

1. Worker Dispatching System in Japan: History of Its Deregulation

1.1 Concept

“Worker dispatch” means having a worker employed by a company to be engaged in work for a client company while under the instruction and orders of the said client company. In Japan, this kind of labor (with some exceptions) was prohibited by the Employment Security Act for many years. However, with the enactment of the Worker Dispatching Act in 1985, which was put in place to adjust labor demand and supply, the dispatch of workers was deregulated under certain conditions.

The two types of worker dispatch businesses specified in Worker Dispatching Act are the “general worker dispatching business” and the “specified worker dispatching business”. Specified worker dispatching business refers to worker dispatching business in which the dispatched workers are composed solely of “regularly employed workers” and is based on a notification system (carried out by a person who has submitted a written notice). The general worker dispatching business is involved in the dispatching of “workers other than those in regular employment” and is based on an approval system (carried out by a person who has received a license). Moreover, since it is also possible to dispatch “regularly employed workers” with a license to carry out general worker dispatch business, a general worker dispatching agency may dispatch both “regularly employed workers” and “workers other than those in regular employment”.

On the other hand, on a practical level, several types of employment contracts that are separate from legal concepts such as “regularly employed workers” and “workers other than those in regular employment” have evolved. The first type is called “regularly employed type,” in which the employment relationship between the dispatched worker and the dispatching agency continues regardless of the

existence of a client company. The second type is called “registration-type” in which the employment contract is concluded subject to the existence of a client company. Moreover, “regularly employed type” can be further classified into two types: One is when the employment relationship is for an indefinite period, while the other is when the employment type is for a fixed period. In this instance, the former is called “regularly employed/ open-ended contract type” and the latter is called “regularly employed/ fixed-term contract type”.

As previously mentioned, the types of employment contracts such as “regularly employed/ open-ended contract type”, “regularly employed/ fixed-term contract type”, and “registration-type” do not always coincide with legal concepts such as “regularly employed workers” and “workers other than those in regular employment”. However, based on the hearing survey conducted by the author, it is safe to say that the majority of the “regularly employed workers” of the specified worker dispatching agencies are in the form of a “regularly employed/ open-ended contract type”, and the majority of the “workers other than those in regular employment” of the general worker dispatching agencies are in the form of a “registration-type”.

1.2 Transition of the Worker Dispatching System

The Worker Dispatching Act was enacted in July 1986, and has subsequently been substantially revised several times. Hereinafter, the content of the Act at the time of enactment are explained, along with the amendments made in 1996, 1999, 2000 and 2004.

At the time of the enactment of the law, 13 occupations such as “software development” and “office equipment operation” were covered initially, with three more added to the list after three months. In other words, in effect the worker dispatching system started off with 16 occupations on the positive list.

In December 1996, the Act was extended to cover 26 occupations. The occupations that were listed on the positive list at this time are generally referred to as the “List of 26 Job Categories Under Government Ordinance”.

In December 1999, the regulation governing the scope of dispatch of workers, with the exception of some manufacturing occupations, was liberalized in principle. In this way, the regulatory method for the types of occupations was changed from positive listing to negative listing.

In December 2000, the ban on temp-to-perm (a system whereby the worker is first employed as a dispatched worker for a certain period by the client

company before becoming a employee of client company and when the client company and the dispatched worker are in agreement, then the dispatched worker is introduced as a employee of client company) was lifted.

In March 2004, the ban on worker dispatching for manufacturing occupations which were on the negative list in December 1999 was lifted. Furthermore, concurrently the worker dispatching period was extended, and the bans on pre-hire interviews and the submission of resumes for temp-to-term positions were lifted.

In general, the Worker Dispatching System has consistently moved in the direction of the relaxation

Table 2-1 Transition of the Worker Dispatching System

Month year	Occupation	Maximum dispatch period		Temp-to perm
July 1986 Worker Dispatching Act enforced	Initially 13 occupations + 3 occupations added ⇒ “16 Occupations”	3 years for the same worker in accordance with the administrative guidance		Not possible
December 1996 Revised Act enforced	⇒ Increased to “26 Occupations”			Not possible
December 1999 Revised Law enforced	Liberalized in principal (Negative Listing) ⇒ Worker dispatching is liberalized in all job categories other than port transport services, construction work, security services, medical related services, operations relating to the employer as part of the personnel related operations, lawyers/ accountants etc., and manufacturing operations.	“26 Occupations”	Same as above	Not possible
		Deregulated operations	1 year for the same post	
December 2000 Revision of the Procedural Requirement for Occupations	Same as above	Same as above		Possible
March 2004 Revised Law enforced	Ban on worker dispatching for manufacturing operations, medical-related services (for temp-to-perm) lifted	“26 Occupations”	No upper limit	Possible (Relaxation of requirements)
		Deregulated operations	3 years for the same post	
		Manufacturing operations	1 year for the same post (3 years after March 2007)	

Source: Koji Takahashi “Trend of the Dispatch Worker Business – Time-oriented Data Based on the Collective Data from the Report on Worker Dispatching Business” (2006, Rodo Shinbun-sha). P.5 has been added and revised.

of the regulations so far.

Trends of the Worker Dispatching Market: From Sudden Expansion to “*Haken-giri* (Slashing Dispatched Workers)”

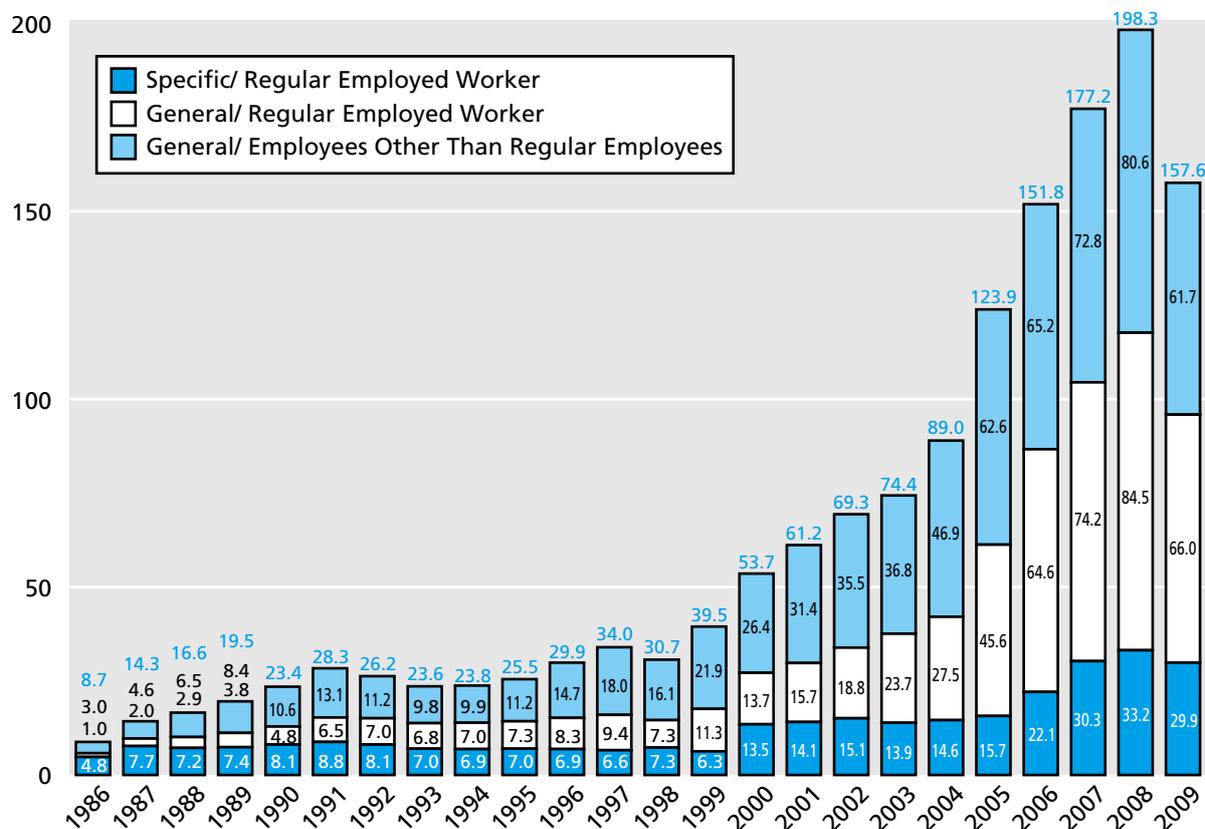
2.1 The Number of Dispatched Workers

“Collective Data from the Report on Worker Dispatching Business”, issued by the Ministry of Health, Labour and Welfare of Japan, is frequently used as data to understand trends in the number of dispatched workers. From this data it is possible to figure out the time-oriented trends of the numbers of the “regularly employed workers dispatched from specified worker dispatching agencies”, “regularly employed workers dispatched from general worker dispatching agencies” and “employees other than regular employees dispatched from general worker dispatching agencies” in the form of a regular circulation basis (the so-called “full-time equivalent”).

