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**The Rise of Temporary Employment in Japan  
Legalisation and Expansion of a Non-Regular  
Employment Form**

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**Abstract/Zusammenfassung:**

This discussion paper examines the institutionalization process of a non-regular employment form especially focusing on the establishment of the temporary dispatching work (haken) system. The institutionalization process of the haken system can be divided into three periods: delegalisation (1947-86), legalisation (1986-99), and diffusion (1999-). Declining labor strength, the emergence of deregulation bodies, and the changing attitude of the Ministry of Labor (MHLW) characterize the legal developments. Together with the liberalization of private job placement and the expansion of fixed-term contract work, temporary work became an important sources of flexible and skilled labor, and expanded more rapidly than other employment forms in the late 90s. In this development, temporary help firms started to reframe their business as "personnel services," and have positioned themselves to replace the traditional firm-internal supply of mobile employees such as shukkô and tenseki with external dispatched employees of temporary help firms.

**Keywords:**

Japan, temporary work, non-regular employment, labor market, (de-)regulation

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## Introduction

From the late 1980s and throughout the 1990s witnessed series of regulative reforms on the employment system in Japan. The main purpose of these reforms was said to establish external labor market to bring more mobility in the Japanese labor market. The establishment of the active external labor market was believed to revitalize struggling Japanese economy after the bubble burst. Among others, the establishment of the temporary dispatching work (hereafter, TDW) system (together with the private job placement, the establishment of the private labor supply system) was supposed to be the main component of the project. The TDW system was first established in 1986 by the enactment of the TDW Law, and was basically liberalized in 1999. The private job placement had gradually expanded, and it was liberalized by the consecutive revisions in 1997 and 1999.

After having experienced these revisions in these 15 years and the actual expansion of the private labor supply business, it became necessary to evaluate the meaning and function of the system. To do so, this paper seeks to answer to the following questions by the examinations of the historical development of the system, political process that involved in its establishment, and its actual expansion in the labor market.

- What do the recent legal changes and changes in the employment system mean for the nature of labor market in Japan? Can we speak of a de-standardisation of work?
- Can we speak of “normal working relations” being replaced by non-standard work?

Corresponding to each of these questions, each of two chapters will argue these issues based on the research about the establishment of the temporary dispatching work system in Japan. I will first review the legal development of the system to examine the meaning of the TDW in the Japanese employment system. In chapter two, I will present the actual development of the non-regular employment, especially focusing on the TDW and *keiyaku* employment.

## 1. Temporary Work Regulations: Development and Present Structure

Temporary agency work was considered as “labor supply business” and prohibited by the Employment Security Law (*Shokugyô Antei-hô*: hereafter, ESL) enacted in 1947. In Japan, temporary agency work was first legalized in 1986 with the enactment of the Temporary Dispatching Work Law (*Rôdôsha Haken-hô*: hereafter, TDW Law). In this paper, we trace the development of temporary agency work in post-war Japan in relation to legal changes and in relation to other employment forms. The development of temporary labor can be divided into three periods: delegalisation (1947-1985), legalisation (1986-1998), and diffusion (1999-present).

### 1.1. Delegalisation of temporary dispatching after the World War II

Post-war employment policy aimed at re-establishing a labor market after the destruction of the economic infrastructure. The adoption of the Priority Production Policy (*Keisha Seisan Hôshiki*) included measures to relocate workers smoothly to focused industries such as coal mining and steel manufacturing. While unemployment and precarious employment remained major issues to overcome<sup>1</sup>, the ESL and other measures were undertaken to modernize and democratize the post-war labor market (Ujihara 1989, Takanashi<sup>2</sup> 2001).

The labor supply business was the most serious issue faced in modernizing and democratizing the post-war Japanese labor market. The dispatching of labor in the pre-war era was common for the lowest rank of jobs in industries like construction, mining, and transportation (Takanashi 2001, p.34, Goka 1999, p.101). Because of their temporary and uncertain nature, these occupations did not secure a stable existence for workers. The dispatching system potentially avoided insecurities inherent to these occupations, since workers were

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<sup>1</sup> In the context of the chaotic situation after the war in the 1950s, the mission of the MOL was full employment (in Japanese, it is called as *kanzen koyô*) besides modernization and democratization of the labor market. In an expanding economy, full employment was defined as no unemployment or precarious employment (Ujihara 1989).

<sup>2</sup> Takanashi chaired various Study Group, Special Committees, and *shingikais* related to the TDW Law as a scholar and a public representative from its preparation period.



organized under labor bosses who provided regular jobs and training. In pre-war dispatching system, boss and his laborers did not have a regular employment relation, though wages were paid to the bosses who then paid their laborers. This relationship, generally referred to as *oyabun/oyakata-kobun kankei* in Japanese was often exploitative because bosses made money while workers suffered poor working and living conditions (Takanashi 2001, p.34, Yoroï, Wakita and Goka 2001, p.219).

