

***Sound and Harmonious Industrial Relationship;  
In Changing forms of Employment and New  
Employment Relationships***

**-Actions for Part-time Workers in Distribution Retail Industry and Food &  
Service Industry-**

**Problem Analysis: Current Situation in Labour Market and  
Non-regular Employment**

**Labour market situations**

Currently, Japanese labour market is facing a downturn, as seen in the decline of the effective ratio of job offers to applicants (ERJOA) as follows;

- The ERJOA is continuously declining concurrently. (0.72, in December 2008)
- Japan's unemployment rate has started to increase from 3.6% in July 2007 to 4.4% in December 2008.

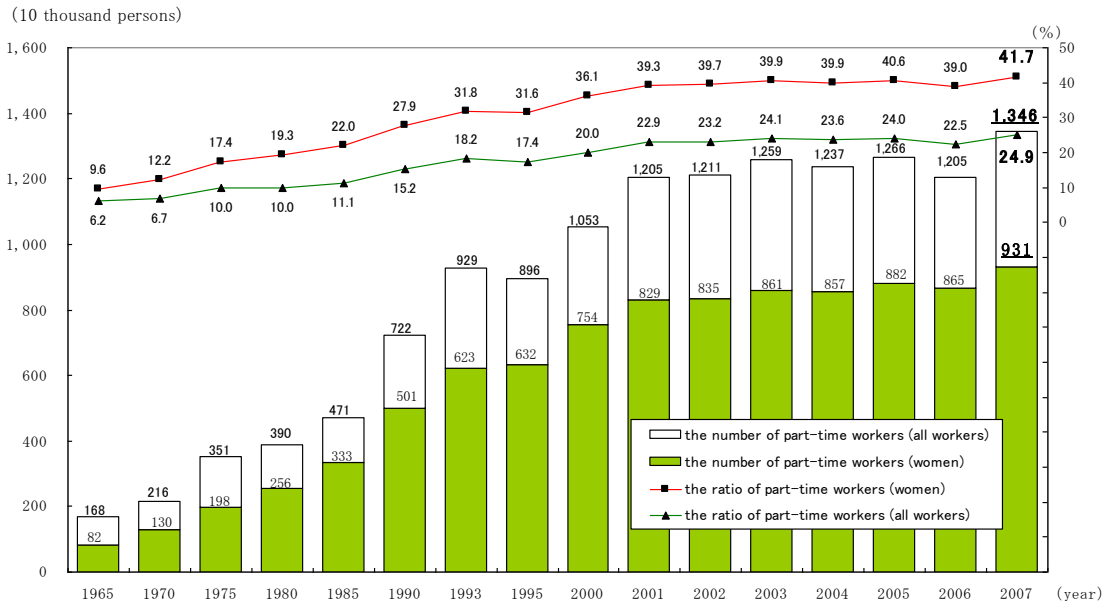
The total population in Japan has reached 127.7 millions as its peak in 2004, and has kept going down gradually. According to the "New Population Estimation" from Ministry of Internal Affairs and Communications released in December 2006, it is estimated that Japanese society will keep declining its birthrate, and thereby Japan will be entering the phase of population decreasing society. In 2055, the total fertility rate (TFR) is estimated to drop to 1.26 and the total population is estimated to be fewer than 90 millions, and consequently, 40% of the total population is expected to be people over 70 years old, and the total number of yearly child birth will be less than half a million.

In mid-term, in order to compensate the decrease of labour force caused by the decrease of national population, Japan is required to realize the labour market in which every youth, women and older people will be able to work in accordance with their capabilities and willingness.