Figure 2-2 shows the result of this calculation,

and from this we can see the following four points: First, in the long term the number of dispatched workers is on the increase. Specifically, in fiscal 1990 the number was 233,765; however in fiscal 2000 this rose to 537,063 and in fiscal 2008 this went up to 1,983,336. Behind this change there are underlying trend variations in the personnel strategy of the companies and the work ethic of the workers. Secondly, as opposed to the above there, has been a period where the number of dispatched workers has temporarily declined. Specifically the decrease has been during the periods between 1991 and 1993, and between 1997 and 1998. The period between 1991 and 1993 is the economic slump following the collapse of the bubble economy, and the period between 1997 and 1998 coincides with the financial crisis following the collapse of domestic financial institutions. More specifically, although the number of dispatched workers has been on the increase in the long term, when viewed closely it has been affected

Figure 2-2 Trends in the Numbers of Dispatched Workers (Unit: 10,000 Persons)



Source: “Collective Data from the Report on Worker Dispatching Business” by Ministry of Health, Labour and Welfare

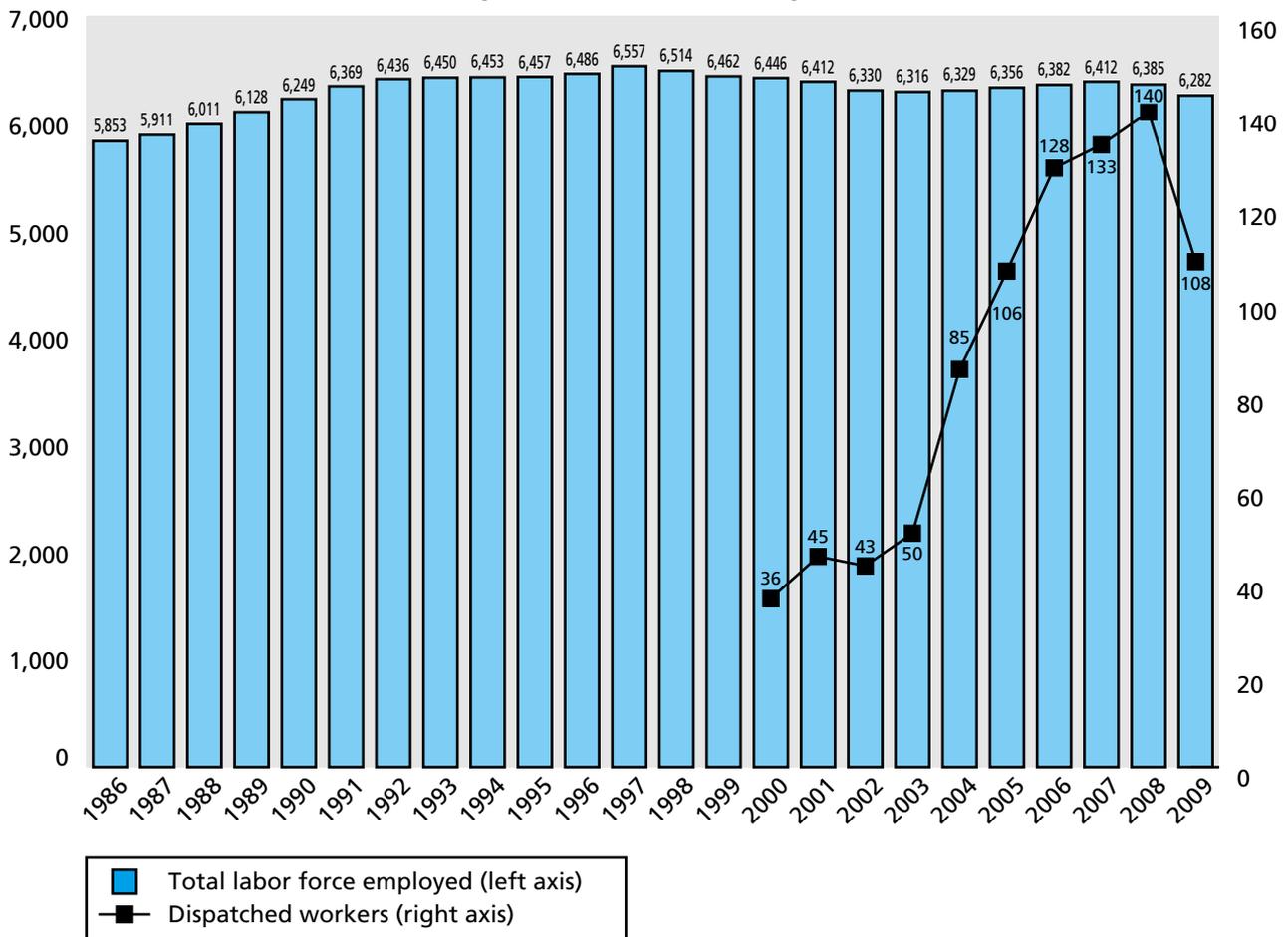
by the changes in the economy. Thirdly, the number of dispatched workers has drastically increased since entering the beginning of the 21st century. Behind this trend are law revisions, such as the changing of the listing of dispatch work types to the negative listing (1999) and lifting the ban on manufacturing occupations (2004). Fourthly, the number of dispatched workers has fallen to an extremely low level between 2008 and 2009. This was due to the global financial crisis following the so-called “Lehman Shock”, and since that point the working environment for dispatched workers has changed tremendously. We will refer to this issue later on in 2.5.

Figure 2-3 is a graph showing the trends in the numbers of the total labor force and the numbers of dispatched workers based on the “Labour Force Survey” by the Statistics Bureau of the Ministry of Internal Affairs and Communications. The graph shows that when the total labor force remains at the same level, there is a drastic shift in the number of dispatched workers. Therefore, although the percentage of dispatched workers in the total labor force was 0.6% in 2000, this rose to 2.2% in 2008, and then dropped to 1.7% in 2009.

2.2 The Attributes of Dispatched Workers

What type of people are dispatched workers, and

Figure 2-3 Trends in the Total Number of Employed and Dispatched Workers (Unit: 10,000 Persons)



Source: “Labour Force Survey” by Statistics Bureau of Ministry of Internal Affairs and Communications. However, the number of dispatched workers before 2001 are based on “Special Survey of Labour Force Survey” and the number of dispatched workers during and after 2002 are based on “Detailed Tabulation of Labour Force Survey”.

- Notes: 1) “Labour Force Survey” before 1999 does not have the classification for “dispatched workers”.
 2) Since “Labour Force Survey” is a household survey, the numbers vary with the numbers in “Collective Data from Report on Worker Dispatching Business” which is based on the data collected from worker dispatching agencies.

what kind of companies (client firms) do they work for? Hereinafter, we will confirm the personal attributes and the company attributes of the regular employees, part-time workers, and dispatched workers based on “Employment Status Survey” compiled by Statistics Bureau of Ministry of Internal Affairs and Communications. In particular, we will

look closely at the differences between the part-time workers and the dispatched workers. The reason why we are using part-time workers as a comparison is because, from both a historical and numerical point of view, the part-time workers represent the unofficial labor force in Japan.

The results are shown in Table 2-4. From this

Table 2-4 Attributes of Dispatched Workers

(%)

Sex	Regular employees	Part-time workers	Dispatched workers
Male	69.3	10.3	37.9
Female	30.7	89.7	62.1

Age	Regular employees	Part-time workers	Dispatched workers
Under 29	21.5	8.3	32.8
30~39	28.5	19.4	34.3
40~49	22.7	25.7	17.7
50~59	21.8	27.9	8.9
Above 60	5.6	18.6	6.3

Academic background (excluding those currently attending academic institutions)	Regular employees	Part-time workers	Temporary agency workers
Elementary/ junior high	6.6	14.1	9.2
High School/ old systems junior high	39.6	54.3	45.6
Technical school	12.9	11.8	12.9
Junior College/ technical college	8.0	13.0	14.0
University/ graduate school	32.9	6.8	18.2

Occupation	Regular employees	Part-time workers	Dispatched workers
Professional/ technical workers	19.2	8.0	5.1
Managers and officials	1.4	0.0	0.0
Clerical and related workers	24.3	23.8	39.3
Sales workers	13.7	11.7	6.0
Service workers	6.4	20.5	4.8
Protective service workers	2.5	0.6	0.0
Agricultural, forestry and fisheries workers	1.0	1.1	0.2
Transportation and communication workers	4.4	1.1	2.1
Production process workers and laborers	27.2	33.1	42.5

Industry	Regular employees	Part-time workers	Dispatched workers
Agriculture	0.8	1.3	0.3
Forestry	0.1	0.0	0.0
Fishery	0.2	0.1	0.0
Mining	0.1	0.0	0.0
Construction	8.9	1.9	1.8
Manufacturing	22.2	16.0	43.4
Electric/ gas/ heating Supply/ water Supply	1.0	0.0	0.3
Information and telecommunication	4.6	1.3	7.1
Transport	6.3	3.6	6.3
Wholesale / retail trade	14.6	29.4	10.8
Finance/ insurance	3.6	1.9	7.9
Real estate	1.1	1.0	0.9
Eating and drinking place, accommodations	2.5	10.1	1.8
Medical/ welfare service	10.6	15.1	5.9
Education, learning support	5.3	2.7	1.8
Combined services	1.1	0.7	0.2
Services	11.3	14.3	11.0
Public service	5.7	0.6	0.5