By the same reason, the ESL allowed only public job placement<sup>3</sup>. The Labor Standards Act (*Rôdô Kijun-hô*: hereafter, LSA) article no. 6 also prohibited such forms of intermediary exploitation. The emphasis on public job placement by the Japanese Public Employment Placement Agency (*Shokuan*, the abbreviation of *Shokugyô Antei-jo*) was driven by the strong initiative of GHQ, and through this system, workers were placed in industries, which were expanding in relation to the Priority Production Policy of the late 1940s and the 1950s (Ujihara 1989). After the 1950s, especially following the rapid economic growth triggered by the Korean War, public employment placement functioned largely to support the movement of school-leavers to industrialized regions (Kariya, Sugayama, & Ishida 2000). The private job placement was only accepted for the very limited occupations such as medical doctor, dentist, lawyer, pharmaceutical chemist, cook, house helper, bartender, interpreter and others. These occupations have independent labor markets that are regulated by occupational associations. The list of the permitted occupations expanded slowly throughout the post-war history to 29 occupations until the liberalization of the system in 1997, it is fair to say that the job placement was the state-dominated field.

The establishment of the ESL and the LSA aimed to abolish the private labor supply business under the strong instructional initiative of GHQ (Takanashi 2001, Kojima 2001). The ESL (and the LSA) forced labor bosses to become regular employers and prohibited them from sending workers to other employers. In this sense, the establishment of the ESL was successful in abolishing the private labor supply business (Takanashi 2001, Goka 1999).

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<sup>3</sup> Free labor supply business was accepted for labor unions and schools under some conditions, while labor unions have not been so active in this area.

However, there emerged the issue of how to distinguish private labor supply business from an adaptation of dispatching in the form of labor services.

From around 1955, the Japanese companies started to create enterprise groups called *keiretsu* in order to have stable and flexible business relationships. *Ukeoi/shitauke* companies were used as a buffer to the economic fluctuations together with the uses of various types of temporary workers. *Ukeoi* means subcontracting, and is same as *shitauke* that the term is more sensitive to the hierarchical nature of vertical *keiretsu* relations. Major temporary workers can be categorized as *kisetsu-kô* (seasonal workers), *rinji-kô* (temporary workers) and *shagai-kô* (external workers). Usually, *ukeoi* was not a problematic practice. However, in some cases, subcontractors, rather than completing work themselves, dispatched their work force regularly to the contracting companies. *Shagaikô* is the typical of this company-external labor dispatched from subcontractors. Since this illegal dispatching was done under the name of *ukeoi*, ministerial ordinance no.4. was added to the ESL in 1948 in order to regulate this practice. The contents of the ordinance were as follows.

- 1) *Ukeoi* companies have to assume financial and legal responsibilities as business proprietor.
- 2) *Ukeoi* companies have to direct and supervise their own workers to complete the tasks.
- 3) *Ukeoi* companies have to assume employer's responsibility as defined in employment regulations.
- 4) As a business proprietor, *ukeoi* companies have to own the necessary facilities, machines, and instruments, or use their own specialized plans or techniques to complete the tasks. They should not merely provide the labor power of their employees to contracting companies.

Under this regulation, *ukeoi* companies that violated any one of these provisions were considered to be engaged in the prohibited private labor supply business. The practice was especially common in the construction and transportation

industries and the 1948 regulations had the most impact in these sectors (Takanashi 2001, p.39).

Several years after the ministerial ordinance, the Ministry of Labor (hereafter, the MOL) reached the conclusion that the ordinance was too strict, and went beyond the original purpose of abolishing the pre-war labor boss system (Takanashi 2001, p.42). According to Takanashi, “the ESL and related measures aimed to avoid labor bosses, but it became too much of a burden for some rather healthy activities of subcontracting businesses” (Takanashi 1985, p.41, 2001, p.42). There are arguments implying that this kind of employment was necessary in this period to keep a “buffer” in the labor market. In 1952, the MOL relaxed ordinance item number 4 as follows.