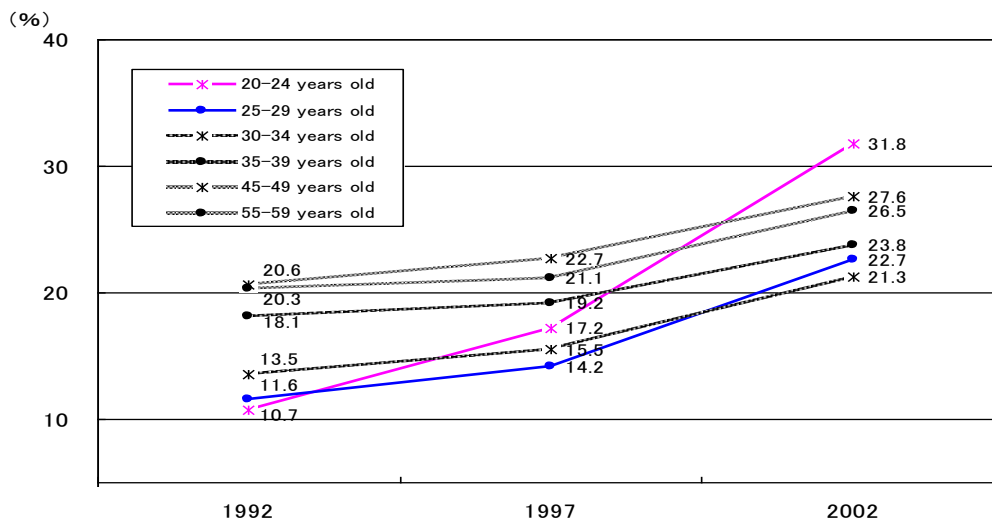
**Current Situation of Non-regular Workers**

We observed that the number of regular employees has kept decreasing. On the other hand, the number of part-time, dispatched, and contract workers has steady increased particularly in youth. Consequently, the ratio of regular workers has continuously declined.

The number of part-time workers has strikingly risen particularly in tertiary sector of economy (service sector). The total number of part-time workers has reached almost 14 million in 2007, and occupies a quarter of total number of employees in Japan. Although female part-timers are still dominating the main portion of them (around 70%), we observe some increase in male part-timers as well.(See the figure below.)



As we observe the situation in individual industries, food and hotel industries has the highest rate of non-regular workers by 66%. Among others, wholesale/retails and service industries has non-regular ratio by 40%, which keeps increasing. Regarding the situation of dispatched workers, the number of them is still relatively small in total non-regular workers, however, it is booming in recent years. We also observed that the age-specific rate of part-time, dispatched and contract workers is increasing particularly in youth (between 20~30 years old) (See the figure below.)



We concern issues following as negative social impacts by the expansion of non-regular worker ;

- To grow the portion of untrained and unskilled workers, because there is a huge gap between regular and non-regular workers in the opportunities of human resource development.
- To accelerate the depression of the child birthrate (stems from late marriage or decide not to get married), because the data shows that the marriage rate of non-regular workers is lower than those of regular workers.

## **Activities:**

### **Forward-thinking Actions taken by Leading Employers' and Workers' organizations**

Since social partners have been keen on the issue of expansion of non-regular workers, forward-thinking activities are conducted by some leading enterprises and trade unions. In particular, trade unions which organize industries comprised of large portion of part-time and contract workers had motivated to take actions to realize the fair treatment of non-regular workers equivalent to regular workers, as well as unionization of part-time workers in cooperation with employers. (See Annex 1)

### **Actions taken by the Government: New Labour Legislation**

While such forward-thinking activities had been progressing, the social structural changes have emerged such that society has been aged, birth rate has declined, economy has been globalized and competitive, as well as diversification of values among people has expanded.

Reflecting these changes, various labour issues are appeared to be resolved, such as settlement of safety-net to response negative impacts on employment by shrinking labour workforce and economic dynamism, as well as diversification of type of employment in Japan.

Among these challenges, based on said actions taken by social partners, Japanese government has proposed new labour legislations to realize the society in which all workers are willingly able to work with their full skills and to choose any type of employment convincingly.

- **Amendment of Part-Time Workers Act:** The act has been amended to provide the fair employment environment in which part-time workers are able to utilize their skills more effectively and efficiently. In particular, the amendment aims to promote the fair treatment of non-regular workers and the transfer of part-time workers into regular workers. The amended act was approved in the Diet on 25 May 2007 and enforced on 1 April 2008.
- **Amendment of Minimum Wage Act:** The act has been amended to make regional

minimum wages to be functioned thoroughly as a safety-net to secure worker's minimum standard of living. To do so, the amendment established the clear decision criteria of minimum wages in harmonized with the standard of public livelihood assistance, and increased fines of penalty for paying fewer minimum wages than the ones set in this Act (20 thousand yen is pulled up to 500 thousand yen). (※ 1 USD = 91 YEN as of Feb 9<sup>th</sup>) The amended act was approved in the Diet on 28 November 2007 and enforced on 1 July 2008.