Company Size (persons)	Regular employees	Part-time workers	Dispatched workers
1~4	6.0	6.7	0.8
5~9	6.4	9.0	1.5
10~19	6.7	9.5	2.7
20~29	4.1	5.4	2.9
30~49	5.1	6.3	4.7
50~99	7.0	8.5	10.3
100~299	10.4	11.1	17.8
300~499	4.6	4.1	8.2
500~999	5.6	4.8	9.2
Over 1000	20.5	17.6	34.1
Public office etc.	12.1	3.6	1.6
Other corporate bodies/ organizations	11.6	13.4	6.2

Source: "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

chart six things can be understood: First, on the basis of gender, approximately 90% of the part-time workers are female, while a little over 40% of the dispatched workers being male. Secondly, on the basis of age, the majority of part-time workers are in their 40s and 50s, while the majority of the dispatched workers being in their 20s and 30s. Thirdly, on the basis of education, graduates of university and graduate schools account for only 6.8% of the part-time workers, while they account for

18.2% of the dispatched workers.

Fourthly, by occupation type, the part-time workers can be roughly classified into three categories; "manufacturing process/manual labor workers" (33.1%), "clerical workers" (23.8%) and "service occupation workers" (20.5%). On the other hand, the dispatched workers can be roughly classified into only two categories: "manufacturing process/manual labor workers" (42.5%) and "clerical workers" (39.3%). The fifth point is, by industry type,

the biggest percentage of the part-time workers are engaged in “wholesale/retail trade” (29.4%), while the temporary agency workers are engaged mainly in “manufacturing” (43.4%). The sixth point is, when looking at the scale of the company, a substantial number of the part-time workers work for companies with less than 99 employees; however only about 20% of the dispatched workers work for companies with less than 99 employees and over 30% of them work for larger corporations with over 1,000 employees.

As just described above, the dispatched workers have different attributes from both a personal and corporate standpoint when compared to part-time workers.

2.3 Working Hours of Dispatched Workers

Next we would like to look at the working hours of the dispatched workers. Table 2-5 shows the working hours per week of the regular employees, part-time workers and dispatched workers based on the “Employment Status Survey” compiled by Statistics Bureau of Ministry of Internal Affairs and Communications. This table shows that those who work less than 34 hours a week account for 59.5% of the part-time workers and account for only 10% of the dispatched workers. It also shows that among the dispatched workers, those who work long hours, such as between 49-59 hours a week and over 60 hours, account for 12.2 % and 4.9%, respectively. As a whole, the working hours of the dispatched workers are closer to the regular employees than those of the part-time workers.

2.4 Characteristics of the Types of Occupations

Although in the aforementioned 2.1, 2.2 and 2.3 the dispatched workers have been all treated collectively, there are different characteristics according to each type of occupation. To begin with, this can be seen in Table 2-6, indicating the distribution of the number of dispatched workers for “each type of occupation” in “Collective Data from the Report on Temporary Employment Agency Services”. Next, in Table 2-7 the breakdown (percentage) of the “regularly employed workers dispatched from specified worker dispatching agencies”, “regularly employed workers dispatched from general worker dispatching agencies” and “employees other than regular employees dispatched from general worker dispatching agencies” is shown for the following six occupations comprising of over 50,000 dispatched workers: “information system development”, “machine engineering and design”, “office equipment operating”, “finance”, “telemarketing”, “manufacturing operations”.

Three things can be identified from these Tables: First, in technical occupations such as “information system development” and “machine engineering and design,” the majority are “regularly employed workers dispatched from specified worker dispatching agencies”. In other words, it can be said that many of the dispatched workers in technical occupations are regularly employed/open-ended contract type. Secondly, in clerical jobs such as “office equipment operation”, “finance” and “telemarketing” only a little under 5% are “regularly employed workers dispatched from specified worker dispatching agencies”, and, conversely, the

Table 2-5 Working Hours of Dispatched Workers

(%)

	Under 34 hours	35-42 hours	43-48 hours	49-59 hours	More than 60 hours
Regular employees	3.1	29.7	29.2	22.2	15.6
Part-time workers	59.5	26.4	8.6	3.6	1.7
Dispatched workers	10.0	49.4	23.2	12.2	4.9

Source: “Employment Status Survey (2007)” from Statistics Bureau of Ministry of Internal Affairs and Communications
 Note: This is a summary count of those who have worked more than 200 days in a year.

percentage of “employees other than regular employees dispatched from general worker dispatching agencies” is high. In other words, it can be said that many of the dispatched workers in clerical occupations are registration-types. In contrast, in “manufacturing operations” area, “regularly employed workers dispatched from specified worker dispatching agencies” account for around 10% and “employees other than regular

employees dispatched from general worker dispatching agencies” account for a little less than 40%. In other words, it can be said that the dispatched workers in manufacturing occupations are a mixture of regularly employed/open-ended contract types, regularly employed/fixed-term contract types and registration-types.

Thus, differences can be seen in the prevailing form of contracts among the dispatched workers,

Table 2-6 Number of Dispatched Workers by Occupation Type

(persons)

	Specific/ regular employed workers	General		Total
		Regular employed workers	Employees other than regular employees	
(1) Information system development	54,491	32,617	12,121	99,229
(2) Machine engineering and design	36,097	27,221	5,295	68,613
(3) Broadcasting equipment operator	2,494	1,866	607	4,967
(4) Production of broadcasting programs	2,342	1,577	798	4,717
(5) Office equipment operator	20,749	181,129	246,920	448,798
(6) Interpreter, translator, stenographer	295	2,616	3,055	5,966
(7) Secretary	263	2,412	3,407	6,082
(8) Filing	1,720	13,312	16,745	31,777
(9) Research	510	2,558	3,329	6,397
(10) Finance	1,457	48,906	27,135	77,498
(11) Trade document creation	1,226	11,263	14,433	26,922
(12) Demonstration	388	2,000	4,257	6,645
(13) Travel conductor	280	820	4,636	5,736
(14) Building maintenance and cleaning	1,748	3,328	1,869	6,945
(15) Building facility operator, checkup, maintenance	5,399	4,329	809	10,537
(16) Reception, information services, parking facility management	809	14,898	19,811	35,518
(17) Research and development	13,072	21,639	13,282	47,993
(18) Office systems implementation, planning and proposal	1,144	2,206	1,270	4,620
(19) Production and editing of printed material	500	1,853	3,342	5,695
(20) Advertising design	221	1,454	1,868	3,543
(21) Interior coordinator	110	634	1,119	1,863

(22) Announcer	38	98	100	236
(23) OA instruction	823	3,243	3,016	7,082
(24) Telemarketer	1,718	31,788	38,212	71,718
(25) Sales engineer marketing, marketing of financial products	2,407	3,327	2,963	8,697
(26) Broadcasting program sets and props	221	242	312	775
(- -) Manufacturing operation	74,896	278,761	204,432	558,089

Source: "Collective Data from the Report on Worker Dispatching Business (Fiscal Year 2008)" by Ministry of Health, Labour and Welfare

Notes: 1) The numbers in brackets () are numbers of "26 Occupations Specified by the Government Ordinance".

2) The Highlighted occupations are those with over 50,000 dispatched workers.

Table 2-7 Breakdown of the Six Main Occupations of Dispatched Workers

(%)

	Specific/ regular employed workers	General	
		Regular employed workers	Employees other than regular employees
(1) Information system development	54.9	32.9	12.2
(2) Machine engineering and design	52.6	39.7	7.7
(5) Office equipment operator	4.6	40.4	55.0
(10) Finance	1.9	63.1	35.0
(24) Telemarketer	2.4	44.3	53.3
(- -) Manufacturing operation	13.4	49.9	36.6

Source: "Collective Data from the Report on Worker Dispatching Business (Fiscal Year 2008)" by Ministry of Health, Labour and Welfare

depending on whether they are technical, clerical or manufacturing occupations. What can be said about these attributes? Fig. 8 shows the relationship between the occupation type of the dispatched worker and their personal attributes (gender, age, education) based on the "Employment Status Survey". In the table, "specialized/technical occupation" indicates "technical occupations", "occupations that are clerical" indicates "clerical occupations," and "manufacturing process/manual labor" indicates "manufacturing occupation". Three things can be observed from this: First, in terms of gender, men account for 54.3% and 60.4% in specialized/technical occupations and manufacturing process/manual labor occupations, while contrast women account for 90.1% of clerical occupations. Secondly, in terms of age, the percentage of workers over 50 is relatively high in the manufacturing process/manual labor occupations. Thirdly, in terms of education, university or graduate school graduates accounted for

45.6% of the specialized/technical occupations compared to 24.4% of the clerical occupations and 10.9% of the manufacturing process/manual labor occupations.