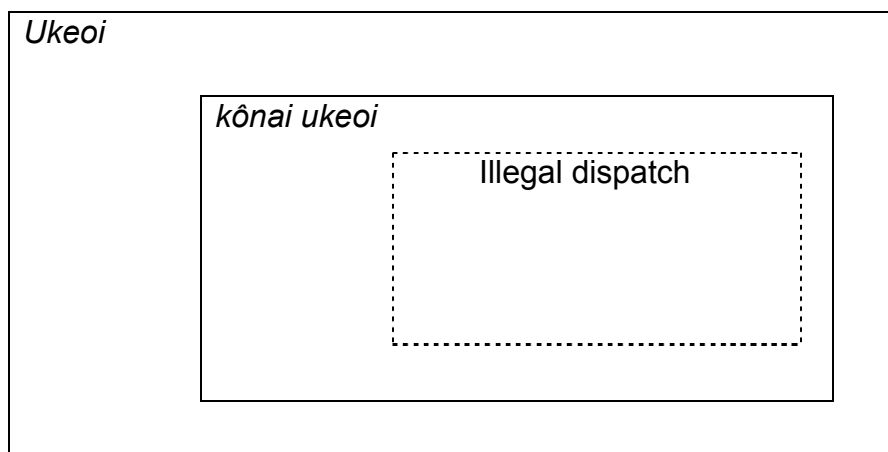
- 1) As a business proprietor, *ukeoi* companies have to own the necessary facilities, machines, and instruments, or use their own specialized plans, techniques, or competence to complete the tasks. They should not merely provide the labor power of their employees to contracting companies. (underlined by author)

Kojima argues that the revision was made together with the addition of the regulation against the illegal dispatching, which means to conduct labor supply business under the appearance of normal *ukeoi* (Kojima 2001, p.156). Some, however, argue that this loosening of the regulation helped to revive the *shagaikô* employment form and that some *ukeoi* companies functioned as labor dispatchers, especially in manufacturing, steel, heavy industry and ship building (Wakita 1995, p.86, Goka 1999, p.101, Yoroi, Wakita and Goka 2001, p.220, Hyôdô 1997, p.393). *Ukeoi* surely extended its importance. In one plant in the petro-chemical industry, there were as many *ukeoi* workers as regular employees (Matsushima and Hazama [1962] 1987). They found the total number of working hours of *ukeoi* workers even exceeded that of regular workers.

As the example of *shagaikô* suggests, one key to distinguish legal *ukeoi* from illegal *ukeoi* (illegal *haken*) is the distinction between *kônai ukeoi* and *kôgai*

*ukeoi*. *Kôgai ukeoi* literally means off-plant *ukeoi*. Most of them are the low-end subcontractors (*shitauke*) within *keiretsu* system (Nomura 1992, pp.67-68). *Kônai ukeoi* is in-plant *ukeoi*. The workers of the *kônai ukeoi* are dispatched to the plants of the user companies, and supposedly work under the direction of their own managers. The loosening of the ESL regulation is very relevant with this form of *ukeoi* as it is not necessary for *kônai ukeoi* companies to have their own facilities, and the demand for *kônai ukeoi* is strong in relatively low skilled tasks at the production lines. If workers have “competence” (*keiken*), it is possible to conduct this *kônai ukeoi* business (Wakita 1995, p.86). It should be noted that not all *kônai ukeoi* companies are illegal. It can be said, however, that there are considerable number of cases that these dispatched *kônai ukeoi* workers actually work under the direction of user companies. Many point out that it is practically quite difficult to distinguish illegal *kônai ukeoi* from worker dispatch, which, if not approved under the TDW Law, is prohibited labor supply (Goka 1999, Wakita 1995, Takanashi 2001).

Figure 1.1. Conceptual diagram: *Ukeoi*, *kônai ukeoi*, and illegal dispatching (illegal *haken*)



During the rapid economic growth, illegal dispatching under the name of *ukeoi* was not a big problem. Economic growth expanded employment, and especially important was that *ukeoi* companies that might have had problems in installing their own facilities and having competency had grown up to be responsible

employers (Takanashi 2002). Thus the illegal practice was relatively invisible during this period.

The situation, however, became different from the 1970s. The oil shocks in the 1970s and the high Yen value in the 1980s triggered and urged the wave of corporate restructuring called *genryô keiei* (Management initiative of downsizing), and *genryô keiei* was further driven by the development of the micro-electronics and information processing technology (also called *ôtomêshon*: automation). More user companies became interested in reducing their core labor force and using various personnel measures and external personnel to handle changed in work volume (Nagai 1997, p.55, Kumazawa 1997, p.35 Kumazawa 1993, p.159, Hyôdô 1997, pp.331-332). This situation started to highlight the illegal practice of dispatching.