- **Review of Worker Dispatching Act:** Responding to the rapid expansion in the number of dispatched workers, the amendment of the act is now discussed in the Diet, which aims to reinforce the system of workers' protection by addressing issues on problematic forms of dispatching workers particularly the form of daily dispatching in which workers are dispatched to different enterprises day by day.

### **Actions taken by social partners**

After the amendment of legislations above, in industries in which part-time workers has been functioned as core workers, some enterprises have strived to take actions to realize the fair treatment of non-regular workers.

For example, for sake of securing the human resources, a certain enterprise in food service industry has taken action to integrate and standardize the forms of fixed-term contract workers and has introduced a promotion system in which non-regular workers can be promoted to regular workers according to the results of competitive examinations. The system was first implemented in April 2008, and it succeeded to assign approximately 500 contract workers to regular employees. (See Annex 2-1)

Let us show another example of an action by a certain enterprise in retail industry, whose workers used to be categorized as "regular", "part-time" and "contracted" employees. For accomplishing purpose to improve a retention rate of young employees, the enterprise has principally erased the line between regular and non-regular workers by integrating 93% of fixed-term part-time and contract employees into non-fixed term employees. (See Annex 2-2)

### **Results:**

We observed following results in the enterprises which introduced the above actions;

- Statistical data revealed that decline of employment turnover rates.
- Questionnaires to workers shows raising willingness of working was captured .

### **Success Factors:**

We could regard two things as factors by which social partners were encouraged to address the issues spontaneously.

### **Step-by-step strengthening of labour legislation**

Generally speaking, Japanese labour legislations go through step-by-step process in which non-binding governmental guidelines come first, then promotional legislations (not compulsory) come next, and legislations with obligation come to the end.

In specific, let us show examples in legislations for part-time employment

#### Phase 1: Non-Binding Guideline

- Notification of Director-General for female and youth, “Promoting measures on female part-time employment.” (January, 1970)
- Notification of Vice-Minister of Labour, “Guidelines for Part-time Labour Policy.” (December, 1984)
- “Guideline on treatment and working conditions to be considered for part-time workers.” (1989, Notification No.39 of the Ministry of Labour)

#### Phase 2: Legislation of Laws (promotional nature, non-compulsory)

- “Act on improving the employment management for short-time workers” (prescribed in effective use of skills, and promotion of welfare of part-time workers) (Enforced in October, 2003)

#### Phase 3: Legislation of laws (partially compulsory)

- Amendment of the aforementioned Act (prescribed in prohibition on discriminating treatment between part-time and full-time labour, and settlement of balanced treatment of part-time employer) (Enforced in April 2008)

### **Tripartite participation in decision-making process on labour policy**

We have the process of decision-making of labour legislations in sequence in which the study reports of labour experts comes first, then tripartite discussions is going to be held in tripartite policy councils to draft reports to the Minister of Health, Labour and Welfare, following which the government submits the amendment of laws to the Diet.

Let us show the part of argument over representatives of social partners which was exchanged at the council in December 2006 for the latest amendment of Part-time Workers Act. The worker’s representatives requested for the settlement of compulsory rule to protect part-time workers, because “part-time workers are often treated as dispensable labour and also treated discriminately; this is abuse of basic human rights and rights to have decent work for everyone.” As response, the employer’s representatives made arguments that it is best to leave it to negotiations between workers and employers in each enterprise, saying “Management of personnel systems such as recruitments, overtime wage setting and welfare systems should be operated based on the agreement between employers and workers of each enterprise.”

At last, neutral members who represent public interest proposed the settlement that requests for establishment of new rules to secure the fair treatment of part-time workers equivalent to regular workers as employers’ duty, based on the idea that stresses the societal importance of the effective capacity empowerment of part-time workers. Consequently, members agreed to adopt the settlement as the decision of the council.

The report, however, concurrently attached the statement from the representatives of employers that requires, in consideration of prescriptions of the said legislation, the

followings options should be considered such that the new rule should be comfortably fit to all enterprises, and avoid an excessive burden to particularly in small and medium enterprises, as well as the government should acquire understanding and publicity of its contents by appropriate measures including giving a certain period of time prior to its enforcement, and enforce it in consideration of the conditions and practices of enterprises.

