

# The Diversification of Types of Employment in the Retail Industry

By Emiko Takeishi  
Social Development Research Group

## 1. Growth in Non-Regular Employment

There has been noticeable growth in part-time, loaned, and other non-regular (*hiseiki*) workers. Given the economy's continuing weakness and bleak employment situation, the number of employed persons (excluding executives) declined in 1999. The decline was pronounced among regular employees (*seiki shokuin* or *jugyojin* traditional full-time employees), dropping by over one million from 37.94 million in 1998 to 36.88 million in 1999. On the other hand, non-regular workers continued to increase. In fact, over the 15-year period from 1985 to 1999, regular employees increased by 10.3% or 3.45 million (from 33.43 million to 36.88 million), whereas non-regular workers grew 87.0% or 5.7 million (from 6.55 million to 12.25 million). As a result, the proportion of non-regular workers in the labor force rose from 16.4% to 24.9% during the period (Figure 1).

**Figure 1 Size and Composition of the Labor Force (1985 - 1999)**

(Million persons)

	Employees (excl. executives)	Regular employees		Non-regular employees		
				Part-time	Arubaito	Other
1985	39.99 (100.0%)	33.43 (83.6%)	6.55 (16.4%)	(9.0%)	(3.5%)	(3.9%)
1986	40.56 (100.0%)	33.83 (83.4%)	6.73 (16.6%)	(9.4%)	(3.5%)	(3.7%)
1987	40.48 (100.0%)	33.37 (82.4%)	7.11 (17.6%)	(10.2%)	(3.6%)	(3.7%)
1988	41.32 (100.0%)	33.77 (81.7%)	7.55 (18.3%)	(10.7%)	(3.8%)	(3.8%)
1989	42.69 (100.0%)	34.52 (80.9%)	8.17 (19.1%)	(11.0%)	(4.4%)	(3.8%)
1990	43.69 (100.0%)	34.88 (79.8%)	8.81 (20.2%)	(11.6%)	(4.7%)	(3.9%)
1991	45.36 (100.0%)	36.39 (80.2%)	8.97 (19.8%)	(11.5%)	(4.7%)	(3.6%)
1992	46.64 (100.0%)	37.05 (79.4%)	9.58 (20.5%)	(11.9%)	(4.9%)	(3.8%)
1993	47.43 (100.0%)	37.56 (79.2%)	9.86 (20.8%)	(11.9%)	(5.0%)	(3.9%)
1994	47.76 (100.0%)	38.05 (79.7%)	9.71 (20.3%)	(11.7%)	(5.0%)	(3.6%)
1995	47.80 (100.0%)	37.79 (79.1%)	10.01 (20.9%)	(11.8%)	(5.5%)	(3.7%)
1996	48.43 (100.0%)	38.00 (78.5%)	10.43 (21.5%)	(12.3%)	(5.7%)	(3.6%)
1997	49.63 (100.0%)	38.12 (76.8%)	11.52 (23.2%)	(12.9%)	(6.2%)	(4.2%)
1998	49.67 (100.0%)	37.94 (76.4%)	11.73 (23.6%)	(13.2%)	(6.6%)	(3.8%)
1999	49.13 (100.0%)	36.88 (75.1%)	12.25 (24.9%)	(14.0%)	(6.9%)	(4.1%)

Source: MACA, *Special Survey of the Labor Force Survey*.

By industry, the proportion of non-regular workers is highest in the wholesale, retail and restaurant industries (35.7%), followed by services (25.9%) and manufacturing (15.9%). In addition, by place of business, part-time employment exists at almost half (47.7%) of all business locations, and is most widespread in the wholesale, retail and restaurant industries (57.5%; Figure 2).

