

# On the Possibility of Promoting Diverse Work Arrangements for Regular Employees

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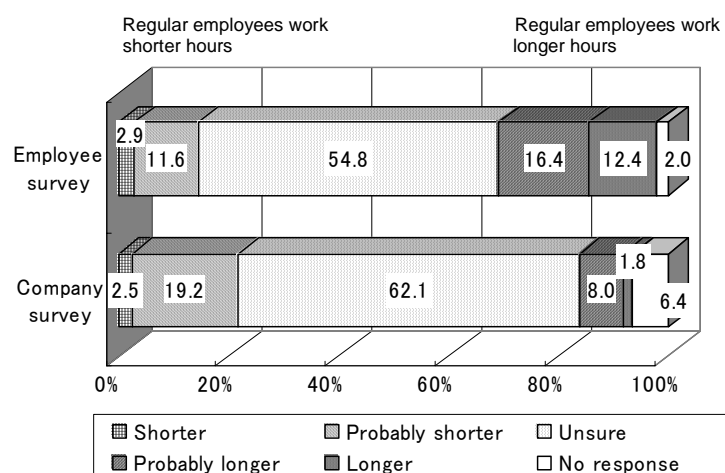
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## 1. Current Status of Regular Employees

Ever since the collapse of the bubble economy, regular (permanent) employment has been under siege. In 1997, the number of regular employees began decreasing, while that of non-regular employees such as part-time workers has steadily grown. In 2004, according to the *Labour Force Survey* (Ministry of Internal Affairs and Communications), non-regular employees comprised 31.4% of all employees (excluding executives).

The growth of non-regular hiring not only affects the number of regular employees, but their work arrangements as well. For example, one study found that 28.8% of employees feel non-regular hiring causes regular employees to work longer hours, compared to 14.5% who say that work hours have shortened. On the other hand, employers hold the opposite view—only 9.8% say that non-regular hiring causes regular employees to work more, while 21.7% claim that regular employees work less. Thus a perception gap exists between regular employees, who work longer hours on site, and employers, who are slow to recognize this trend (Figure 1). Observers point out that in recent years a growing number of workers work at least 60 hours per week, particularly among 30- and 40-year-old male employees.

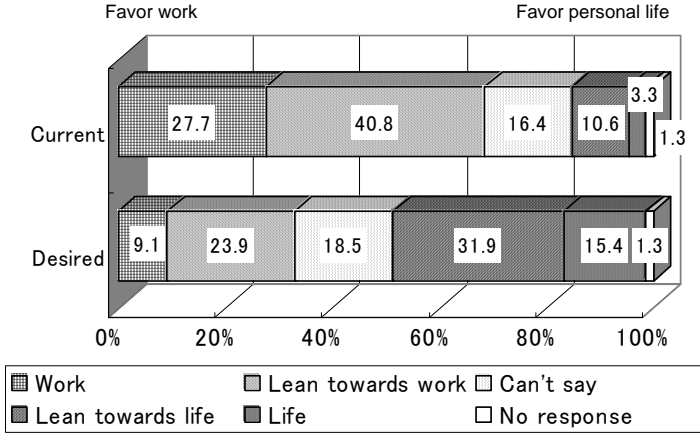
**Figure 1 Impact of Non-Regular Hiring on Work Hours of Regular Employees**



Note: Employee survey includes regular employees and transferred employees.  
Source: Japan Institute of Labour, *Survey of Company Personnel Strategies and Employee Work Attitudes*.

Since overtime pay is an important component of income, less overtime work translates into lower income. However, people’s preferences are shifting toward a more balanced relationship between work life and personal life. As Figure 2 shows, while work is the top priority now, far more people would prefer to prioritize their personal life. This gap between actual and preferred work hours tends to erode motivation, and poses major issues at the organizational level as well.

**Figure 2 Current and Preferred Work-Life Balance**



Source: MHLW, Survey of Work Life Balance (2003).