Inside of the company and its group, *shukkô*<sup>4</sup> and *tenseki* became the popular measures of company group-internal labor force adjustment. Under *shukkô* system, in most of the cases, a regular worker of the certain company moves to the other company while his/her official employment relation remains in the initial company. This practice had already started in the late 1950s, but was largely institutionalized during the 1960s. During the rapid economic growth, companies diversify their businesses and established numbers of subsidiary companies. *Shukkô* system was used to allocate personnel to transfer managerial and technological skills to these subsidiary companies. The situation after the oil shocks and high Yen value added another function to the

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<sup>4</sup> When *haken* was discussed, what Takanashi, other members of research committee and *shingikai* referred was *shukkô* custom (Takanashi 1985, 2001, p.11, Kojima 2002). On the system wise, there is no difference between *shukkô* and *haken*. Same as *shukkô*, when dispatching workers, *haken* companies have employment relation with their workers, and workers work under user companies' control. And the practice of *shukkô* still had the connotation that it functioned to allocate personnel who has managerial and technological skills. The difference is if workers are under life-long employment practices or not. Reflecting the implication from the *shukkô* custom, the system is translated as "temporary DISPATCHED work" instead of "temporary work" emphasizing that the system is to "dispatch" relatively high-skilled workers and workers that need special employment management for limited term of contract. Special employment management means that for those workers it is not necessary for them to give internal opportunity of skill formation and promotion (Takanashi 2001, p.122).

*shukkô* system. That was to slim down the workforce of the main company of the group (Inagami 2003)<sup>5</sup>. In the 1980s, it was necessary for companies to further tighten up the personnel, and *shukkô* practice became more common, and even the practice of *tenseki* prevailed. In the case of *tenseki*, worker has to transfer completely to the other company, where employment conditions are different. The incrementation of these *shukkô* and *tenseki* practices surely showed the declining capacity of large firms to keep workers, while these workers were still under the cover of life-long employment practices of the parent company and its group (Inagami 1989, p.15-16)<sup>6</sup>.

Alongside various company-internal worker reassignment practices (*shukkô* and *tenseki*), part-time workers (*paato*) and *ukeoi* were the most popular forms of utilizing external personnel. The whole sector of subcontracting developed dramatically from around the time of the oil shocks<sup>7</sup>. An intensified use of *kôgai ukeoi* was one of the important labor force adjustment mechanisms well into the 1990s. For instance, Shirai reports from his research about subcontracting companies that 15.0% are established in the 1970s, 52.5% in the 1980s, and 22.5% in the early 1990s (Shirai 2001). Reflecting the industrial structural changes during the 1970s and the 1980s, *ukeoi* business expanded into various fields. And this means that the problem of the illegal dispatching was also expanded to other industries. Shirai's study confirms this point in terms of the *kônai ukeoi* that 42.0% of their contracts come from auto manufacturing industry, and 38.0% come from electronics industry (Shirai 2001). And it also expanded to the occupational categories other than low-skill tasks of the part of manufacturing assembly lines. When the MOL prepared to establish the TDW

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<sup>5</sup> According to Inagami (2003), *shukkô* in the 1960s did secure the same labor conditions in subsidiary companies after being transferred from the main company. However after the 1970s, it started to be accompanied with lower labor conditions, that eventually made the skimming of labor cost in company group possible.

<sup>6</sup> Several scholars call this scope of practice as "life-long employment zone (*Shûshin Koyô Ken*)" (Inagami 1989, p.16, Hyôdô 1997, p.379)

<sup>7</sup> Some of the illegal dispatching companies became normal subcontracting companies in this period. For example, in the ship building industry, companies which had existed only to illegally dispatch workers, grew large enough to be able to install their own facilities (Takanashi 2002).

Law during the 1970s, they found that building maintenance, information technology, and clerical works are the three major areas where *ukeoi* and illegal *haken* business were expanding (Takanashi 2001). When the system of temporary dispatching work started, more than 20% of the temporary dispatched workers were technical/professional because of this reason.

The worker dispatch also became common in the office clerical works, and it turned out to be a symbolic phenomenon of illegal *haken*. The word “*haken*” was started to be used to describe this form of employment instead of using the word “*shagaikô*.” The first temporary dispatching work firm in Japan, the Japanese branch of American temporary firm, Manpower Japan, started its business from telex operator of the trading companies and other clerical occupations in the newly expanded industries (Takanashi 2001, Takanashi 2002). When Manpower first came to Japan in 1962, they called their business “*jimu-shori sa-bisu* (clerical service contracting) (JASSA 2002, p.72).” In 1970s, this business expanded, and Japanese firms such as Tenporari- Senta- (today’s Pasona) and Temp Staff started their businesses in this field. The first eight companies established industry organization as The Japanese Association of Clerical Service Contracting (*Nihon Jimu-shori Sa-bisu Kyôkai*) in 1984 (JASSA 2002).

## 1.2. Legalisation of the sytem

This expansion of illegal *haken* called attention from the government agency because of the growing mismatch of the legal system and the reality. In 1978, The Administrative Management Agency (*Gyôsei Kanri-chô*, today it is merged in *Sômu-shô*) conducted an audit examining MOL’s activities on the use of the ESL regulations. The Administrative Management Agency made statement insisting that there are growing misuses of the ESL regulations while evaluating the positive side of the illegal *haken* business that it provides middle-old aged workers job opportunities (Takanashi 1985, 2001).