As a whole, in technical occupations, typical workers are regularly employed/open-ended contract workers, male with a high level of education. In clerical occupations, many workers are women with registration-type contracts, while in manufacturing occupations many workers are of various contract types, often men with a low level of education.

2.5 "Haken-giri (Slashing Dispatched Workers)" in Manufacturing Occupations

In the aforementioned 2.1, we noted that the number of dispatched workers decreased substantially between 2008 and 2009. The considerable reduction in the number of dispatched workers during this period was caused by mid-term cancellations or the cancellations of the contract by

Table 2-8 Gender, Age and Education by Occupation Type of Dispatched Workers

(%)

Sex	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Male	54.3	9.9	60.4
Female	45.7	90.1	39.6

Age	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Under 29	32.6	29.2	35.4
30~39	43.8	42.6	28.8
40~49	12.8	19.7	17.3
50~59	6.4	5.4	11.0
Above 60	4.3	3.0	7.5

Academic background (excluding those currently attending)	Professional/ technical workers	Clerical workers	Production process workers/ laborers
Elementary/ junior high	1.8	1.2	15.8
High School/ old sytem junior high	23.3	36.0	56.3
Technical school	14.7	13.5	12.3
Junior college/ technical college	14.6	24.9	4.7
University/ graduate school	45.6	24.4	10.9

Source: "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

the client company, resulting in the laying off and termination of the dispatched workers by the dispatching agencies. This phenomena attracted public attention and even resulted in the creation of a new word, "haken-giri". Hereinafter, we will summarize the changes during this period using macro data.

Figure 2-9 shows the trend of the total number of employees and dispatched workers since 2007, based on the "Labour Force Survey". It shows that, in comparison to the total number of employees which only dropped from the peak of 55,000,000 by around 1,000,000, the number of dispatched workers has fallen by 38.4% in only a year and a half, from a peak of 1,460,000 (October–December 2008) to 900,000 (April–June 2010).

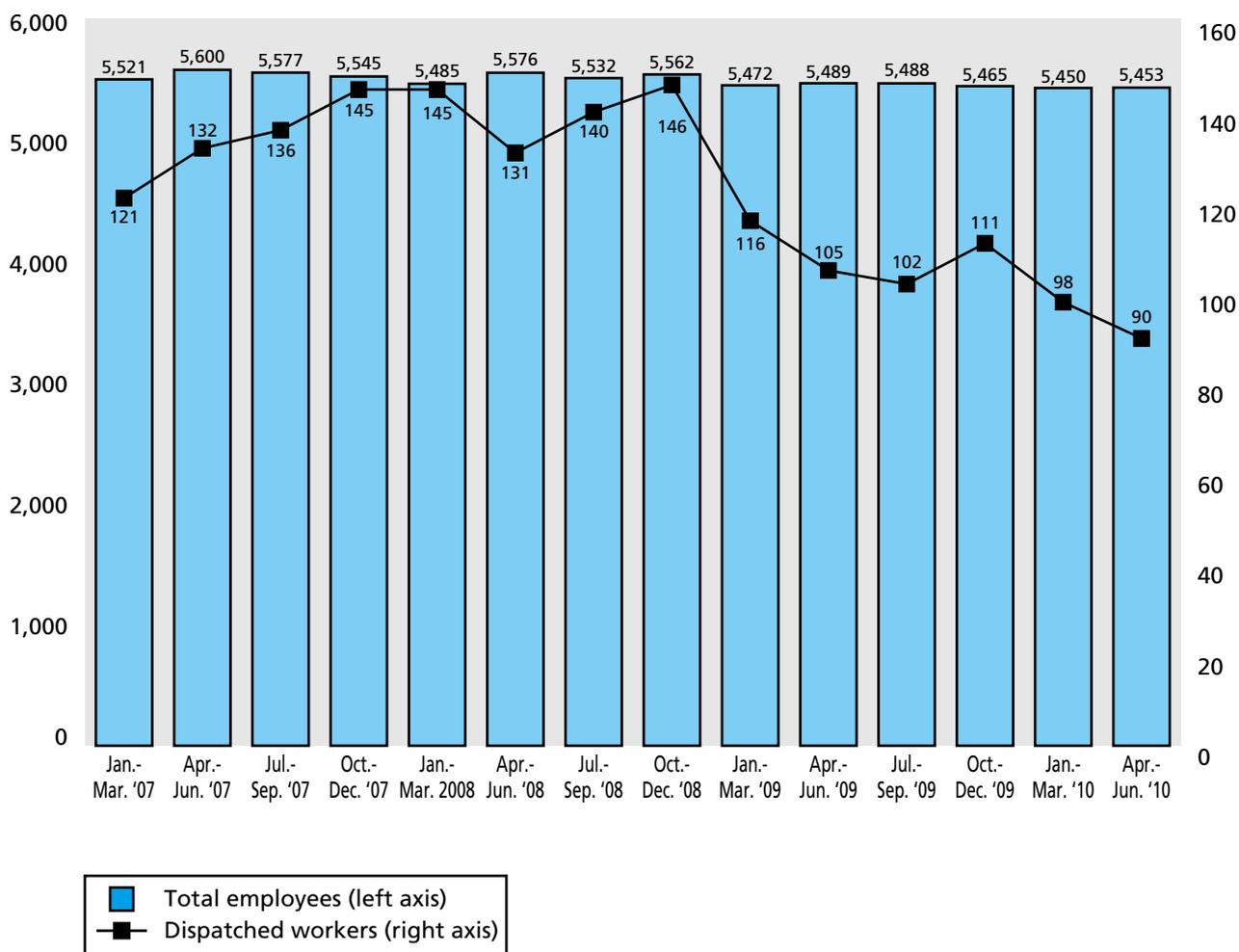
Similar trends can be understood from the data collected by the association of the worker dispatching agencies (Figure 2-10). According to the data, the

index of the number of actually working dispatched workers fell below 100% after the period from October to December, 2008 from the same period of the previous year, recording 76.1% during October to December, 2009.

Among those dispatched workers whose numbers fell dramatically during this period, what types of occupations were they engaged in? Here we will study the trends for the number of dispatched workers between 2007 and 2009 based on the "Labour Force Survey" (Figure 2-11). The chart shows while dispatched workers in "clerical occupations" or "specialized/technical occupations" did not experience drastic decrease in numbers, dispatched workers in the "manufacturing/production/machine-operation and construction occupations" fell 43.4% in just one year, from 460,000 in 2008 to 260,000 in 2009.

Thus it can be said that dispatched workers in the

Figure 2-9 Changes in the Total Number of Employees and Dispatched Workers (2007~2010, Unit: 10,000 Persons)



Source: "Labour Force Survey" (Detailed Tabulation of Labour Force Survey) by Statistics Bureau of Ministry of Internal Affairs and Communications

manufacturing occupations were deeply affected by the so-called Lehman Shock.

3. The Current Status of Worker Dispatching—structural Problems

3.1 Employment Uncertainty

In the preceding section, we mentioned that dispatched workers in Japan were confronted with rapid changes in their working environment, going

from the expansion of the worker dispatching market to an unexpected turn of "*Haken-giri*". On the other hand, it can be said that worker dispatching has always had some type of structural problems, even before the "*Haken-giri*" phenomena. Hereinafter, we will clarify these issues utilizing the data that predates the Lehman Shock in principle.

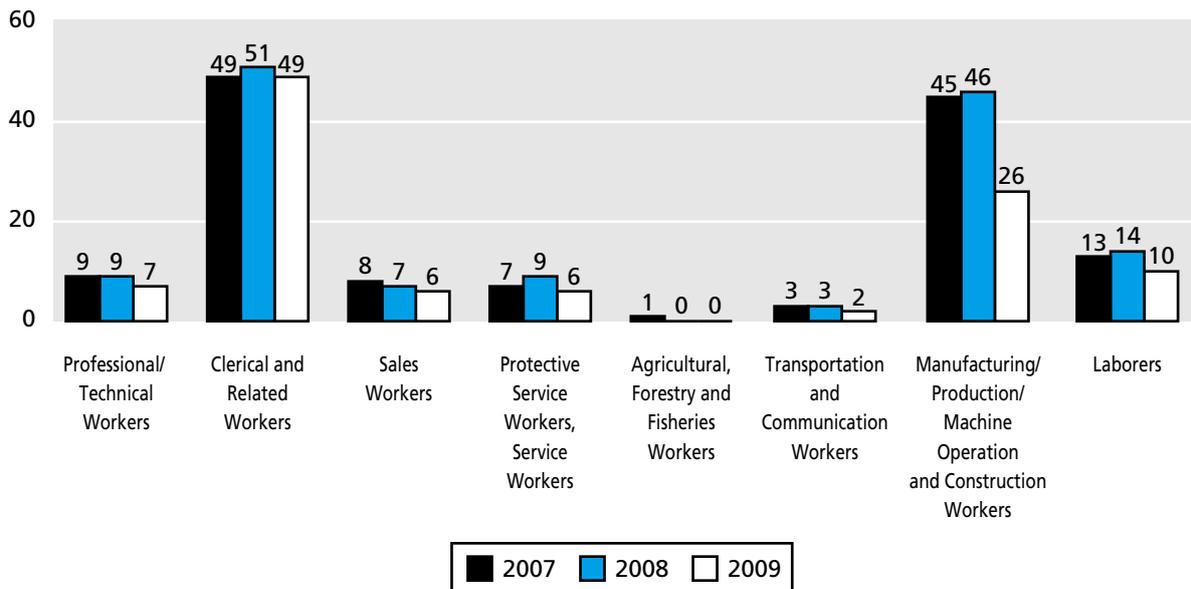
The first structural problem is job uncertainty. To begin with, it must be made clear that many dispatched workers have not come into this situation