To balance work and life, we must diversify the work arrangements available to employees. One possibility explored in recent years is work sharing. In practice, however, the only diversification that has occurred has been in the type of employment. Flex-time and work-at-home alternatives are spreading, but only because more part-time and contract employees are being hired. Meanwhile, work arrangements for regular employees may actually be narrowing. Left unattended, these trends threaten not only to overload regular employees with work, but to encourage the growth of *freeters* (persons aged 15-34 who prefer temporary to regular employment), and impede hiring of women and elderly persons—all of whose labor force participation is critical to offset the mass retirement of baby boomers.

To diversify work arrangements for regular employees, we must first recognize just how diverse their needs are. For example, existing programs allow regular employees to work part-time only for child care and long-term care purposes, and are used almost exclusively by women. But men can obviously have similar needs. Moreover, there are other life stages besides child care and long-term care, and as workers move through different life stages, they may at some point want to work fewer hours or work at home. In that case, how would wages be affected, and what other compensation issues would arise?

This paper specifically examines two alternative work arrangements for regular employees: part-time work, and working at home. By analyzing the needs of regular employees, we hope to better assess the possibilities for more diverse work arrangements in the future.

To examine alternative work arrangements from the perspective of both employees and employers, our analysis relies on individual sample data from two surveys, both by the Japan Productivity Center for Socio-Economic Development (JPC-SED): *Survey of Work-Sharing Programs (Employee Survey)*,<sup>1</sup> conducted in October 2003 among regular employees, and *Survey of Work-Sharing Programs (Company Survey)*,<sup>2</sup> conducted in October–November 2003 among companies.

## 2. Preferred Work Arrangements of Employees

In the employee survey, regular employees were asked their preferences for part-time and work-at-home arrangements at different stages of life. Preferences are indicated on a four-part scale: prefer, tend to prefer, tend not to prefer, and do not prefer.

We first look at current preferences, that is, preferences in their current life stage (Figure 3). Regarding part-time work, roughly 10% of both men and women indicate a preference (7.8% of men and 10.1% of women). When those who “tend to prefer” part-time work are included, proportions rise to 20.7% for men and 29.4% for women.

On the other hand, with regard to working at home, as many as 15.7% of men indicate a current preference, compared to only 8.8% of women. Including those who “tend to prefer” work at home, men retain a lead at 37.5% compared to 31.1% for women.

By personal characteristics, women with preschool children show a much stronger preference for both programs than other women. For men, having preschool children is not as important as having family members who need long-term care: 14.5% of these men prefer part-time work, or over twice as many as those without such concerns (7.1%). For women, having family members who need long-term care also boosts the preference for part-time work (19.0%), although less than having preschool children. However, long-term care does not affect the preference to work at home for either men or women. By spouse’s type of employment, among men with a spouse who is also a regular employee, preferences are stronger for both arrangements. This contrasts with the low preferences among men whose spouse is not working.

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<sup>1</sup> The employee survey sample consists of 1,250 men and 1,250 women, aged 20–59, chosen from registered survey participants to reflect the national population distribution by geographic area, age, and gender. A total of 2,166 valid responses were received by mail (valid response rate was 86.6%). However, to focus on the demand for part-time work programs among regular employees, only responses from current regular employees were used (1,155).

<sup>2</sup> The company survey sample consists of 5,630 companies (listed, OTC and unlisted) with at least 300 employees, in all industries. A total of 646 valid responses were received by mail (valid response rate was 11.5%).