### **Issues to be resolved:**

After 1990s, de-regulation was set as political agenda, and thereby, the upper offices of the cabinet have tended to decide directions of policy. As results, the regime of Japan has affected to the tripartite decision-making of labour issues, and consequently, the function of tripartism has been restricted.

In response to the above situation, counsel members which represents public interest, such as labour economists and labour law specialists, have been required more difficult tasks than before not only to coordinate the confrontation of interests between employer's and worker's representatives, but also need to maintain their neutrality from the political pressure of the regime.

### **Up-scaling:**

Generally speaking, labour policy cannot be cut out from the political perspectives of the regime. And therefore we have to note that maintaining tripartism and reaching agreement over thorough discussion has become more essential.

## **Social Partners' Actions**

### **1. Workers side: Japan Federation of Service and Distributive Workers' Unions (JSD)**

#### **Summary**

The JSD organizes trade unions in industries such as wholesale/retailing, food, hotel service, transportation and other distributing industries, in which there are many part-time workers and contract workers. The JSD has strived to unionize non-regular workers and the realization of the fair treatment of non-regular workers by legislations.

#### **Problem Analysis (Background)**

In the nature of the industry, the ratio of non-regular workers has been comparatively high. And recently, non-regular workers have been becoming core workers more and more. As they become more responsible for their work, they tend to have frustration with the gaps of treatment between non-regular and regular workers. Thus the improvement of working conditions of non-regular workers has become urgent issues to be resolved.

#### **Activities**

Responding to the situation, the JSD established "Guidelines for Unionization", which incorporates three steps such as;

- Step 1: Forming mutual understanding between workers' and employers' on necessity of the fair treatment of non-regular workers equivalent to regular workers.
- Step 2: Finding out what is the current situation of treatment of non-regular workers.
- Step 3: Establishment of action plans to proceed.

The JSD requested employers for revision of personnel systems to secure the fair treatment of non-regular workers. In addition to this, the JSD provided opportunities for part-time workers to join the activities of trade unions. (I.e, workplace meetings which have the same purposes are held several times in different timing to fit the working hours of non-regular workers.)

As an example of remarkable success, Takashimaya co., Takashimaya trade union, the JSD and UNI have concluded "global framework agreement: workforce agreement on company's action model". This is the first agreement between international trade unions and Japanese multinational enterprises.

#### **Results**

While workers and employers has understood that the fair treatment of non-regular workers would be mutual beneficial, some enterprises have succeeded to establish a

scheme which provides opportunities of vocational training to part-timers as well as regular workers, and give a chance to be promoted to more responsible positions based on the results of examinations.

### **Success Factors**

The retail industry which the JSD belongs has larger portion of part-time workers who take leadership and executive roles compared with other industries. Accordingly, it was relatively easier to get understandings to establish a system which secure the fair treatment of part-time workers.

### **Policy Impact**

The successful result of the JSD's action had contributed to encourage the tripartite council of the government to draft legislations to secure the fair treatment of non-regular workers and prohibit discriminative treatment of them, whose items had been prescribed in non-binding administrative guidelines.

The JSD's action also had contributed to introduce the notion of the fair treatment of non-regular workers in the nation-wide "Work-Life-Balance Charter", which was concluded in the expert meeting hosted by the Cabinet Office in December 2007.

## **2. Employers side: Food Service Industry (In-house food provider, restaurant-karaoke, and various dine-out stores)**

### **"A systematic transfer from non-regular workers to regular workers"**

#### **Summary**

For sake of securing the shortage of human resources, a certain enterprise in food service industry has taken action to integrate and standardize the forms of fixed-term contract workers and has introduced a promotion system in which non-regular workers can be promoted to regular workers according to the results of competitive examinations. The system was first implemented in April 2008, and it succeeded to assign approximately 500 contract workers to regular employees.

#### **Problem Analysis (Background)**

Since 1990s, increase the ratio of non-regular workers has been appeared. As a consequence of high employment turnover rate in non-regular workers, the enterprise had experienced low awareness on company's mission among employees, losses of skilled workers and costs increase of recruitment. This is partially because there are no standard rules of the employment management for non-regular workers, thus the integrated rule of employment are required.

In addition, there had been driving needs for retaining skilled workers because of the current "food security" issue in the food service industry. Such needs are also



encouraged by the amended Part-time Workers Act which enforces to the fair treatment of non-regular workers who works equivalently to regular workers.

