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## Introduction

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The full-time, permanent job historically has been the norm in Japan, the United States, and European countries. Yet in virtually all of these countries, the fraction who are in part-time, temporary, or other nonstandard positions has increased in recent years, in some countries dramatically so. The papers in this volume use an interdisciplinary and cross-country comparative framework to understand why nonstandard work has grown in so many countries and its implications for workers.

These papers were originally presented at a conference sponsored by the Japan Foundation and the W.E. Upjohn Institute for Employment Research in August 2000. The conference brought together leading scholars in the fields of economics, sociology, and labor law from Japan, the United States, and Europe to address a common set of questions. All of the papers written for the volume explicitly compare the experiences among countries or were paired with papers that address a similar set of questions for other countries. There is considerable variation in the levels of and growth in various nonstandard work arrangements among countries. Authors exploit cross-country variation in economic conditions and institutional arrangements to better understand why certain arrangements have been growing faster in some countries than in others and what this means for workers.

In addition, the papers in this volume examine a broad set of employment arrangements. In this way, they provide a reasonably complete picture of how the nature of the employment relationship is changing within and among countries. Moreover, because responses to economic or institutional pressures may manifest themselves in different ways in different countries, the inclusion of a broad set of arrangements is important in cross-country analysis. For instance, businesses may respond to competitive pressures to reduce labor costs and

increase employment flexibility primarily by increasing fixed-term contracts in one country, increasing part-time employment in another, and subcontracting out work to self-employed individuals in a third. Thus, the research in this volume is able to capture important cross-country dynamics that might have been missed had we focused on just one or a limited set of employment arrangements.

The first set of papers in the book compares the development of nonstandard employment in selected countries, examining the causes of different patterns and trends among countries and the implications for workers. Hoffmann and Walwei compare the more rapid growth of nonstandard employment, particularly part-time and fixed-term contract employment, in Germany relative to Denmark. Fagan and Ward examine the Netherlands, which experienced rapid growth in part-time and temporary employment, and Britain, which experienced much slower growth in nonstandard employment. Cebrián, Moreno, Samek, Semenza, and Toharia study the situation in Italy and Spain, two countries with high unemployment and rigid labor markets but quite different patterns of nonstandard employment. The chapters by Carré and by Houseman and Osawa compare the rather limited growth of nonstandard employment in the United States with the much more rapid development in France and Japan, respectively. Gustafsson, Kenjoh, and Wetzels cover the developments in four European countries with diverse experiences: Britain, Germany, the Netherlands, and Sweden.

Women are disproportionately represented in nonstandard employment arrangements (particularly part-time and temporary employment) in all countries, and several papers provide a special emphasis on women in nonstandard employment. Gustafsson, Kenjoh, and Wetzels provide an extensive discussion of the interaction of female labor force participation, government policies affecting women—including child care and maternity leave laws—and the development of nonstandard employment in European countries. Nagase and Cassirer provide similar analyses for Japan and the United States, respectively.

Employment and related laws play a complex but crucial role in the development of nonstandard employment within countries. Two papers in this volume provide essential background and analysis of laws pertaining to nonstandard employment. Schömann and Schömann discuss the laws in the European countries covered in the volume and related directives passed by the European Union, while Kojima and

Fujikawa compare and contrast relevant employment law in Japan and the United States.

The volume concludes with a paper by Kalleberg and Reynolds examining the attitudes of workers in nonstandard employment in all of the countries represented in the book. The chapter goes beyond the documentation of differences in the wages, benefits, and job security of workers in nonstandard arrangements relative to those in regular full-time positions, and considers how workers feel about these differences and whether their attitudes affect their productivity.

## **NONSTANDARD WORK ARRANGEMENTS: SOME DEFINITIONS**

Nonstandard work arrangements are perhaps most easily defined by what they are not: full-time dependent employment with a contract of indefinite duration, or what is generally considered the “standard” work arrangement. Most papers in this volume focus on part-time and various types of temporary employment. Though the precise definition varies among countries, part-time employees typically work fewer hours per week than full-time employees. In Japan, however, many part-time workers work the same (or almost the same) number of hours as their full-time counterparts (see Houseman and Osawa). Within the category of temporary employment, the distinction is made between *direct-hire temporaries*, who are hired directly by the employer for a temporary period of time or on a fixed-term contract, and *temporary agency workers*, who are employees of a temporary help agency that subcontracts out its employees to clients on a short-term basis. Temporary agency workers may be temporary employees of the agency or, in some countries, may have regular, permanent contracts with the agency. Several chapters also consider the development of self-employment, especially the dependent self-employed or independent contractors, who perform work for a particular client and have few or no employees of their own.