Based on the statement by The Administrative Management Agency, the MOL launched Research Committee on Labor Market (*Rôdôryoku Jukyû Shisutemu Kenkyûkai*) that consists of five scholars in 1978 (see Appendix for

the successive deregulatory bodies and *shingikais* for private labor supply). Tripartite Research Committee on Temporary Help Industry (*Rôdôsha Haken Jigyô Mondai Chôsakai*) followed the discussion from 1980 with the two and half years of disruption caused by the conflict of opinions between management and labor. Special Committee on Temporary Help Industry in the Central Advisory Committee on Employment Security (*Chûô Shokugyô Antei Shingikai Rôdôsha Haken Jigyô tō Shôinkai*), started in 1984, deliberated and presented the last suggestion to the MOL after 16 times of meeting. The Special Committee suggests five rationales to institutionalize temporary dispatching work system in 1984.

- a) Along with the technological advancement in micro electronics and in other areas, professional occupations are increasing. And the increasing number of those workers who have professional expertise have aspiration to work freely without restrictions of time and space. The worker dispatch is expanding under this situation. The ESL should be revised to adapt to this situation.
- b) The worker dispatch functions as the resolution of the labor market mismatches, which currently neither *ukeoi* or job placement can not fill out.
- c) Since the employment form of labor supply is prohibited under the ESL, many *ukeoi* cases fall under the legal gray zone. The responsibility of employer and user is not clearly defined in these cases, and as a result, there are increasing threats to workers protection.
- d) While preserving the matching effect of the worker dispatch, it is necessary to set rules for workers protection.
- e) It is necessary to pay significant attention to the consistency of the system with the traditional employment relations, especially not for dispatched workers to replace with regular workers.

(Takanashi, 2001, pp.119-120)



Based on the proposal reflecting these rationales, the MOL deliberated the draft of the law, and it passed the Diet in the following year. The baseline of the MOL's decision to establish the system was that the MOL understood that the Japanese labor market was modernized enough (Takanashi 1985, p.122). The triangular employment relationship, unusual as employment relationship by the disconnection between employer and user of the labor, was accepted as far as the workers are employed by the dispatching companies and protected under the law.

Table 1.1. The Summary of the Development of Labor Market Regulations before TDW Law

1947	<b>Employment Security Law</b> Prohibition of the all private personnel business: all the private personnel business, including job placement and temporary dispatching work, is prohibited by Employment Security Law for the modernization of the labor market after the WW2. It only accepts public job placement, and private job placement for strictly limited occupations.
1952	<b>The revision of the Ministerial Ordinance of Employment Security Law</b> Loosening of the conditions for illegal dispatching: this revision made a part of illegal dispatching ( <i>kônai ukeoi</i> ) legal.
1978	<b>Admonition by the Administrative Management Agency</b> Caution toward the expansion of the illegal situation of <i>Kônai Ukeoi</i> : this admonition warned that there had been growing misuse of ESL by the lax regulation of illegal dispatching.
1986	<b>Temporary Dispatching Work Law</b> Establishment of the new system based on the occupational limitations: the system of temporary dispatching work started with 13 occupations basically to get grip on the situations of illegal dispatching.

This legalization of *haken* had three meanings. The first is to capture illegal practice of worker dispatching. A certain form of *ukeoi* was clearly illegal, but it had been overlooked by the lax application of the ESL. The second is to evaluate the positive functions, such as smooth allocation of elderly workers and relatively high-skilled workers, that illegal *haken* had achieved. And the third is to make sure that the THFs will be responsible employers.

Considering that the THFs conduct unusual practice of employment, special regulations were made. The TDW Law was made as the special law of the ESL, and the TDW Law was primarily set as regulations to run temporary dispatched work business<sup>8</sup>. Since principally the spirit of the ESL was to make all the intermediary agencies legitimate employers, the acceptance of the temporary dispatching agencies was something special.

There are two types of temporary dispatching work business. One is “*ippan*” (*Ippan Rôdô-sha Haken Jigyô*: General type temporary dispatching work business) temporary dispatching work business, and the other is “*tokutei*” (*Tokutei Rôdô-sha Haken Jigyô*: Special type temporary dispatching work business) temporary dispatching work business. For *ippan* enterprises, it is necessary to have approval from the MOL to start temporary dispatching work business (it is also necessary to have permission to open branches<sup>9</sup>), while *tokutei* is only necessary to “notify” to the MOL. Thus, it is more difficult to start *ippan haken* rather than *tokutei haken*. This difference is based on the types of temporary dispatching work they are able to conduct. One is the employment type (*Jôyô gata*), which all the dispatching workers are employed by the agencies all the time, and the other is registered type (*Tôroku gata*), in which workers usually register to the agencies as job seekers, and they are employed by the agencies only when they are actually dispatched. Thus, for *ippan* agencies, there are several conditions to be approved to conduct the business. They should comply with the rules especially about the worker protections, and they also have to have decent organizational foundation such as enough capital or organizational capability to prosecute to manage dispatching workers<sup>10</sup>. Once, however, accepted to be *ippan* agency, it is possible to conduct employment type and registered type *haken* businesses, while *tokutei* agency can only conduct employment type.