### **Partners, Strategies, Activities**

For designing new system, the enterprise started to discuss in collaboration with trade unions from the beginning. They were able to share information each other to work smoothly. Thorough review of job duties, salary system, and job duty classification, the enterprise has established and enact a comprehensive examination system which can evaluate workers' skills and knowledge appropriately after a certain period of time to acquire publicity of the system. According to the system, the conditions of regular workers and contract workers are defined as follows;

- Regular employee: Indefinite term of employment, 40 working hours per week, compulsory job rotation nationwide or designated area, payment of bonuses and retirement allowance.
- Contract employee: One-year fixed term contract, working hour and salary depend on the contract, working office can be chosen nearby their residence, payment of bonuses whose calculation is different from regular employee, but no retirement allowance.

### **Results**

The statistical data shows the decline of employment turnover rates and the increase of willingness to work, largely because the career development routes of non-regular employees have clarified. However, we have to mention that not every worker has chosen to be a regular employee. Some has disagreed with the working conditions of regular workers (job rotation, longer working hours etc...)

### **Success Factors**

The enterprise believes that the examination system which guarantees objectivity and clarity invites good results.

### **Issues to be solved**

Issues still remain on what kind of assistance could be provided after they become regular workers. Turning into regular worker is not a goal, and continuous supports should be provided by the identification of paths to promote to more responsible positions.

## **3. Employers side: Distribution and Retails Industry (Miscellaneous goods, Interiors)**

**“An integrated employment system of non-regular workers and regular workers”**

### **Summary**

In a certain enterprise in retail industry, whose workers used to be categorized as “regular”, “part-time” and “contracted” employees, for accomplishing purpose to improve a retention rate of young employees, the enterprise has principally erased the line between regular and non-regular workers by integrating 93% of fixed-term part-time and contract employees into non-fixed term employees.

### **Problem Analysis (Background)**

In 2004, having experienced the first profit decline since its establishment, the enterprise had been motivated to critically review the style of management which focuses on cash flow rather than asset, in which fixed term part-time workers are rather preferred than non-fixed term workers. This review was accelerated by the fact that labour market was in seller’s market at that time, and consequently, the enterprise had explored solutions to address issues such as high employment turnover rates, losses of management skills and a cost saving for recruitment.

### **Partners, Strategies, Activities**

The enterprise has launched a project to change employment systems in 2007. Trade Unions, college professionals (Sociologists), and officials from related public offices work together on designing effective systems.

According to the results of the project, the enterprise has started an integrated employment system in which all fixed term workers will be assigned, according to the successful results of the examination implemented after six month probation, as hourly-paid indefinite term workers, if they wish to be so. At the same time, the enterprise keeps hourly-paid employment to guarantee a flexible working style, except in managerial positions. Following the initial examination, rating examinations will be held every year or half for everyone to guarantee equal opportunities to be promoted to a certain level. However, we have to note that if workers want to be promoted to monthly-paid positions, they need vacancies of the posts as prerequisites.

The working conditions of hourly-paid workers and monthly-paid workers are described as follows;

- Hourly-paid workers:20~40 hours per week, encouragement/incentive bonuses (90,000 yen maximum, every half a year)
- Monthly-paid workers:32 ~ 40 hours per week, bonuses, management work involved, compulsory rotation of positions including nationwide transfer of offices.

### **Results**

- Statistics shows that employment turnover rates have declined by around 14 points (25.4 to 11.3%) and increased the number of full-time workers by almost 30 points. (22.7% to 52.6%)
- The questionnaire implemented after the change of employment systems revealed that the satisfaction rates of working and the willingness of self empowerment has

been increased.

- Some chose to stay in their current status as it is. We should note that not every workers wish to be assigned as monthly-paid workers.

### **Success Factors**

The enterprise believes that the identification of career development paths and opportunities to be indefinite workers has encouraged young workers to stay in their work and raise their motivation of work.

### **Policy Impact**

We believe the said integrated employment system is the pioneer of removing a wall segregated regular and non-regular employment and can be a model which initiates other enterprises to find a way to realize the fair treatment of non-regular workers. We also regard the integrated system to be a good practice of industrial relations by harmonious collaboration of social partners, which can be applied to other countries as well.

### **Issues to be solved**

There is concern that if the expansion of business of the enterprise brings halt, labour costs are afraid to be inflexible.