**Figure 2 Types of Employment by Industry and Establishment**

Types of employment by industry (%)

	Total	Regular	Non-regular						
				Loaned	Temp staff	Part-time	Temp./day	Contract / regist'd	Other
All industry	100.0	77.2	22.8	1.4	0.7	13.7	4.4	1.7	1.0
Manufacturing	100.0	84.1	15.9	1.1	0.5	10.8	2.3	0.5	0.7
Wholesale, retail, restaurant	100.0	64.3	35.7	1.1	0.6	28.5	2.6	1.8	1.2
Finance, insurance	100.0	87.7	12.3	0.8	3.6	3.4	0.6	3.2	0.7
Services	100.0	74.1	25.9	2.0	0.8	13.6	5.4	2.8	1.3

Percent of establishments employing each types of employment (by industry) (%)

	Regular	Loaned	Temp staff	Part-time	Temp./day	Contract / regist'd	Other
All industry	97.8	6.9	3.4	47.7	14.9	6.5	5.1
Manufacturing	98.7	6.3	2.5	56.3	12.2	3.5	3.8
Wholesale, retail, restaurant	96.7	6.0	2.6	57.5	8.4	6.2	5.4
Finance, insurance	100.0	4.8	18.9	36.8	8.2	11.0	5.9
Services	97.2	9.0	3.0	51.2	14.4	9.9	6.3

Source: Ministry of Labor, *General Survey of the Diversification of Types of Employment* (1994).

The increase in non-regular workers is occurring against the backdrop of three major factors: (1) labor cost cutting, (2) more flexible deployment to accommodate daily, weekly, and seasonal fluctuations in business, and (3) increased participation of housewives from the latent work force.

Non-regular employment is difficult to define because it consists of many different forms including part-time, *arubaito*, *shokutaku*, and contract employment, and also because definitions can vary by company.

This paper presents the results of an interview survey of the retail industry,<sup>1</sup> which employs a large number of non-regular workers. We examine the status of *tanjikan* (short work time) workers — a blanket category covering all non-regular employees — focusing particularly on part-time workers, and describe their growth patterns and the evolution of compensation practices (see Figure 3 for details).<sup>2</sup>

**Figure 3 Employment Status of *Tanjikan* Workers in the Retail Industry**

Company	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Business	Dept. store	Dept. store	Dept. store	Super store	Super store	Super store	Super store	Super store	Super store	Super store	Super store	Cloth. store	Book-seller	Phar-macy	Coop	Coop
Nonreg. / total (%)	45.0	35.9	25.3	79.2	79.8	83.4	83.4	52.3	79.3	75.7	75.8	80.0	62.5	82.6	86.5	68.0
Nonreg. /women (%)	66.6	55.5	37.0	92.6	89.7	—	—	—	90.5	85.1	91.1	—	77.9	—	98.1	85.9
<b>Tanjikan worker ratio and no. of categories</b>																
% of total	45.0	27.4	25.3	58.8	61.8	83.4	83.4	76.9	75.4	51.4	49.8	80.0	62.5	82.6	62.5	55.5
No. of categories	4	6	6	2	2	2	3	2	2	3	2	0	3	5	6	0
<b>Classification criteria</b>																
Job content	○		○									—	○		○	—
Grade		○					○	○		○	○	—	○	○	○	—
No. of workhours	○		○	○	○		○		○	○		—	○		○	—
Other		○				○						—				—
<b>Wage structure criteria</b>																
Grade	○					○									○	○
Evaluation (levels)		7	3		5		5	5	5	3	5	3	5			5
Performance	Some													○		
Length of service				To 4 yrs				To 3 yrs						Other		To 6 yrs
<b>Bonuses</b>																
Coverage	Part	Part	Full	Full	Full	Full	Part	Full	Part	Part	Full	Full	Part	No	Part	Full
Probation period			2 yrs	2 yrs												
Evaluation based		*	*	*	*	*	*	*	*	*	*	*				*
Results based	*			*												
Prediction for tanjikan ratio	Rise to 50%	Same	Higher	Higher	Same	Higher	Same	Same	Edge up	Same	Higher	Same	Higher	Same	Same	Higher

## 2. Diversification of Employment Types in the Retail Industry

Mired in the post-bubble consumption slump and under acute pressure to cut costs, retailers have been forced to drastically revise the composition of their work force. The growing trend toward non-regular employment in the late 1990s was confirmed by our survey, wherein almost all companies have increased their ratio of *tanjikan* workers compared to five years ago.