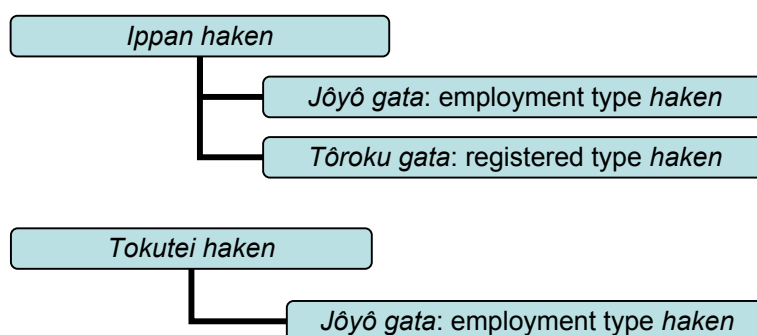
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<sup>8</sup> It is called “*Gyôhō*,” which literally means “industry regulations.”

<sup>9</sup> It will be unnecessary to have permission to open branches after the current revision takes effect in 2003. Notifying will be enough.

<sup>10</sup> Chapter no. 2 of the TDW Law. And some of these conditions are under consideration at the Shingikai for revision in 2003.

Figure 1.2. Types of *Haken* Companies and Their Accepted Businesses



Other distinctive regulations on *haken* system are the occupational and term restrictions. The temporary dispatching work system was accepted for the limited occupations when it started. The TDW Law started with 13 occupations, which had expanded to 26 occupations until the important and radical revision in 1999<sup>11</sup>. The system is called positive list system. These occupations are chosen as relatively high-skilled and specialist. The occupational limitations were set to avoid the substitution of the regular employees with temporary dispatched workers. The system is also limited within one year with a few exceptions when it first started in 1986. The rationale of this limitation is same as the one for occupational limitations. Labor unions argued that the limitation on the term of dispatch could prevent dispatching work to replace with regular workers.

By the establishment of the temporary dispatching work system, there are number of flexible workforce available in the Japanese labor market.

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<sup>11</sup> Although some occupations were added to the positive list by the requests from industrial associations (*Gyōkai*), there were some occupational groups that did not request or denied to be added to the list. For instance, port labor is specifically excluded from the list as it is argued that the labor market system was already established by the *Kōwan Rōdō Hō* (Longshoring Employment Law). *Kōwan Rōdō Antei Kyōkai* (The Longshoring Employment Security Association), established in 1980, might possibly have influence on this decision. Same can be said on the construction labor. It is excluded as the related laws were already enacted to improve the employment relations of this industry in general, therefore it is not considered as appropriate to adopt new system of temporary dispatching work in this industry.