The precise definitions of various nonstandard work arrangements can differ among countries, and authors of the individual chapters in this volume are careful to point out these often subtle but important dif-

ferences. In many cases, differences in the definitions of nonstandard arrangements reflect, as Hoffmann and Walwei point out, the fact that the standard employment arrangement can mean quite different things in different countries. For instance, regular, full-time employees in the United States have far less protection against dismissal than their counterparts in many European countries and Japan. Statistics specifically on fixed-term contracts have not been collected in the United States, as they typically are in other countries, arguably because these types of contracts are not widely used owing to the ease of dismissing regular workers; in turn, temporary employment is more broadly defined in U.S. statistics than in other countries. Similarly, the fact that many of those designated as part-time in Japan work the same hours as full-time workers reflects a part-time/full-time distinction in Japan that denotes a difference in status, in which regular full-time workers typically enjoy greater job security, benefits, and wages.

## **OVERVIEW OF NONSTANDARD EMPLOYMENT IN JAPAN, THE UNITED STATES, AND EUROPE**

Table 1.1 shows trends in part-time, temporary, and self-employment in the countries covered in this volume.<sup>1</sup> Although the levels of and trends in part-time and temporary help employment vary considerably among countries, most countries experienced some growth in the share of one or both of these forms of employment. Especially notable is the growth of part-time employment in France, Germany, the Netherlands, and Japan, and the growth of temporary employment in Spain and France. The figures on self-employment in Table 1.1 break out agricultural and nonagricultural self-employment. Self-employment in many countries declined sharply because of a steep decline in agricultural employment. Movements in self-employment in nonagricultural industries are more likely to reflect shifts in the use of independent contractors.<sup>2</sup> The fraction in nonagricultural self-employment increased modestly in several European countries, including Germany, Denmark, the Netherlands, and Britain. Countries with high initial levels, such as Italy, Spain, and Japan, experienced declines in the share in nonagricultural self-employment, probably reflecting the decline in

**Table 1.1 Trends in Nonstandard Work in the 1990s in Japan, the United States, and Selected European Countries (percentage of total employment)**

	Total employment		Self-employment <sup>a</sup>							
	(000)		Agricultural		Nonagricultural		Part-time <sup>b</sup>		Temporary <sup>c</sup>	
	1988	1998	1988	1998	1988	1999	1988	1998	1988	1998
Japan <sup>d</sup>	60,502	67,003	3.5	2.3	11.5	9.5	10.8	15.4	9.1	9.7
United States <sup>e</sup>	117,342	133,488	1.2	1.0	7.3	6.6	18.7 <sup>f</sup>	17.4	N.A.	3.6
Denmark	2,683	2,679	2.1	1.0	2.5	3.1	23.7	22.3	5.6	5.8
Germany	26,999	35,537	1.3	0.6	3.1	4.3	13.2	18.3	5.0	5.6
France	21,503	22,469	3.6	2.0	4.6	4.2	12.0	17.3	4.6	10.3
Italy	21,085	20,357	4.7	1.8	18.9	10.2	5.6	7.4	3.3	4.2
Netherlands	5,903	7,402	1.6	1.3	4.9	5.5	30.2	38.7	7.0	11.1
Spain	11,709	13,161	6.5	3.6	12.6	11.3	5.4	8.1	15.3	24.3
Sweden	4,375	3,979	1.8	1.1	5.4	5.2	27.1	26.3	10.6	13.9
United Kingdom	25,660	26,883	0.8	0.6	7.8	8.4	21.9	24.9	5.0	5.8

<sup>a</sup> In the European countries, self-employment excludes self-employed with employees.

<sup>b</sup> *Part-time employment* is defined as usual hours of work less than 35 hours per week in the United States and Sweden. In Japan and other European countries, individuals identify themselves as part-time.