Moreover, during the 1990s many companies began shifting toward merit-based management systems for regular employees, while reorganizing their policies on the use and compensation of non-regular workers — primarily with respect to part-time workers, who are becoming predominant on the sales floor.

In addition to regular workers, all of the companies employ a variety of non-regular workers including part-time, *arubaito*, and contract (also called *shokutaku* or *junshain*) workers. Employment structures are quite varied with respect to job responsibilities, duration of labor agreement, wage payment method, and source of labor.

The ratio of non-regular workers at the companies ranges from a low of 25.3% to a high of 86.5%. Supermarkets have a particularly high ratio of 70 to 80%, contrasting sharply with the relatively high ratio of regular workers at department stores. The ratio of non-regular workers increases for female workers, reaching over 90% at some companies. This suggests that the use of non-regular workers is quite advanced with respect to women, and housewives in particular.

Among non-regular workers, the ratio of *tanjikan* workers — those with shorter work hours than regular workers — ranges from 25.3% to 83.4% depending on the particular business area and company.<sup>3</sup>

### 3. Employment Management of *Tanjikan* Workers

Many companies distinguish subcategories of *tanjikan* workers in their employment management. Only two companies manage *tanjikan* workers as a single category, with the rest having from two to as many as six distinct subcategories.

Three major criteria are used for classification.

1. Job content – the skills needed and scope of responsibility
2. Job qualification and grade – ranking based on ability, etc. to reward good *tanjikan* workers
3. Number of work hours – allows workers to qualify for tax deductions as dependents and choose participation in social insurance.

In one case, a distinction is even made regarding the source of the worker — for example, whether the worker is a housewife or student.

These classifications share the basic idea that the treatment of *tanjikan* workers should reflect their abilities and work attitude. In the past, it was believed that compensation disparities among part-time workers negatively affected relationships at work, but today it is generally accepted that workers prefer differential treatment based on ability, and that this motivates them.

The retail industry appears to be unique in the complexity of its *tanjikan* classification. The manufacturing industry also employs *tanjikan* workers at many establishments, but tends to reduce variations in work hours and other factors to achieve greater production line efficiency. In retailing, where business fluctuates significantly depending on the time of day or week, considerable energy is spent scheduling convenient work hours for *tanjikan* workers.

#### 4. Wage System of *Tanjikan* Workers

Companies are especially careful to construct promotion and compensation systems that reward *tanjikan* workers fairly and appropriately based on ability and performance.

Seven of the companies have drastically revised their pay and promotion systems for *tanjikan* workers since the mid 1990s. One reason they give for the revision is that the tight labor market of the bubble years distorted compensation levels without regard to ability, and the pay and promotion system needed major revisions to correct gross imbalances.

One feature of recent revisions is the revision of job-related qualification systems. Four of the companies presently have something resembling a job-related qualification system; some companies terminated their systems in the 1990s.

In 1996, supermarket no. 4 abolished a job-related qualification system introduced in 1979, shifting to a compensation system based solely on length of service (which peaks in four years). The change was prompted by employee dissatisfaction with the previous system, which was supposed to determine compensation based on job-related abilities, but actually only provided seniority-based pay raises. While wages peak out after four years, incentives exist in the form of bonuses based on store, department (groceries department, etc.) and individual performance.

Company no. 11 also abolished its job-related qualification system and introduced a new system in 2000. As with company no. 4, disparities between qualification grades and abilities had become conspicuous. The new system involves a detailed wage table and pay raises based on evaluation.

Many companies have adopted a wage system in which evaluations are reflected in pay raises and bonuses. Usually, prescribed evaluations are done by several people on a scale containing from three to seven levels. In recent years there has been a tendency to refine these scales, and increase the transparency and fairness of evaluations to employees before applying the results to pay and qualification decisions. Meanwhile, seniority-base pay raises are being phased out; only four companies consider length of service in determining wages, and even these peak out in a few years.