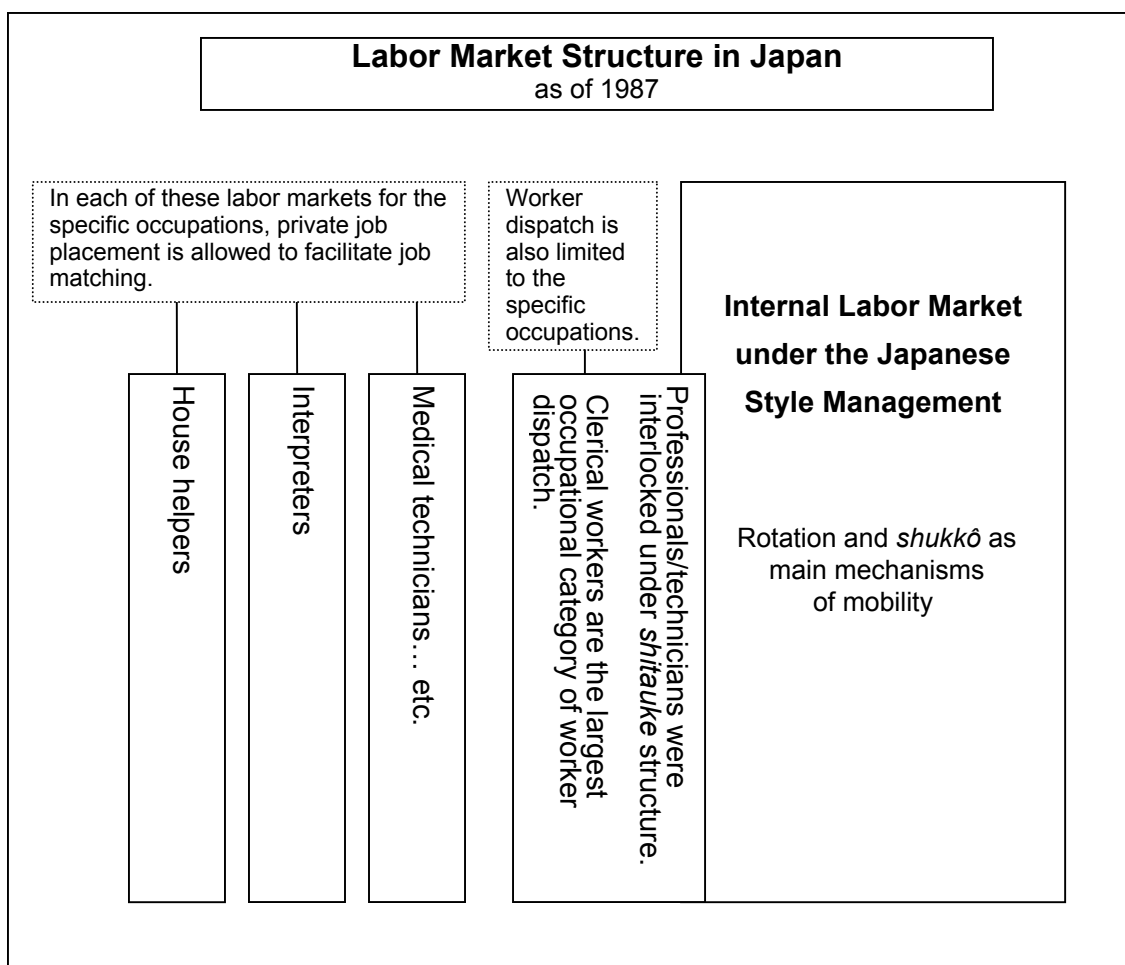
Table 1.2. The Types of Personnel in the Japanese Company

Regular employees	Non-regular
Executives	<i>paato, arubaito</i> (part-time)
	<i>haken</i> (temporary work)
	<i>keiyaku, shokutaku</i> (contract)
	others

However until the bubble burst of the early 1990s, the major measures of personnel flexibility were *shukkô* and *tenseki* (Inagami 2003, MOL 1988) and *paato* and *arubaito*. After the bubble burst and the following *Heisei* recession, various revisions of labor market regulations were made. And among others, the liberalization of the temporary dispatching work was considered as the foremost institution to solve the problems of the labor market.

It is useful now to summarize the development of the private labor supply at the point of the establishment of the TDW Law in 1987. By the establishment of the TDW Law (and the gradual additions of the permitted occupation to the private job placement), the labor market structure can be seen as following Figure 1.3.

Figure 1.3. Labor Market Structure in Japan, 1987



### 1.3. The shift from a positive list system to the diffusion of temporary work

The temporary dispatching work system was started to better regulate dispatching under the guise of *kōnai ukeoi*, which actually is an illegal worker dispatch and to meet shortages and labor market mismatches among high skill workers, although most of them are female clerical workers. After the legalization of temporary work in the mid-1980s, subsequent reforms have steadily whittled down the regulations. With the replacement of a “positive list” with a “negative list” system in 1999, a clear process of liberalization and diffusion of temporary work was launched. Moreover, the liberalization of the temporary dispatching work system is a part of a broader deregulation trend of the Japanese labor market underway since the mid-1990s (MHLW 2001a). Other reforms have liberalized working hour regulations, the use of the limited

term contracts, the deregulation of private job placement services, and the protections against worker dismissal (Yoroi, Wakita, & Goka 2001, Yashiro 1999).

Although the deregulation trend was already evident in the mid-1980s, it became more important after the burst of the bubble economy in 1991/1992. International competition and organizational restructuring has put pressure on companies to take further measures to reduce and diversify employment. Organizational and legal changes in the 1990s have significantly transformed Japanese labor market. The diffusion of temporary work alongside the expanding use of private job placement and limited term contracts are the clearest indicators of employment liberalization.

Although the MOL decided to establish private labor supply mechanisms, the MOL still saw the internal transfers such as *shukko* at company or company group functioned well to internally relocate workers without further external labor market mechanisms. The 1988 White Paper on Labor (*Rodo Hakusho*) published by the MOL, for example, argued that structural changes in the service sector are best undertaken through business diversification and internal relocation of workers within diversified corporations.