Figure 2-10 Trends for the Numbers of Dispatched Workers in Operation (Year-on-year Comparison, %)



Source: "Statistical Survey on the Worker dispatching Services" by Japan Staffing Services Association

Figure 2-11 Trends for the Number of Dispatched Workers by Occupation Type (2007-2009, Unit: 10,000 Persons)



Source: "Labour Force Survey" (Detailed Tabulation of Labour Force Survey) by Statistics Bureau of Ministry of Internal Affairs and Communications

by choice. In “Survey of the Diversification of Employment Status” by Ministry of Health, Labour and Welfare, the main answers selected by part-time workers for “the reason why the current occupation was chosen” were: “the freedom to work at a convenient time” (55.9%), and “to subsidize household income or tuition fees” (42.4%), as opposed to “since there were no companies to work for as a regularly employed staff” (37.3%) selected by many of the dispatched workers (Table 2-12).

In connection with this, there are quite a lot of dispatched workers who wish to shift to regular employee status (through a career change etc.). According to the “Employment Status Survey”, only 5.7% of part-time workers wished to change jobs to regular employees, while as many as 19.7% of the dispatched workers wanted to shift to regular employee positions. In the “Survey of the Diversification of Employment Status”, 39.5% of the dispatched workers want to shift to become regular employees, compared to 16.8% of the part-time workers wishing to become regular employees (Figure 2-13).

The main reason for dispatched workers desiring

reassignment to regular employee positions is the relative uncertainty of the current employment situation. According to the “Survey of the Diversification of Employment Status”, the biggest reason why a dispatch worker wishes to shift to a regular employee position is “because the status as a regular employee is more stable” (85.0%) (Figure 2-14).

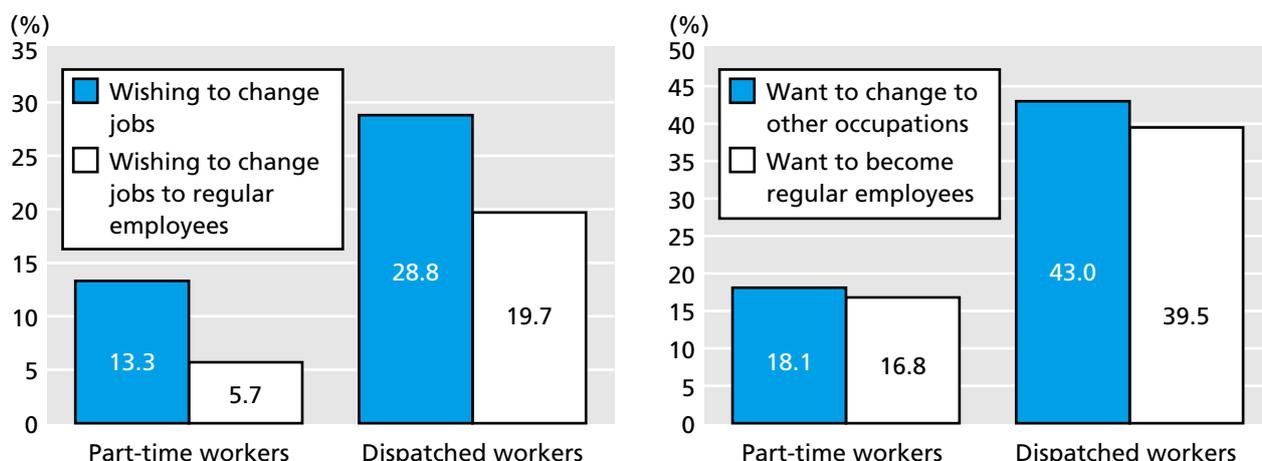
What are the chances that a dispatched worker can shift to a regular employee position? Attention is being drawn to the Temp-to-Perm System that was introduced in 2000. Based on “Collective Data from the Report on Worker Dispatching Business”, which looks at the trends for “the number of workers dispatched by temp-to-perm” and “the number of workers who shifted to direct employment via employment placement through temp-to-perm”, it is apparent that the actual application of the temp-to-perm system is growing steadily (Figure 2-15). However, the temp-to-perm performances resulted in numbers fewer than 50,000 in fiscal year 2008. Moreover, the temp-to-perm performances also include directly employed workers other than regular employees (contract workers etc.). Therefore,

**Table 2-12 Reason Why the Current Job Was Chosen
(Up to 3 Answers, %)**

	Part-time workers	Dispatched workers
To utilize specialized qualifications and skills	9.0	18.5
To have a job that earns more income	4.0	21.2
To be able to work at a convenient time	55.9	17.7
Shorter work hours and less days of working	19.2	8.8
Job is easier with less responsibility	8.6	12.4
Want to carry out work adjustment (adjustment of annual income or working hours)	7.1	1.6
To earn extra income for the household, education expenses etc.	42.4	16.1
To earn money to use freely for oneself	22.7	17.4
Shorter commuting time	25.1	17.6
Did not want to be bound to an organization	5.8	12.3
There were no suitable companies to work for as a regular employee	12.2	37.3
Easier to combine with other household matters or other activities	32.0	15.9
Was not physically fit enough to work as a regular employee	3.1	1.6
Others	5.4	20.6

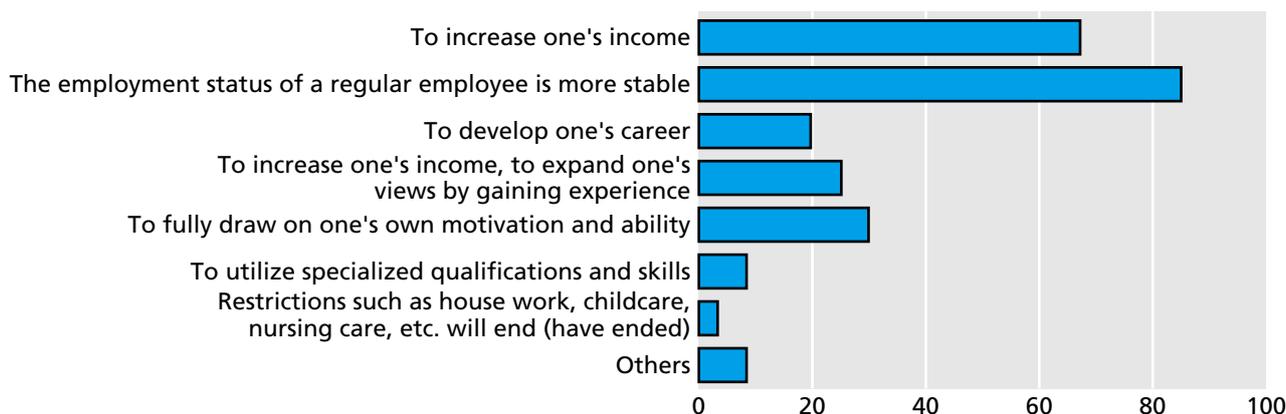
Source: “Survey of the Diversification of Employment Status (2007)” by Ministry of Health, Labour and Welfare

Figure2-13 Status of the Wish for Reassignment to Regular Employee Positions



Sources: (Left) "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications, (Right) "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare

Figure 2-14 Reasons Why a Dispatched Worker Wishes to Change to a Regular Employee (Multipul Answers, %)



Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare

although there is the potential for the system to expand, currently the window of opportunity for dispatched workers to shift to a regular employee position through the temp-to-perm system is not very wide.