**Figure 3 Work Arrangement Preference by Personal Characteristics**

		Part-time work			Work at home		
		Tend to prefer	Prefer	Tend to prefer + prefer	Tend to prefer	Prefer	Tend to prefer + prefer
(n)		%					
Men	(927)	12.9	7.8	20.7	21.8	15.7	37.5
Women	(228)	19.3	10.1	29.4	22.4	8.8	31.1
<b>Have preschool children?</b>							
Men	No (736)	12.4	7.7	20.1	20.8	15.4	36.1
	Yes (186)	15.6	7.0	22.6	25.8	17.2	43.0
Women	No (206)	16.5	8.3	24.8	20.4	8.3	28.6
	Yes (21)	47.6	28.6	76.2	42.9	14.3	57.1
<b>Have family member needing LTC?</b>							
Men	No (836)	12.9	7.1	20.0	21.7	16.0	37.7
	Yes (83)	13.3	14.5	27.7	25.3	13.3	38.6
Women	No (205)	18.5	9.3	27.8	22.4	9.3	31.7
	Yes (21)	23.8	19.0	42.9	23.8	4.8	28.6
<b>Spouse's type of employment</b>							
Men	Regular (102)	11.8	11.8	23.5	19.6	22.5	42.2
	Nonregular (248)	10.5	7.7	18.1	21.8	14.1	35.9
	Self-employed, etc. (10)	30.0	0.0	30.0	40.0	20.0	60.0
	Nonworking (334)	14.4	6.3	20.7	22.5	15.3	37.7
	No spouse (single) (217)	13.4	8.8	22.1	21.2	15.7	36.9
Women	Regular (52)	30.8	7.7	38.5	25.0	7.7	32.7
	Nonregular (3)	66.7	0.0	66.7	0.0	0.0	0.0
	Self-employed, etc. (20)	10.0	30.0	40.0	30.0	15.0	45.0
	Nonworking (5)	40.0	0.0	40.0	0.0	20.0	20.0
	No spouse (single) (141)	14.2	8.5	22.7	22.0	7.8	29.8

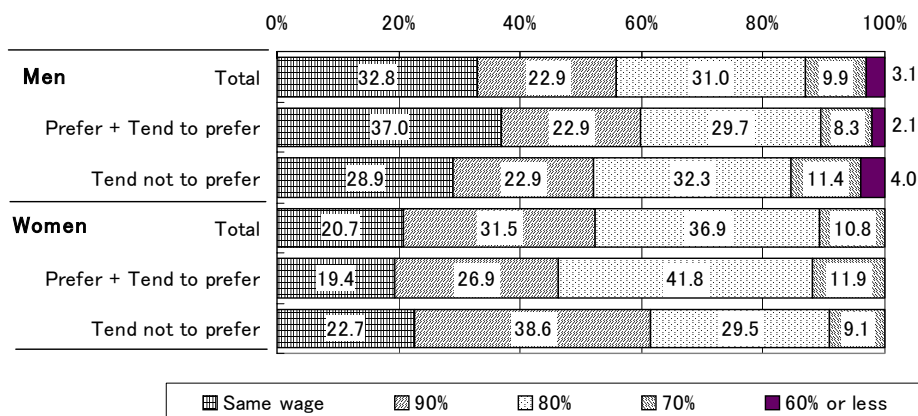
Note: Results are omitted for "do not prefer," "tend not to prefer," and "no response."  
 Source: JPC-SED, *Survey of Work-Sharing Programs (Employee Survey, 2003)*

### 3. Concerns About Work Arrangements and Compensation

To better grasp what type of part-time work arrangements regular employees have in mind, we next examine the desired work hours and wages (relative to full-time work), and how these are affected by the preference for part-time work.

Those who prefer part-time work are evenly divided regarding the number of desired work hours—46.8% prefer to work approximately half of full-time hours, while 48.6% prefer to work three-quarters of full-time hours—with no significant difference by gender. As for desired wage level, 32.8% of men and 20.7% of women insist on the same wage as for full-time work. However, the majority of both men and women will accept a wage cut of 10% (22.9% men, 31.5% women) to 20% (31.0% men, 36.9% women). Interestingly, men who prefer part-time work demand a full-time wage more strongly than those who do not, while the opposite is true of women—women who prefer part-time work are more willing to accept wage cuts (Figure 4).

**Figure 4 Desired Part-Time Wage (by Preference for Part-Time Work)**



Source: JPC-SED, *Survey of Work-Sharing Programs (Employee Survey, 2003)*

A major concern when diversifying work arrangements is the possibility of wage cuts, particularly among those who prefer part-time work. This group also harbors concerns in retirement allowance, promotion, public pension, and return to full-time status. Overall, having a preference for alternative work arrangements tends to increase the number of concerns. This suggests that to promote diversity, work arrangements must be designed to allay such concerns (Figure 5).