Moreover, there has been a trend to apply to *tanjikan* workers the same performance-based compensation system as regular employees. At pharmaceutical retailer no. 14, while different grades of workers receive the same basic wage, *tanjikan* workers have sales quotas just like regular employees, and receive additional pay if they meet their quotas. The size of this results-based portion is commensurate with the employee's grade.

## 5. Division of Functions with Regular Employees

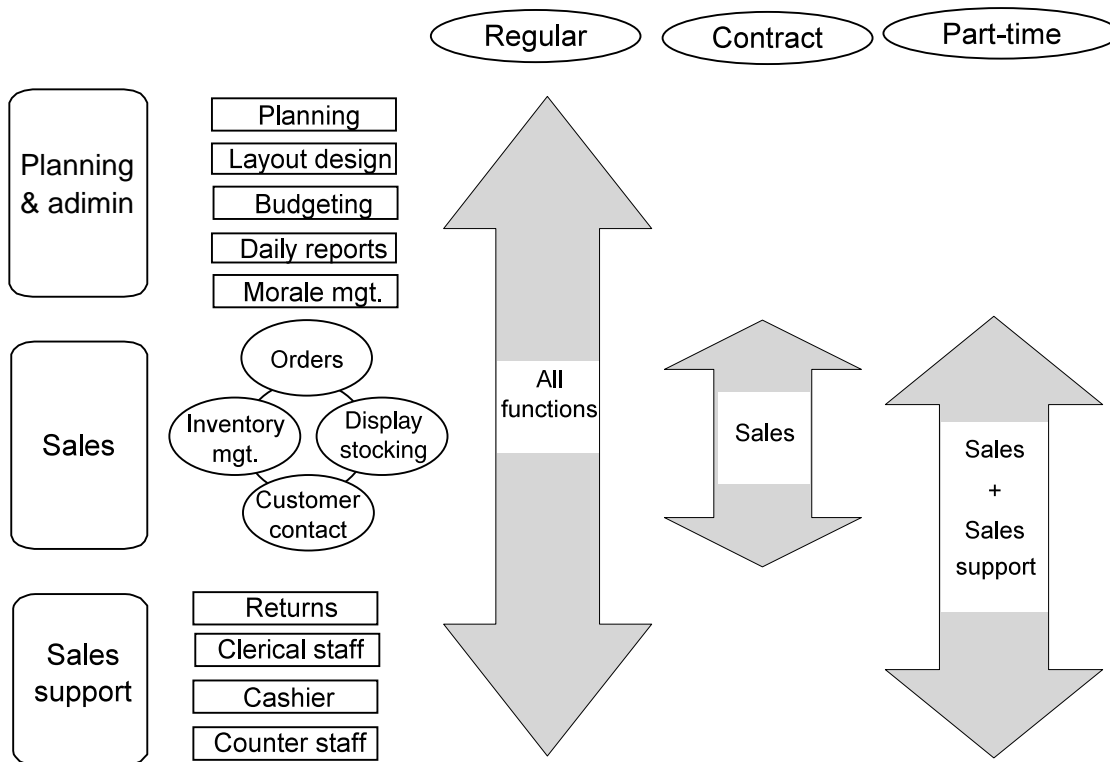
The treatment of *tanjikan* workers at a company has much to do with the way the company values their role and competence. Below we examine this matter from the viewpoint of the division of functions between *tanjikan* workers and regular employees.

In the retail industry, *tanjikan* workers are regarded as a valuable asset in the sales department. They often share the same responsibilities and functions as regular employees in interacting with customers, operating cash registers and other important functions. Supermarket no.8 even has *tanjikan* workers who issue purchase orders, counting on their competence, judgement, and knowledge of the local scene and customer preferences.

However, since regular employees are on a career track to management positions while *tanjikan* workers are not, there is a common view that *tanjikan* workers should be confined to their area of competence in sales. The large differences with regular employees in terms of career and responsibilities is used to justify differences in pay and promotion.

Figure 4 shows the division of job functions between regular employees and *tanjikan* workers at department store no. 1. When the company revamped its job classifications in 1996, one of the aims was to make clear distinctions between of regular employees and *tanjikan* workers.