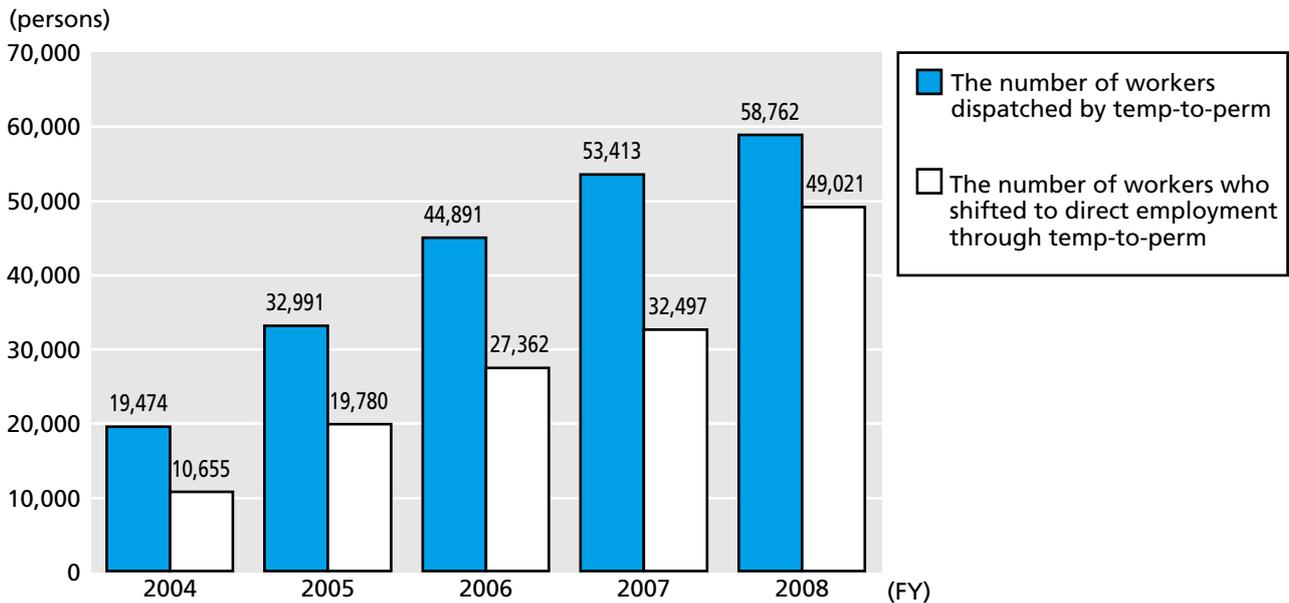
3.2 Wage Gap between Regular Employees

The second structural problem is the wage gap between that of regular employees. To confirm this point, we will first compare the wages of the dispatched workers and the part-time workers, and

then compare the wages of the regular employees and the dispatched workers.

Since fiscal year 2004, the average wages of the dispatched workers from specified worker dispatching agencies and the general worker dispatching agencies have been published in the "Collective Data from the Report on Worker Dispatching Business". "Basic Survey on Wage Structure" compiled by Ministry of Health, Labour and Welfare shows the wages of part-time workers. Figure 2-16 is a comparison of the hourly wage of the

Figure 2-15 Utilization Status of the Temp-to-perm System



Source: "Collective Data from the Report on Worker Dispatching Business" by Ministry of Health, Labour and Welfare

dispatched workers and the part-time workers. Although there are slight fluctuations, the hourly wage of a part-time worker is a little over 1,000 yen, that of a dispatched worker from a general worker dispatching agency is between 1,000 to 1,500 yen, and that of a dispatched worker from a specified worker dispatching agency is between 1,500 to 2,000 yen. More specifically, when compared with the wages of the part-time workers, the wages of the dispatched workers is far from being low.

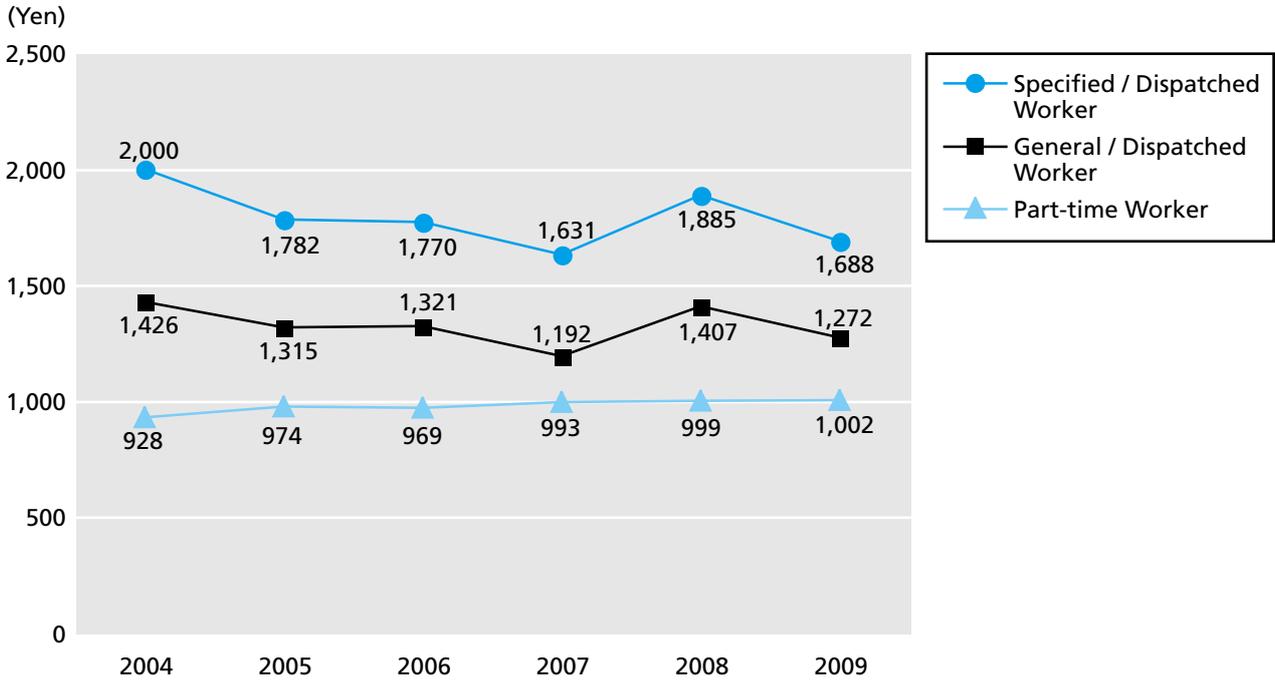
However, there is still a wage gap that is too wide to ignore when compared to a regular employee. Figure 2-17 shows the approximate calculation of the average income by age bracket of the regular employee and the dispatched worker utilizing the "Employment Status Survey". Two things can be understood from this chart: First, the income level of the dispatched worker is well below that of the regular employee. Secondly, compared to the income of a regular employee which increases up to the late 40s, the income of a dispatched worker has little increase beyond the mid 30s or hits a plateau.

This situation is reflected in the consciousness of the dispatched worker. Table 2-18 shows the satisfaction level of the regular employee, part-time worker, and dispatched worker with wages, based on the "General Survey on Diversified Types of Employment". It also indicates that the satisfaction level of the regular employee is the highest, followed by that of the part-time worker, and the degree of satisfaction is the lowest with the dispatched worker.

3.3 Lack of Human Resources Development

The third structural problem facing worker dispatching is that the human resources development for dispatched workers is not being carried out smoothly. "Basic Survey of Human Resources Development" by Ministry of Health, Labour and Welfare, which is regarded as a comprehensive survey on the skill development for Japanese workers, does not have a classification for "dispatched worker" in the survey sheets. Therefore there is no data for comparing the actual status of the human resources development for dispatched workers

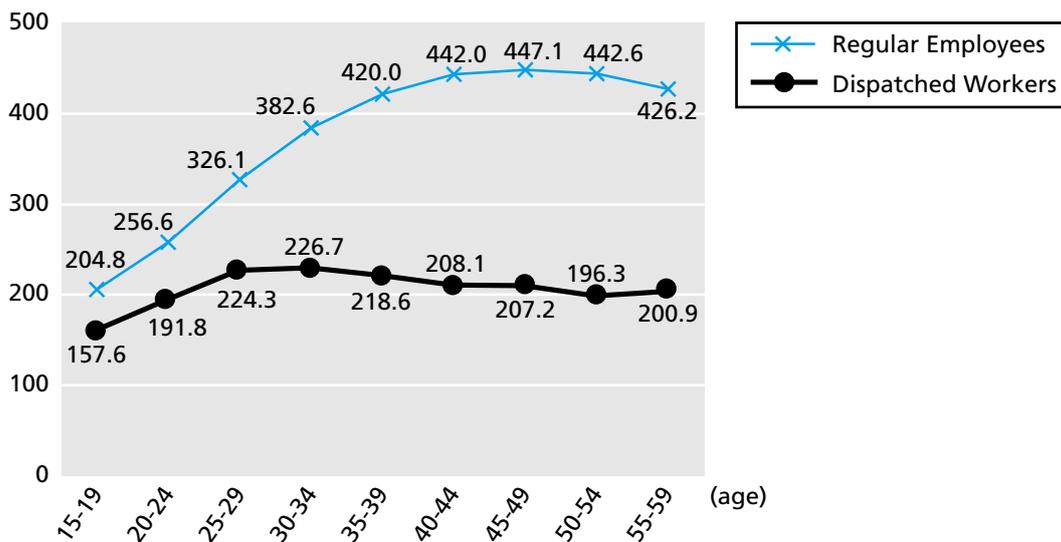
Figure 2-16 Hourly Wage Comparison of Dispatched Workers and Part-time Workers



Sources: Hourly wage of dispatched workers is based on "Collective Data from the Report on Worker Dispatching Business" by Ministry of Health, Labour and Welfare, and hourly wage for part-time workers is based on "Basic Survey on Wage Structure" by Ministry of Health, Labour and Welfare.