<sup>c</sup> In Japan and European countries, *temporary workers* are typically defined as those with fixed-term contracts. Japanese data include day laborers; the European data include apprentices. In the United States, temporary workers are those with a job that is expected to be of temporary duration.

<sup>d</sup> Data for Japan are for the years 1987 and 1997.

<sup>e</sup> Data for the United States are for the years 1989 and 1999.

<sup>f</sup> Figure adjusted to take into account discontinuity in U.S. data on part-time employment (see Houseman and Osawa, note 3).

N.A. = data not available.

SOURCE: Authors' tabulations from the Employment Status Survey for Japan and from the Current Population Survey for the United States. Siv Gustafsson supplied tabulations from the Swedish Labor Force Survey. Edeltraud Hoffmann and Ulrich Walwei supplied tabulations from the European Union Labor Force Survey for the other European countries.

small family businesses. The employment share in temporary help agencies (not reported) still represents a relatively small fraction of total employment in all countries. Nevertheless, it has grown rapidly in Japan, the United States, and most European countries in recent years (Fagan and Ward; Houseman and Osawa).

The importance of the growth in nonstandard work arrangements is even more striking when viewed in terms of its contribution to job growth. For instance, Fagan and Ward report that 70 percent of all new jobs in European Union countries were fixed-term contracts in 1997, up from 50 percent just five years previously. The Dutch economy of the 1990s is often admired for its spectacular job growth and decline in unemployment, but most of its net employment growth was accounted for by the growth in nonstandard employment, primarily part-time employment. Similarly, in Japan, part-time employment accounted for 77 percent of the growth in paid employment from 1992 to 1997. Even in the United States, which experienced little growth in most forms of nonstandard employment, the growth in temporary help employment accounted for 10 percent of net employment growth in the 1990s.

## **FACTORS INFLUENCING THE SIZE AND GROWTH OF NONSTANDARD WORK ARRANGEMENTS**

Many of the chapters in this volume address why nonstandard work grew in recent years and why the levels and growth of various arrangements are so much greater in some countries than in others. A logical factor to explore is whether growth in nonstandard work reflects simple shifts in the demographic or industry composition of workers and jobs. For instance, if the composition of the workforce shifted toward demographic groups who needed more flexible work schedules, this might result in an increase in the supply of workers seeking part-time and temporary positions. Similarly, if the composition of employment shifted toward industries with an above-average use of part-time shifts or temporary positions, we would expect an increase in employer demand for these types of arrangements. Gustafsson, Kenjoh, and Wetzels argue that an increase in the labor force participation of women may explain some of the dramatic increase in part-

time employment in the Netherlands. However, for the most part, these simple supply and demand shifts cannot explain the growth of non-standard employment. Hoffmann and Walwei, for instance, show that none of the growth in part-time or temporary employment in Germany or Denmark may be explained by changes in the demographic composition of the workforce or by industry shifts. Similarly, simple demographic and industry shifts cannot explain changes in part-time employment in Japan and the United States. Nagase notes that there has been some increase in the number of Japanese women desiring part-time employment, owing to the precipitous decline of family and self-employment opportunities there, but argues that because involuntary part-time employment has grown among Japanese women over age 35, their choice of part-time employment is often a constrained one.

Instead of simple demographic and industry shifts, a complex set of factors related to economic conditions and to government taxes, regulations, and other policies helps explain much of the growth and cross-country differences in growth of nonstandard work. Countries with relatively high unemployment and low employment growth, such as France, Japan, Germany, and Spain, generally experienced more growth in the share in nonstandard arrangements than countries with relatively low unemployment and high employment growth, such as Denmark and the United States (Carré; Houseman and Osawa; Hoffmann and Walwei; Cebrián et al.) There are a couple of reasons why this correlation may occur. Hoffmann and Walwei suggest that non-standard work arrangements are less desirable for most workers, and so such arrangements grow when the economy is weak and workers have little choice. In addition, as Schömann and Schömann point out, governments often promoted fixed-term employment contracts, part-time employment, and self-employment as a solution to high unemployment. Of course, to the extent that policies promoting nonstandard work succeeded, over time the growth in nonstandard work arrangements might be associated with high employment growth and low unemployment rates, rather than the reverse. Arguably, the Netherlands is a case in point, where rapid growth of part-time and temporary employment—fostered partly by public policy—was associated with high employment growth and low unemployment.

