

## Considering Work-style Reform that Capitalizes on Japan's Strengths

This Research Group has conducted a data-based review of the thinking and recognition of facts that form the basis of debate on “work-style reform” in an effort to provide material that will prompt a re-examination of Japan’s labor market reform, and at the same time, be useful for exploring the optimum type of labor market system for Japan.

The papers written by each of the Research Group members are divided into two sections. Comprising three papers, Section I looks at the issues relating to the regular and non-regular work classifications, and analyzes the question of “equal pay for equal work”, the state of union membership among part-time workers, and the percentage of non-regular workers and an international comparison of these percentages. Section II discusses the four themes of human resources development and personnel management authority at companies, skill maps and human resources development, comparison of labor productivity in Japan and that in France, and the impact of the merit-based pay system on pay scales. The following is a summary of each of the papers.

### Section I

Chapter 1 What is “equal work” in “equal pay for equal work”? — Application in Japan — (Mitsuo Ishida) focuses on setting a methodical perspective on the Research Group’s main theme. Prof. Ishida points out that this is a difficult issue because of the shortcomings in research on labor expenditure (= labor service) in employment relations thus far, and that these shortcomings should be overcome through the construction of a labor expenditure system (= labor governance mechanism). Premised on this methodical perspective, the paper lists changes that have been brought about by “merit-based personnel management reform” over the past 20 years, and approaches the subject from the three angles of (1) how to set employment classifications between regular and non-regular workers, and employee grades for regular workers through the application of work; (2) formulation of work agreement procedures; and (3) ensuring consistency between work and pay.

From a peak in 1997, regular employment continued to decline until 2014, but since then, it has recovered to 34.23 million workers in 2017. On the other hand, non-regular employment continues to increase, and the non-regular employment ratio has reached nearly 40%. Some non-regular workers actively choose this style of work, but there are also those who are reluctantly engaged in non-regular work. Pay and conditions for non-regular workers are generally lower than those for regular workers, and this has resulted in an expanding layer of low-wage workers. This, in turn, has led to the contraction of the middle class, greater disparity, and social fragmentation.

Chapter 2 Integration of non-regular workers into collective labor relations and improvement of pay and conditions (Naoto Ohmi) introduces examples of integrating non-regular workers into labor unions to achieve stable employment and better pay and conditions amid the growing level of non-regular employment, such as fixed-term work, part-time work, and temporary hire work. It is considered that while labor unions do not necessarily cover a large number of non-regular workers, this is seen as a positive example, and the system has the potential to gain ground.

Naturally, any attempt to achieve equal and balanced pay and conditions between regular and non-regular workers requires a review of the non-regular personnel management system. Any such review must not only take in the views and interests of regular workers, but fully encompass the views and interests of part-time and fixed-term workers as well. Among the reasons for the emergence of disparity between regular and non-regular workers is the problem of companies not giving their non-regular workers the same level of opportunities to develop their capabilities. Rectifying this requires a company labor-management approach, and this is where the importance of collective labor relations rises to the surface. Pushing ahead with the organization of non-regular workers so that labor unions represent the views of both regular and non-regular workers becomes a key step for advancing labor relations.

Where does Japan stand relative to the world market regarding non-regular workers in terms of the state, background, stability of employment, wage gap with regular workers, skills, and capability development?

Chapter 3 International comparison of non-regular work (Naoki Mitani) provides an international comparison of the above aspects. This comparison reveals that: (1) the percentage of non-regular workers in Japan is quite high among the major countries; (2) while young people and those with a lower level of education generally tend to form the majority of non-regular workers, Japan is an exception where many non-regular workers are females or older people; (3) it is considered that contributing to the growth in non-regular work is the structural change of labor market polarization caused by the progress of IT and globalization; (4) despite the high level of job uncertainty for non-regular workers, wages tend to be low; (5) generally, the chance for workers engaged in fixed-term work to shift to regular employment at a later stage is not reduced, but workers who are not engaged in regular employment at an early stage tend to be trapped in non-regular work; (6) when comparing cognitive skills, those of non-regular workers tend to be lower, but in Japan, there is very little difference, and, rather, those of female non-regular workers tend to be higher; and (7) the lack of opportunities for non-regular workers to develop their capabilities makes it difficult for them to shift from non-regular to regular work, and is one of the causes for wage disparity. The chapter also points out that in Europe and North America, fixed-term employment is a transitional process for young workers, and there is a need for initiatives that take into account structural change brought on by the advances in technological innovation, whereas in Japan, despite the extremely high cognitive skills of both regular and non-regular workers compared to workers in other countries, female non-regular workers in particular are not able to fully utilize those skills, so there is a need to introduce measures that can address this.