**Figure 5 Concerns Regarding Part-Time and Work-at-Home Arrangements**

		(n)	Wage cut	Retirement allowance	Promotion	Public pension	Other benefit	Return to full-time status	Other	None	Don't know	No response
<b>Part-time work</b>												
Men	Don't prefer	(721)	88.9	56.2	44.9	43.3	26.4	54.4	1.8	1.1	2.9	0.3
	Prefer	(192)	86.5	52.1	38.5	46.9	28.6	47.4	1.0	1.6	2.6	0.0
Women	Don't prefer	(158)	84.2	49.4	33.5	43.7	31.0	64.6	2.5	0.0	3.2	0.0
	Prefer	(67)	71.6	40.3	23.9	46.3	29.9	52.2	3.0	3.0	3.0	1.5
<b>Work at home</b>												
Men	Don't prefer	(570)	60.7	34.7	35.4	28.6	22.8	43.7	0.9	4.9	15.6	3.2
	Prefer	(348)	60.1	27.9	29.6	26.1	23.0	32.5	3.2	13.8	10.9	0.6
Women	Don't prefer	(156)	63.5	34.0	25.0	31.4	25.6	48.7	3.2	1.3	14.1	3.2
	Prefer	(71)	57.7	26.8	28.2	28.2	23.9	36.6	1.4	5.6	18.3	1.4

Source: JPC-SED, *Survey of Work-Sharing Programs (Employee Survey, 2003)*

#### 4. Preference by Life Stage

We next examine the expected preferences of regular employees for part-time and work-at-home arrangements at different stages of life. Eight life stages are defined: (1) when children are preschool age, (2) when children are elementary school or junior high school age, (3) when children are high school or college age, (4) when children become financially independent, (5) when a family

member needs long-term care, (6) when you reach age 60–64, (7) when you want to pursue educational or self-development activities, and (8) when you want to engage in volunteer or other social activities.

By gender and life stage, preferences for both arrangements are highest among women at two stages— stage 1 (preschool children) and stage 5 (long-term care), with percentages at approximately 50%. Another relatively strong response is observed among women in stage 2 (elementary or junior high children), with percentages at approximately 30%.

For men, preferences for both arrangements rise later in life at stage 5 (long-term care), stage 6 (at age 60–64), stage 7 (self-development), and stage 8 (social activities). Preferences at stages 7 and 8 are even higher than at stage 1. The tendency for preferences to rise is also seen among women at stages 7 and 8, with percentages of approximately 30% (Figure 6).

**Figure 6 Expected Preference for Part-time Work by Life Stage**

	Part-time work				Work at home (%)			
	Don't prefer	Tend not to prefer	Tend to prefer	Prefer	Don't prefer	Tend not to prefer	Tend to prefer	Prefer
<b>When children are preschool age</b>								
Men	41.3	14.5	24.6	17.2	31.3	12.9	27.5	26.4
Women	10.5	6.1	18.9	61.4	8.3	6.6	31.1	51.3
<b>When children are elementary and junior high school age</b>								
Men	46.8	21.0	20.6	8.7	35.8	19.8	26.4	16.2
Women	8.8	9.2	41.7	36.4	10.5	12.3	45.2	29.4
<b>When children are high school and college age</b>								
Men	60.2	22.5	10.0	4.2	46.4	24.7	14.9	12.0
Women	30.7	27.2	24.6	14.0	27.6	34.2	24.6	10.5
<b>When children are financially independent</b>								
Men	59.2	17.8	13.8	6.1	48.4	19.7	16.0	13.4
Women	50.4	16.7	14.0	15.8	46.9	26.3	15.4	8.3
<b>When family needs long-term care</b>								
Men	15.4	10.5	41.1	29.9	13.3	8.6	38.3	37.4
Women	11.4	7.9	26.8	50.4	10.1	7.0	36.0	45.2
<b>At age 60–64</b>								
Men	13.3	11.5	41.2	31.3	15.5	12.9	38.6	31.2
Women	13.6	14.5	31.1	36.8	15.8	11.8	40.4	30.3
<b>While pursuing education</b>								
Men	12.6	12.5	44.2	27.9	15.4	13.6	39.2	30.0
Women	7.9	14.9	40.8	33.3	16.7	18.0	39.0	22.4
<b>While socially active</b>								
Men	15.2	15.4	44.3	22.1	17.0	14.3	37.5	29.2
Women	10.5	18.4	39.5	27.6	20.6	20.2	35.1	19.3