Government tax policies and regulations of benefits may greatly affect employers' incentives to use various nonstandard arrangements. For instance, the circumvention of taxes is an important reason for the high and rapidly expanding levels of part-time employment in Japan (Nagase; Houseman and Osawa; Kojima and Fujikawa). Similarly, U.S. employers may avoid paying expensive benefits by using part-time, temporary, or contract workers (Houseman and Osawa). By EU mandate, European countries have passed laws to generally require equal pay, benefits, and other protections of workers in nonstandard arrangements, and consequently, lower wages, benefits, and taxes usually have been less important as factors underlying the growth of part-time and temporary employment there. Nevertheless, there are still some labor cost advantages to using nonstandard work arrangements in European countries. For instance, Hoffmann and Walwei note that in Germany and Denmark, the avoidance of taxes and other social protections may underlie the growth in low-hours, part-time workers, who are not covered by laws requiring equal treatment. Moreover, as with independent contractors in the United States, such factors likely contributed to the growth in self-employment (with no employees) in certain European countries, such as Germany.

A relatively more important set of factors encouraging employers in many European countries to use nonstandard work arrangements is the circumvention of dismissal laws. All European countries regulate the terms of layoff, typically requiring advance notice and some severance payment, though the stringency of the regulation varies greatly from country to country. To inhibit employers from circumventing these regulations by hiring employees on fixed-term contracts (which could be terminated without consequence to the employer at the end of the contract and which could be repeatedly renewed), governments typically regulate their use, though, again, the stringency of regulations governing fixed-term contracts varies greatly. Fagan and Ward point out that European countries with the highest levels of temporary employment tend to be the countries with strong obstacles to firing coupled with few restrictions on the use of temporary contracts. For instance, the huge increase in temporary employment in the 1980s in Spain is generally credited to stringent dismissal laws and the relaxation of restrictions on fixed-term contracts (Cebrián et al.). Similarly, restrictions on dismissals for economic and noneconomic reasons are

one factor underlying France's growth in temporary help and fixed-term contract positions, which are used as a screening device, especially for youth and women entering the workforce, and as a buffer for regular employees (Carré). Hoffmann and Walwei argue that the more stringent regulation of layoff in Germany compared with Denmark is at least partly responsible for its higher level of fixed-term contracts. Restrictions on dismissal of regular employees in Japan, coupled with implied commitment of lifetime employment for regular employees, has stimulated the growth of part-time employment, especially part-time employment on temporary contract (Houseman and Osawa). In addition, against the backdrop of a prolonged recession and the need to cut costs, Japanese employers successfully lobbied to liberalize laws governing the use of temporary agency workers, spurring the recent rapid growth in this form of employment (Kojima and Fujikawa). In contrast to the situation in many European countries and Japan, Britain and the United States have relatively few restrictions on dismissal, and thus avoidance of such restrictions is relatively unimportant in spurring the growth of nonstandard employment (Fagan and Ward; Houseman and Osawa).

Competitive pressures on companies to increase workforce flexibility coupled with the relaxation of government regulations on work hours has been another important impetus for the growth in nonstandard work in many countries. For instance, in several European countries, the relaxation of work hour regulations was associated with widespread expansion of operating hours by businesses, allowing more intensive use of capital and providing more responsive, flexible delivery and service times. The expansion of hours of operation has resulted in increased demand for part-time and other nonstandard work arrangements to cover irregular work hours. Companies have also sought to use more part-time and other nonstandard arrangements to provide a closer correspondence between actual staffing needs and staffing levels at any point in time. In addition, employers may increase part-time workers' hours without incurring overtime costs (Carré; Fagan and Ward).

Although some government policies effectively increase employer demand for part-time workers, others effectively increase the supply of workers desiring part-time employment. As noted above, most European countries have passed laws mandating equality in the pay and

treatment of part-time and other workers in nonstandard arrangements, thus making part-time employment more attractive to workers (Schömann and Schömann; Fagan and Ward). Some European countries, most notably the Netherlands, have given workers certain rights to reduce their hours of employment (Gustafsson, Kenjoh, and Wetzels). Tax structures in some countries, notably Japan and Denmark, have effectively increased the desirability of working part-time, especially for married women (Kojima and Fujikawa; Nagase; Houseman and Osawa; Hoffmann and Walwei).