Note: Time point for dispatched workers is fiscal year, and that for the part-time workers is calendar year.

Figure 2-17 Average Income by Age Bracket of Regular Employees and Dispatched Workers (Unit: 10,000 Yen)



Source: Projection by the author based on "Employment Status Survey (2007)" by Statistics Bureau of Ministry of Internal Affairs and Communications

Notes: 1) The average income by age bracket is projected using the class value of the income class.

2) Although the classifications of income class are different between regular employees and dispatched workers, the income class of regular employees is statistically matched to that of dispatched workers in this figure.

3) Differences in the number of work days and working hours between regular employees and dispatched workers should be noted.

Table 2-18 Satisfaction Level with Wages

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	Unknown	Satisfaction index
Regular employees	12.0	27.5	25.1	24.6	10.0	0.8	6.9
Part-time workers	12.9	21.4	29.2	24.3	11.1	1.1	0.7
Dispatched workers	7.3	24.0	24.8	25.8	17.1	0.8	-21.4

Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare
 Note: Satisfaction index is calculated by "Satisfied" × 2 + "Slightly Satisfied" – "Slightly Dissatisfied" – "Dissatisfied" × 2.

Table 2-19 Satisfaction Level with the Education Training and Human Resources Development

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	Unknown	Satisfaction index
Regular employees	8.7	17.7	47.7	18.7	6.1	1.2	4.2
Part-time workers	4.5	8.0	60.2	14.0	6.3	7.0	-9.6
Dispatched workers	4.5	10.4	54.5	16.7	11.8	2.1	-20.9

Source: "Survey of the Diversification of Employment Status (2007)" by Ministry of Health, Labour and Welfare
 Note: Satisfaction level index is calculated by "satisfied" × 2 + "slightly satisfied" – "slightly dissatisfied" – "dissatisfied" × 2.

and workers of other employment formats. In view of this, hereinafter we will use the satisfaction level for the "style of training/human resources development" surveyed in "Survey of the Diversification of Employment Status" as a proxy indicator for the current status of the human resources development.

The results are shown in Table 2-19. The results indicate that a relatively high proportion of the regular employees replied they were "satisfied" or "slightly satisfied"; however a relatively high proportion of the dispatched workers replied "dissatisfied" or "slightly dissatisfied".

This consciousness structure is consistent in the time-series comparison. Figure 2-20 shows the satisfaction index of the "style of education training/human resources development" from the aforementioned survey, dating back historically. At every point in time, it is showing that the satisfaction level of the regular employees is the highest, followed by that of the part-time workers, and the satisfaction level of the dispatched employees is the

lowest.

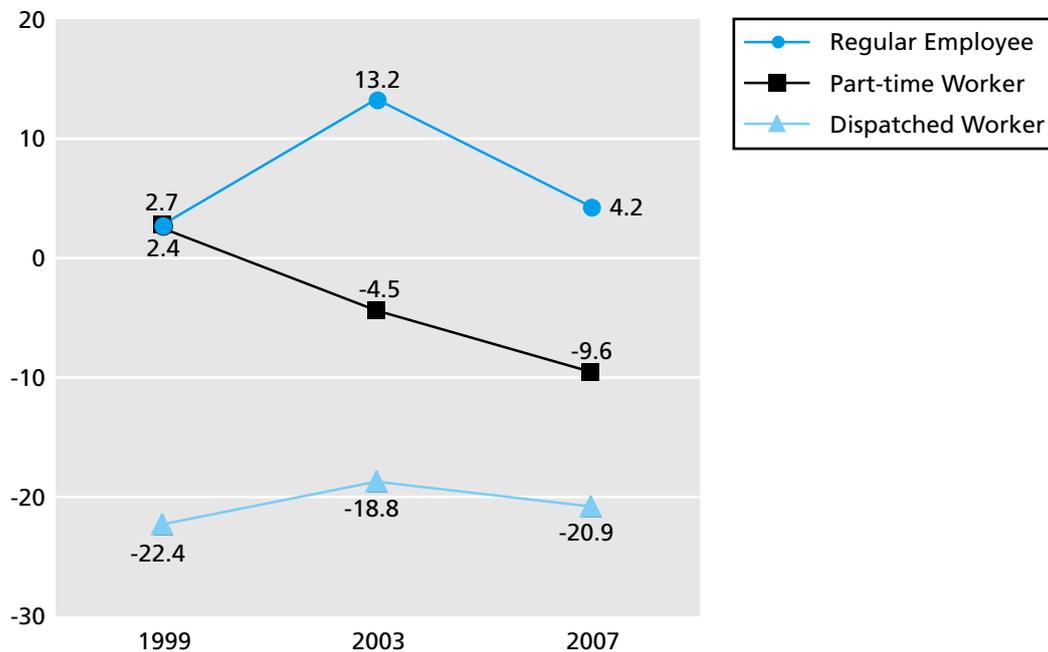
Thus, worker dispatching is faced with problems that cannot be ignored in terms of employment stability, wages, and human resources development.

3.4 Dispatched Workers with Open-ended Contract

In the aforementioned 3.1, 3.2 and 3.3 we have been discussing the dispatched workers in an all-inclusive manner. However, as previously described there are several types of contracts for dispatched workers. Attention is particularly focussed on the existence of two contrasting types of contracts, namely regularly employed/ open-ended contract type, and registration-type. Are there any differences between these two types in terms of employment stability, wages and human resources development? Hereinafter, we will confirm these points using the recounting of the results of a survey the author has conducted in the past.

First we will look at the stability of employment.

Figure 2-20 Trends for the Satisfaction Level with the Education Training/Human Resources Development (Index Number)



Source: "Survey of the Diversification of Employment Status" by Ministry of Health, Labour and Welfare
 Note: The calculation method of the satisfaction index is the same as Table 2-19.

Table 2-21 shows the differences in the level of satisfaction concerning the "stability of employment and work" between a regularly employed/ open-ended contract type and a regularly employed/ fixed-term contract type, or registration type. Caution is required due to the low numbers of replies concerning the regularly employed/ open-ended contract type; however we can see here that a relatively high proportion of those in regularly employed/ open-ended contract type with an open-ended contract have replied "satisfied" or "slightly satisfied", while a relatively high proportion of those in regularly employed/ fixed-term contract type with a fixed-term contract or registration-type have answered "dissatisfied" or "slightly dissatisfied".

Next we will look at wages. Figure 2-22 shows the average wage by age brackets of the technical dispatched workers regularly employed with an open-ended contract and registration-type clerical dispatched workers. This indicates that for the technical dispatched workers regularly employed with an open-ended contract, the wage increase was

over 40%, compared to the less than 10% wage increase in accordance with age in the case of registration-type clerical dispatched workers. Although the special characteristic of the occupation type in this case the technical occupation needs to be taken into consideration, the technical dispatched workers regularly employed with an open-ended contract should be able to expect more than a slight increase in wages.

Lastly we will look at human resources development. Table 2-23 shows how the satisfaction level of "the opportunities to gain the abilities and knowledge useful for work" differs among regularly employed/ open-ended contract type, regularly employed/ fixed-term contract type and registration-type. This shows that a relatively high proportion of those engaged in regularly employed/ open-ended contract type replied "satisfied" or "slightly satisfied", while those engaged in regularly employed/ fixed-term contract type and registration-type replied "dissatisfied" or "slightly dissatisfied".