**Figure 4 Division of Functions Between Regular and *Tanjikan* Workers**



On the other hand, women’s apparel retailer no. 12 has extended promotion opportunities to *tanjikan* workers, who are viewed as a strategic asset. Except for the store manager, the entire staff at all stores are *tanjikan* workers. The reason for employing *tanjikan* workers is clear and simple: to take advantage of the under-rated, under-utilized work force of competent housewives. All of the work in the stores is entrusted to *tanjikan* workers. Moreover, workers who have demonstrated their competence can be promoted to regular employees and become store managers. *Tanjikan* workers who become regular employees are not transferred farther than commuting distance from their home (other regular employees can be transferred to distant locations). In addition, their length of service as *tanjikan* workers is calculated into their retirement pay. Because of the company’s rapid growth in number of stores, approximately 30 to 40 *tanjikan* workers become regular employees each year.

## 6. The Trend Toward Contract Employees

Another emerging type of employment is contract employment, which is differentiated from regular employment based not on work hours but on the employment contract and job content.<sup>4</sup>

Department store no. 1 introduced a contract employee system in 1998 for sales specialists. Their work week is 35 hours long, slightly less than the 37.5 hours for regular employees. They are deployed on

sales floors that offer customers consulting and advice on merchandise, and are recognized as sales professionals whose goal is to spend 80% of their time on sales. While all employees are paid the same basic monthly salary, a performance-based portion is paid twice a year and can create gaps of up to two million yen per year. The company plans to expand and rely mainly on its contract employee sales force in its sales consulting department.

As this example suggests, we expect that companies will increasingly deploy regular employees into management and decision-making positions, while depending on contract employees and other non-regular workers for direct contact with customers in sales operations.

## **7. Improving Employment Conditions for Non-Regular Workers**

As seen from our survey, there has been a trend to increase non-regular workers and particularly part-time workers on retail sales floors. While some companies say their ratio of non-regular workers has nearly peaked out, others emphasize how individuals can improve their competence in the future. Many companies have refined their pay and promotion systems through numerous revisions.

Under these circumstances, a major problem regarding the employment of non-regular workers is how to address the distinction with regular workers in terms of work functions and pay and promotion issues.

One possibility is the Holland model. After overcoming a severe recession in the 1980s, Holland implemented structural reforms to increase the flexibility of the labor market by promoting part-time employment while adopting the principle of equal treatment between part-time and full-time workers. This April, the Ministry of Labor released an opinion paper addressing employment management of part-time workers, proposing that part-time workers who perform the same functions as regular employees receive fair treatment.

With the expansion of non-regular workers, labor unions have become more forward looking about organizing these workers. At company no. 2, the labor union is involved in organizing part-time and contract workers to improve employment conditions for non-regular workers.

In the future, to promote the greater utilization of aged workers and under-utilized housewives in the overall labor market, the status of non-regular workers in society needs to be clarified and employment conditions need to be improved. In the retail industry, following the implementation of the Large-Scale Retail Store Location Law on June 1, many companies are striving to increase revenues by reducing days off and extending store hours. These changes in the business environment are expected to increase the importance of non-regular workers. Approximately half of the companies surveyed expect



to further increase their already high ratio of non-regular workers. To motivate the growing number of non-regular workers and utilize their strategic value, companies need to implement pay and promotion systems that are transparent and comprehensible to employees — cost savings are no longer an adequate reason for expanding non-regular employment.

## Notes

1. The interview survey was conducted from November 1999 to March 2000 at 28 companies. This paper reviews results from 16 of these companies.
2. In this paper, *tanjikan* workers refer to workers with shorter work hours than regular (permanent) employees.
3. Some companies include *arubaito*, *shokutaku* and other worker categories in *tanjikan* workers, while others do not.
4. In the Ministry of Labor's *General Survey of the Status of Diversification in Types of Employment* (1994), contract and registered employees are defined as “persons employed on a contractual or registration basis for the purpose of working in specialized occupations.”