## **WOMEN IN NONSTANDARD EMPLOYMENT**

Women in all of the countries studied are disproportionately represented in part-time and temporary employment. Several chapters uncover interesting cross-country differences in trends in nonstandard employment among women and the links between marriage, childbirth, and nonstandard employment. For instance, Nagase, writing on Japanese women, and Cassirer, writing on U.S. women, show that work patterns following marriage and childbirth are quite different in these two countries. Japanese women are much more likely than U.S. women to drop out of the labor force following marriage or childbirth. Interestingly, Japanese women do not tend to use part-time employment when their children are young as a bridge to full-time employment when their children are grown, as is common in the United States and other countries. Rather, in large part because of the low wages associated with part-time employment, it is more typically selected by Japanese women with older children who do not need to pay for child care.

Cross-country differences in the ways women combine marriage, work, and family are also manifested in different trends in part-time employment. Although the rate of part-time employment among women was increasing rapidly in countries such as the Netherlands, Germany, and Japan, it was declining in Sweden, Germany, and the United States. Several chapters relate cross-country differences in the incidence of and trends in part-time employment to differences in government policy and the availability of child care. For instance, Gustafsson, Kenjoh, and Wetzels posit that the rapid growth of part-time work

in the 1990s in the Netherlands is partly related to the fact that only recently have Dutch women combined work and family. In contrast, part-time work in Sweden grew rapidly in the 1970s as many homemakers entered the labor force on a part-time basis. Gustafsson, Kenjoh, and Wetzels hypothesize that the fall in part-time employment among Swedish women is related to laws that treat full-time work for both men and women as the norm, but allow for generous leaves (so that parents may combine work and family) and give parents the right to shorten work hours until their child is age 8. The lack of child care in countries such as Japan and Germany makes it difficult for women to work full-time, and hence may have contributed to the growth of part-time employment in these countries. In contrast, the greater access to child care in countries such as the United States and Denmark may have contributed to the decline in part-time employment among women in those countries (Houseman and Osawa; Hoffmann and Walwei).

The tax structure also influences women's choices between part-time and full-time employment. For instance, Hoffmann and Walwei link the growth of full-time employment among married Danish women to the favorable treatment of second incomes in the Danish income tax structure. In contrast, the rapid growth of part-time employment among Japanese women has been linked to a tax structure with strong financial incentives for married women to keep their earnings below certain thresholds (Nagase; Kojima and Fujikawa; Houseman and Osawa).

Finally, the strength of antidiscrimination laws may influence women's choices between part-time and full-time jobs, with the latter generally being better paid than the former. For instance, Nagase notes that although Japan's Equal Employment Opportunity Law and Child Care Leave Law of 1986 should have promoted more full-time regular employment among women, it has had little apparent effect thus far, a fact she attributes to the law's weakness.

Although most research on women in nonstandard employment focuses on part-time work, the growth of female labor force participation has been offered as an explanation for the growth of various types of temporary employment in a number of countries. Women will more likely prefer temporary employment, it is reasoned, in order to accommodate family demands. However, evidence presented by Cassirer

casts doubt on this hypothesis. She concludes that in the United States, temporary agency and direct-hire temporary jobs are not particularly attractive to women with children. Few American women use temporary or other nonstandard work for extended periods of time, and most use it as a transition to full-time work.

## **THE IMPLICATIONS OF NONSTANDARD EMPLOYMENT FOR WORKERS**

It is commonly believed that workers in nonstandard employment arrangements receive lower pay, fewer benefits, and less job security than comparable workers in full-time regular positions. In principle, any adverse effects of nonstandard employment should be less in European countries than in the United States and Japan. As Schömann and Schömann note, there has been a legal movement within the European Union to guarantee the same protections for workers in nonstandard arrangements as in regular full-time positions. Laws often mandate parity in wages and benefits, rights to works council or union representation, and limits on the time individuals may be in fixed-term contracts. Japan and the United States, for the most part, lack such protective legislation (Kojima and Fujikawa).