From an overall viewpoint, worker dispatching

Table 2-21 Satisfaction Level of the Contract Type and “Stability of Employment and Work”

(%)

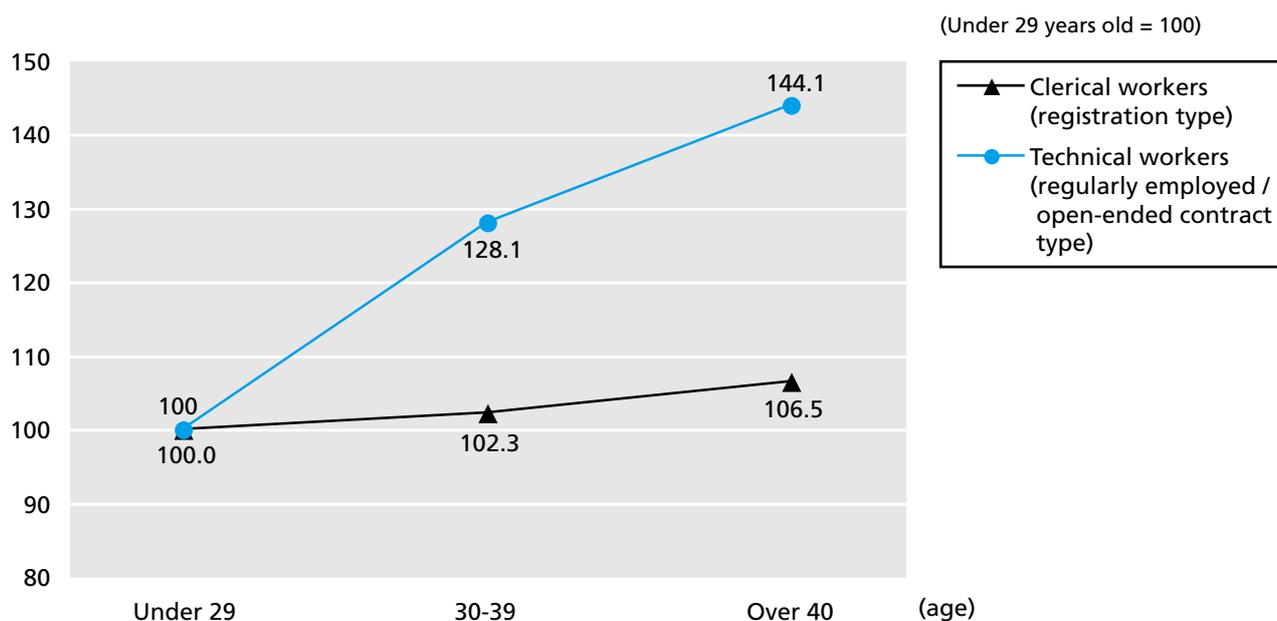
	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	(n)	Satisfaction index
Regularly employed / open-ended contract type	10.5	42.1	31.6	15.8	0.0	19	47.3
Regularly employed / fixed-term contract type or registered type	12.7	23.8	31.7	15.9	15.9	63	1.5

Source: Recounted by the author using the data in “Survey on Japanese Work Attitude (August–September, 2005)” by The Japan Institute for Labour Policy and Training.

Notes: 1) In the survey sheet, those who replied “has an open-ended employment contract” were classified as engaged in regularly employed/ open-ended contract type, and those who replied “has a fixed-term employment contract” were classified as engaged in regularly employed/ fixed-term contract type, or registration-type

2) The satisfaction level index is calculated by “satisfied” × 2 + “slightly satisfied” – “slightly dissatisfied” – “dissatisfied” × 2.

Figure 2-22 Contract Type and the Average Wage by Age Bracket



Sources: Regarding regularly employed/ open-ended contract type, the data of “The first Survey on the Way of Working of the Technical Engineer and their Careers (January–March 2008)” by Department of Research on the Staffing Industry, Institute of Social Science, The University of Tokyo was recounted by the author, and regarding the registration-type data of “Survey on the Way of Working of the Dispatched worker and Their Consciousness (October 2005)” by the said Department of Research on the Staffing Industry.

Note: The value is calculated by making the wages for under 29 years old as 100.

has issues that cannot be ignored, such as the stability of employment, wages and human resources development. However, when focusing solely on regularly employed/ open-ended contract type, the problems seem to be relatively small in scale.

4. Direction of the Legal Amendment— Focus on Stability of Employment

4.1 Focus of the Proposed Amendment

Under these circumstances in March 2010, the draft amendment of Worker Dispatching Act was

Table 2-23 Satisfaction Level with the Contract Type and “the Opportunities to Obtain the Skills and Knowledge Useful for Work”

(%)

	Satisfied	Slightly satisfied	Neither	Slightly dissatisfied	Dissatisfied	(n)	Satisfaction index
Regularly employed / Open-ended contract type	5.3	31.6	31.6	21.1	10.5	19	0.1
Regularly employed / fixed-term contract type or registered type	7.9	17.5	41.3	22.2	11.1	63	-11.1

Source: Recounted by the author using the data in “Survey on the Japanese Work Attitude (August–September, 2005)” by The Japan Institute for Labour Policy and Training.

Notes: 1) In the survey sheet, those who replied “has an open-ended employment contract” were classified as engaged in regularly employed/ open-ended contract type, and those who replied “has a fixed-term employment contract” were classified as engaged in regularly employed/ fixed-term contract type, or registration-type.

2) The satisfaction level index is calculated by “satisfied” × 2 + “slightly satisfied” – “slightly dissatisfied” – “dissatisfied” × 2.

approved in a Cabinet meeting and was presented to the Diet. This amendment is to remain under deliberation at the extraordinary Diet session in autumn 2010, and the main points are outlined as follows.

First, in order to eradicate the breeding grounds for unstable employment, business regulations such as the ban in principle of worker dispatches to manufacturing firms and the ban in principle of registration-type worker dispatches have been put in place. However there is some exclusion from the ban, such as dispatching of “regularly employed workers” is permitted to manufacturing firms and registration-type of dispatch workers is permitted with the “List of 26 Job Categories stipulated in the Government Ordinance”.

Secondly, from the point of view of promoting the stability of dispatched worker employment, it is stipulated that a temporary employment agency will have a duty to make reasonable efforts to promote the changes from a dispatched worker employed on a fixed-term basis (dispatched worker engaged in regularly employed/ fixed-term contract type or registration-type) to a dispatched worker employed on an open-ended basis.

Thirdly, it is stipulated that in terms of improving the working conditions of the dispatched workers, a dispatching company must pay necessary attention in

deciding wages, carrying out educational training and welfare programs by taking into consideration the balance between the workers engaged in the same type of jobs at the company the dispatched worker is sent to.

To sum up, the aim is to tighten up the regulations for the worker dispatching system, which has been following the path of the relaxation of regulations up to now.

4.2 Opinions of Interest Groups

Japan Staffing Services Association, which is the industry organization of the worker dispatching agencies, put forward their “fundamental view on the amendment of the Worker Dispatching Act” in September 2010, and manifested the opinion of the Association regarding the proposed revision. The Association is opposing the enhanced regulations based on their fundamental understanding that worker dispatching is “an essential system for the development of the economy”. Concerning the ban on the dispatches to manufacturing firms, the Association is pointing out that it will have adverse effects such as “harm the competitiveness between companies, lead to a decline in hiring, and encourage the production system to shift overseas”.

Nippon Keidanren has for some time been taking the stance of promoting the easing of the regulations

on worker dispatching, for example to include the request to lift the upper limit on the employment period of a dispatched worker in the “Regulatory Reform Initiative” in June 2007. Furthermore, in the “Report of the Committee on Management and Labor Policy 2010 Version” released in January 2010, it has expressed its opposing position on the tightening of the regulation by stating “the move to ban registered type worker dispatching could put the labor market into disarray when considering the needs of both the companies and the side offering labor, such as the requirement for swift manpower supply and working methods.”

Japanese Trade Union Confederation, on the other hand, is taking a different stance from the other two and has for some time been taking the position of promoting the tighter regulations on worker dispatching. In the “Rengo White Paper” published in December 2009, it has welcomed the talks moving in the direction of stronger handling of the “*Haken-giri*” issue, and also stated that wage gap problems and human resources development problems are pressing issues that need to be addressed.

4.3 Brief Summary

There is some debate over how the strengthening of the regulations on worker dispatching will affect people who are working as dispatched workers, the workers at the client companies, and eventually, Japanese society as a whole. Thus, it is not possible to make a sweeping judgement about whether the legal amendment is suitable or not. Therefore, I would like to conclude by summarizing the issues we have been looking up to now concerning the trends for the worker dispatching market, the current status of worker dispatching, and by contrasting them with the proposed revision.

The worker dispatching industry has been facing vast changes since autumn 2008, with a string of “*Haken-giri*” occurring among the manufacturing occupations. Moreover, even prior to that, many registration-type dispatched workers have been

suffering from employment instability. The proposed revision defines, while maintaining the exemptions, the ban in principle of the worker dispatching to manufacturing firms and ban in principle of registration-type dispatched workers, and the promotion of the dispatched workers employed on a fixed-term basis to an open-term basis (=converting from being a dispatched worker engaged in registration-type or regularly employed/ fixed-term contract type to a dispatched worker engaged in regularly employed/ open-ended contract type). In this regard, the proposed revision addresses the trends for the worker dispatching industry and the actual realities of worker dispatching.

On the other hand, looking at the actual reality of the worker dispatching industry, in spite of around 90% of the temporary agency staff working more than 35 hours per week, there were problems such as the income level being far lower than those of the regular employees, the income level not increasing according to age, and human resources development not actively being pursued. In connection with these problems, the proposed revision stipulates that the worker dispatching agencies should take into consideration the balance between the workers in the same type of occupation at the dispatched worker destination when dealing with issues on wages and training, etc. However, the current wage gap between a regular employee and a dispatched worker is extremely wide and it is unlikely that the provisions of the proposed revision will solve the issue early. Furthermore, as for education and training by the worker dispatching agencies, there are issues such as the burden of expenses, and therefore it is unclear how effective these efforts will be.

As a whole, the main purpose of this proposed revision is the employment stability of dispatched workers. It can be said that there is a need to address the issues related to wages and human resources development in a way other than the present proposed revision.