## **Section II**

Section II comprises three papers discussing the personnel system, pay system, and human resources development within companies, and a fourth paper tackling the issue of a balance between improving productivity and general life of the individual for a total of four chapters.

Chapter 4 Company personnel management authority and transfers: Needs and challenges of a shift to company/employee coordinated career management (Hiroki Satoh) focuses on the considerable authority that Japanese companies have regarding the assignment and transfer of employees, and categorizes employment systems based on that personnel management authority to grasp the characteristics of employment systems. In the light of international comparative research based on the categorization of employment systems, the author has a fresh look at the characteristics of Japan's employment system. From this, the author shows that a characteristic of Japan's employment system is that companies have comprehensive personnel management authority and exercise this in the assignment and transfer of company employees. The author then takes up problems with transfers to discuss the comprehensive personnel management authority, and highlights the need for a review of this. For example, companies are facing difficulties in maintaining the conventional system of transfer management due to the increase in the number of dual-career households and changes in employees' sense of values, so the author examines whether it is possible for the conventional system of personnel assignment and transfer to change.

It was pointed out that a rise in productivity mentioned in "increased fluidity" in the previous section does not consider the cost associated with the move. Focus is entirely on the benefit of the move, and little is mentioned regarding the actual costs of the move.

Chapter 5 Human resources development and OJT based on a skill map (Akira Wakisaka) provides supporting evidence that "increased fluidity" is conceptual when considering employee skills acquisition and career development, and the role that OJT plays in the acquisition of skills.

This chapter looks at the skill map, which clearly shows the content of OJT. The author uses a 2016 survey by the Japan Institute for Labour Policy and Training (JILPT) — "Survey on recruiting and human resources development to improve labor productivity in companies that underpin the manufacturing industry" — to examine the relationship between the prevalence of skill maps in the manufacturing industry and other OJT methods and practices. From this it can be seen that skill maps are used in companies that have not only regular job rotation, but also well-structured individual development plans and OFF-JT. The author takes up

the case of manufacturing Company B to examine the potential application of skill maps not just in technical jobs, but in other job categories, and especially white-collar jobs, as well. Company B has skill maps for all employees, including part-time workers. Summarizing the overall skill map functions and limitations, the author states that functionally, the skill map is effective in the daily operation of the workplace and medium-term human resources development, and has the potential to be applied to white-collar work as well, and that as for its limitations, caution is essential if reflecting the skill map directly in personnel performance evaluations.

Chapter 6 Examination of the effect of the merit-based pay system on traditional pay-rise methods (Jun Nishimura) clarifies the effect of the merit-based pay system on traditional pay-rise methods. For this issue, the author focuses particularly on changes in pay scales brought on by the shift of the personnel and pay system to a merit-based system, and the underlying pay-rise rules. The merit-based system is a trend that redesigns personnel and pay systems based on a greater awareness of the market. Specifically, it redesigns the employee rating system based on elements with a strong connection with product markets, such as management strategies, organizational structure, and business plan, and also incorporates the functions of the labor market into pay scales, that is, the price adjustment function to the point of equilibrium. However, the author points out that these changes can be said to be a method of incorporating a Japanese-style market in an environment where external labor markets and occupation-based labor markets are not fully developed, and that there are still some reservations about interpreting this as a simple convergence of commercialization = Westernization.

Chapter 7 A brief review of labor markets and labor productivity (Yoshio Okunishi) uses simple data analysis and economic reasoning to look at the relationship between industry-based labor productivity and wages, employment and labor mobility in Japan, and the implications of wage regulation on labor productivity through a comparison between Japan and France. The paper cites 2010–2015 data to point out that industries with high labor productivity tend to have high wages, but there is no clear correlation between increases and decreases in employment. The rate of labor mobility is high in industries with low wages and low labor productivity, but low in industries with high wages and high labor productivity. That is, it states the assertion that employment moves from industries with low productivity to those with high productivity due to the increased labor force fluidity is unreasonable.

The paper states that in France, high minimum wages are adversely affecting the employment opportunities for low-income earners, and because of this, low-cost services are declining, alternatives to capital are emerging, and labor productivity is high.

There is a possibility that the trends being seen in France may spread to Japan in the future due to rises in minimum wages and labor shortages. However, there are concerns about a drop in the level of welfare for low-income earners due to a rise in unemployment and the disappearance of low-cost services from the market, so improving public services and the safety net will become increasingly important. In the light of these points, it is not enough just to raise productivity (or for productivity to rise), but the key issue is our vision of society as a whole, and the individual's choice of lifestyle (market labor, off-market labor, leisure, etc.).