regular staff.” have played the key role in the increase in employees through January-March of this year, a quarter in which the “Report on the Monthly Labor Survey” reports growth in “regular staff.”

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**Part-Timers Decline, Temps Increase**

In the “Labor Force Survey Detailed Results” as well, the part-timer worker and arbeit categories begin to chart declines from the January-March 2005 quarter. Examining a breakdown of the “non Regular staff” there was an increase in “Dispatched worker from temporary labour agency” by 330,000 persons compared to the same three months the year before, while contract and commissioned employees rose by 220,000 persons. In contrast, part-timers and contract employee or entrusted
employee declined by 110,000 persons. From the April-June 2004 quarter, meanwhile, the main engine of growth for non-Regular staff shifted from the previous part-timer and arbeit category to that of temporary employees (Chart 3). Under the revised worker dispatching operations law (in force from March 2004): □ The three-year limit on the period of dispatching temporary workers was abolished; □ the ban was lifted on dispatching temporary workers to manufacturing industries, together with other changes. The results have rendered it easier for companies to utilize temporary workers, which helps explain the shift to that category as the driving force behind worker increases from the April-June quarter of that year.

Next, I examined the annual income distribution of temporary employees under the “Employment Structure Survey” (2002 edition) conducted by the Ministry of Internal Affairs and Communications. According to those results, for Dispatched worker from temporary labour agency the “2 million to 2.49 million yen” share was 24.2%, while those with annual income of less than 2 million yen accounted for just under half the total at 46.2%. In contrast, among regular staff, those earning from 3 million to 3.99 million yen came to 18.6%, and were within the majority share with some 50% of all such workers earning less than 4 million yen annually. Although these statistics do not factor in so-called average wages, the income distribution clearly shows that the income of temporary employees is lower than that of their regular staffer/employee counterparts.

Naturally, the ranks of the Dispatched worker from temporary labour agency also include so-called “temp to perm dispatches” – cases in which temporary workers are slated to be hired as permanent employees. With regard to temporary employees hired under this framework, it is required by law that the company make a decision on whether or not to hire permanently within six months of commencing the said temporary employment status. In that sense, therefore, such persons can be said to be
future full-time staffer and employee candidates. In a survey conducted by the Japan Staffing Services Association, it is reported that real workers who fit into the “temp to perm” category posted robust growth of 33.2% in the January-March 2005 quarter compared to the same period the year before. However, the total in this category accounts for only about 1% of all temporary real workers. We may presume, therefore, that the majority of temporary employees function in adjustment capacities in response to the degree of business activity at any given time.

Accordingly, while it can be said that the content of non regular employment has shifted vis-à-vis a decrease in part-time workers and a reciprocal rise in temporary employees, I feel that it is also appropriate to note that we have yet to see any change in the cautious stances that companies are adopting toward hiring in the first place.