Source: JPC-SED, *Survey of Work-Sharing Programs (Employee Survey, 2003)*

As the data shows, both men and women perceive different needs for part-time and work-at-home arrangements at different life stages. The need for alternative work arrangements is particularly acute for women in the child-raising and long-term care stages, and for men in the long-term care,

self-development and social activity stages.

However, we must note that disparities tend to arise between current and expected preferences. Among respondents currently in stage 1 (preschool children), men who prefer or tend to prefer part-time work comprise 7.0% and 15.6% respectively, while for women the respective percentages are 28.6% and 47.6%. By comparison, for respondents currently in another life stage, the expected preferences for stage 1 are 17.2% and 24.6% respectively for men, and 61.4% and 18.9% respectively for women. As this gap suggests, expected preferences may tend to overestimate actual preferences.

## **5. Will Arrangements Diversify for Regular Employees?**

We noted that approximately 10% of regular employees—both male and female—prefer part-time work arrangements in their current situation. When those who tend to prefer are included, the percentages rise to 20% for men and 30% for women. As for working at home, men show a stronger preference than women, although the percentage rises for women currently raising preschool children. We also found that both men and women prefer to work at home more strongly when a family member needs long-term care. Thus while existing part-time work arrangements cater overwhelmingly to women with child-raising or long-term care objectives, there appear to be a demand among men as well.

By life stage, expected preferences are high among women at stage 1 (preschool children) and stage 2 (elementary and junior high school children); for men, expected preferences also rise at stage 5 (long-term care), similar to their current preferences. One interesting point is that approximately 20% to 30% of men expect to prefer part-time work at stage 7 (self-development) and stage 8 (social activity). This is all the more intriguing because very few companies now recognize such objectives. Yet companies at some point may start listening to employee preferences, and design more compatible work arrangements.

To examine the perspective of employers, we compared *actual* effects of part-time work arrangements at companies that have implemented a program, with *expected* effects at companies that have not. Although job stability ranks first among both groups, non-implementers emphasize lower labor cost as the next most important effect, while implementers recognize a variety of benefits—effective use of human resources, retention of employees, and improved morale. Thus implementers seem to better appreciate the dynamic effects of part-time work arrangements.

**Figure 7 Effect of Introducing Part-Time Work Program (Companies)**

	(n)	Better recruitment	Higher retention	Effective HR mgt.	Lower labor cost	Job stability	Higher work efficiency	Higher morale	Other	No response
Total	(646)	12.2	21.8	44.9	46.9	54.5	17.5	23.1	2.9	4.8
Without program	(438)	12.1	18.5	45.0	50.7	53.7	19.2	21.5	2.5	3.2
With program	(200)	13.0	30.0	46.5	40.5	58.5	14.5	27.5	4.0	4.5

Source: JPC-SED, *Survey of Work-Sharing Programs (Company Survey, 2003)*

Despite the long-recognized need of companies and employees for diverse work arrangements—particularly to reduce overtime work burdens—almost no progress has occurred. Amid the retirement of baby boomers from 2007 and continued decline in birthrate, maintaining economic vitality will make the acceptance of foreign workers a key policy issue. Meanwhile, however, it is also true that human resources are not being fully utilized—for example, the women’s labor force participation rate is low compared to other countries. Diverse work arrangements are critical for the effective mobilization of a shrinking working-age population. An instructive case is the Netherlands—known for having 1.5x income couples, they have managed to raise employment of women, reduce unemployment, and encourage more men to perform housework. As a result, the birthrate actually rose in the 1990s.

There is great merit for companies to consider part-time and work-at-home arrangements that meet the needs of employees. Companies that have introduced such programs have already confirmed improvements in employee retention and morale. We hope that by resolving career and compensation concerns, diverse work arrangements can spread beyond the current limited use for child care and long-term care purposes.