Careful statistical studies generally show that part-time and other workers in nonstandard arrangements earn less and receive fewer benefits than comparable full-time workers in Japan and the United States (Nagase; Houseman and Osawa). Despite parity laws, the results from studies comparing wages of workers in nonstandard arrangements to those in regular full-time employment in European countries are mixed. Controlling for worker characteristics, workers on fixed-term contracts earn similar wages to those in permanent positions in Spain (Cebrián et al.). Controlling for demographic, occupational, and industry characteristics, part-time and full-time workers earn similar pay in Sweden and the Netherlands, but part-time workers earn substantially less in West Germany and Britain (Gustafsson, Kenjoh, and Wetzels). Fagan and Ward suggest one reason for the continued discrepancy between the wages of workers in nonstandard arrangements and those in regular full-time arrangements in countries such as Britain is the

weakness of parity laws in these countries. Carré and Gustafsson, Kenjoh, and Wetzels also point out that employers can circumvent parity regulations by segregating part-time and full-time workers into different occupations; for the government to enforce parity regulations, firms must have classified nonstandard and regular full-time workers in the same occupations. Gustafsson, Kenjoh, and Wetzels note that although part-time work is found in a broad spectrum of occupations, including high-skilled occupations in the Netherlands and Sweden, part-time work is concentrated in low-skilled occupations in West Germany and Britain. They offer these patterns as an explanation for the wage parity found in the former two countries and its absence in the latter two countries.

By definition, workers in temporary positions have less job security than permanent workers. Indeed, the ability to circumvent dismissal laws or to otherwise reduce the cost of dismissal is an important reason employers in all countries use fixed-term contracts or temporary help agencies. Concern that workers may become trapped in temporary positions with little job security is greatest for countries, such as Japan and Spain, that have strong protections against dismissing regular workers but have little regulation of temporary contracts. Indeed, there is little mobility between nonregular and regular positions in Japan (Houseman and Osawa). Interestingly, however, Cebrián and colleagues assert that concern over job instability for temporary workers is exaggerated in Spain, where the fraction of paid employees on fixed-term contract is roughly one-third. They argue that previous studies showing little movement of temporary workers to permanent positions are based on data with a relatively short time horizon. Over longer time frames, temporary workers typically appear to settle into permanent jobs.

Although workers in part-time and temporary positions often are concentrated in low-skilled, low-paying jobs and have little job security, Kalleberg and Reynolds find little evidence that this negatively affects their attitudes toward work. Using data from the International Social Survey Program for the countries covered in this volume, they find that part-time workers in most countries have attitudes that are as positive or more positive toward their job than those of full-time workers. Part-time workers also report less job stress. Kalleberg and Reynolds argue that part-time workers may be generally satisfied with their

job because the job rewards generally match the values they place on job rewards. For instance, people who value high pay typically do not work part-time. Sweden is a notable exception. The negative attitudes expressed by Swedish part-time workers may reflect that country's poor economic conditions during the survey period, with many part-time workers desiring full-time employment.

Workers on fixed-term contracts also generally do not display more negative attitudes and behaviors toward work, in spite of the fact that those on fixed-term contracts do not seem to value job rewards less than full-time workers. Kalleberg and Reynolds speculate that, although those on fixed-term contracts often would prefer permanent employment, they do not display negative work attitudes because they are trying to gain a permanent job with the employer. In so much as worker attitudes affect worker productivity, Kalleberg and Reynolds uncover no adverse consequences for employers from hiring workers on a part-time or temporary basis.

## Notes

1. Note that figures on nonstandard employment presented in Table 1.1 may differ slightly from figures presented in subsequent chapters in this volume (for instance, if they are derived from a different survey). Also, in Table 1.1, nonstandard employment is expressed as a percentage of total employment rather than as a percentage of wage and salary employment, as is done in several chapters.
2. Self-employment figures for European countries exclude the self-employed with dependent employees, whereas figures for the United States and Japan include all self-employed. Figures on nonagricultural self-employed without dependent employees are especially likely to reflect movements in independent contract employment. Unfortunately, it is not possible to report comparable figures for Japan and the United States.