Even after the bubble burst, companies still relied largely on the conventional practices of *shukko* and *tenseki* as major measures to slim down the workforce. In recent practices, *tenseki* started to have more emphasis than *shukko*, and the applicable age was getting younger. The MOL established the supportive measures especially for small and medium size firms, such as the allocation of the employment subsidiary money<sup>12</sup>, to be able to absorb *shukko* and *tenseki* workers in order to achieve policy goal entitled as “labor mobility without unemployment.” Despite these efforts, the number of worker that companies would like to apply these practices started to exceed the capacity of company group (Inagami 2003, pp.37-8). They have excessive labor force on the one

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<sup>12</sup> These policy initiatives are called “Emergency Employment Measures,” and were done 12 times after 1993. These subsidiary funds were established for the medium and small size companies under the name of “employment creation fund,” and about \$4,600 million was allocated. According to the report by Asahi Shimbun, about half of the budget was actually used until 2002 (Asahi Shinbun 2003).

hand, but on the other hand, they claim the shortage of skilled workers, especially the professional and technical personnel. This personnel mismatch further cultivates the expectation toward external labor market.

Reflecting the new developments, the stance of the MOL toward labor market issues gradually started to change. The White Paper on Labor in 1994 confirmed the importance of traditional Japanese employment practices arguing that “Japanese companies are very conscious about employment security, and in reality, companies try to adjust through changes in wages, working hours, rotation, and *shukkkô* to adapt to the situation while maintaining stable employment” (MOL 1994, p.25). However at the same time, the White Paper points to the necessity of efforts for the “smooth transfer of workers outside the company” (MOL 1994, p.28). In the mid 1990s, the MOL started to consider the stimulation of external labor markets in addition to traditional adjustments involving the relocation of workers within companies/groups.

The White Paper on Labor in 1995 was more concrete about the external labor market measures. The top issue of the volume is the unemployment problem which reached the historical high level of 2.9% in 1995. At this point in time, the Ministry still saw internal transfer of labor as the most important solution to the problem, and pointed to the necessity of having supporting measures for companies to secure employment. The ministry also accepted that the corporate restructuring was becoming unavoidable, yet continued to place its hope on the *shukkkô* type transfer of labor (MOL 1995, p.28). In 1995, the MOL thus suggested strengthening the function of public job placement (MOL 1995, pp.252-254) to solve “mismatches” on the labor market, especially redundancies of elderly workers, female workers, and relatively high skilled workers (MOL 1995, pp.18-21). Considering the serious unemployment problem, the Ministry turned to an analysis of the experiences of the U.S. and Europe, concluding that high numerical flexibility in the U.S. could create job opportunities, but those opportunities would be low wage, and eventually result in high social inequalities. In its analysis of Europe, the Ministry concluded that strong labor protection policies resulted in long-term unemployment among unskilled workers (MOL 1995, p.15). The Ministry’s conclusion was that Japan

should take a middle position to solve the problem of unemployment.

The revisions of the TDW Law during this period matches with above mentioned general labor market policies presented in the MOL's understanding on the labor market situation. After the revision in 1994, the negative list was adopted for the workers above 60 years old. This measure was expected to expand the employment opportunity for elder workers especially after the retirement. And the revisions in 1990 and 1996 expanded the permitted occupations to solve the mismatches among relatively highly skilled workers.

Table 1.3. Changes in the Labor Supply and Temporary Work Regulations, 1990-2003

1990	<b>The revision of the Ministerial Ordinance of Temporary Dispatching Work Law</b> Extension of occupational list and length of dispatching: permitted occupations expanded from 13 to 16, and the term of dispatch was extended from nine months to one year.
1994	<b>The revision of Temporary Dispatching Work Law</b> Replacement of positive list with negative list for elderly workers: the regulations on the temporary dispatched work are lifted for workers over 60 except for a short list (negative list) of occupations such as transportation, construction, and security.
1996	<b>The revision of Temporary Dispatching Work Law</b> Extension of occupational list: expansion of the permitted occupations from 16 to 26.
1997	<b>The revision of the Ministerial Ordinance of Employment Security Law</b> Replacement of positive list with negative list, loosening the conditions to start private job placement and limitations on charges: some exceptions are listed as "negative list." Negative list includes clerical works, sales, service occupations except for already accepted ones, security, agriculture and fishery, construction and manufacturing assembly line.
1997	<b>ILO revised Convention No. 181</b> Private Employment Agencies Convention: accept the existence of the private personnel businesses, and set the standards for worker protection.
1999	<b>The revision of Temporary Dispatching Work Law</b> Replacement of positive list with negative list, extension of the terms of dispatching: few exceptions are listed as "negative list." Negative list includes transportation, construction, security, manufacturing assembly line, and medical occupations. Term of dispatch for the original 26 occupations extended from one to three years, for the rest of the occupations, set at one year.



1999	<b>The revision of Employment Security Law</b> Radical removal of the occupations from negative list: all the occupations on negative list is removed except for port services and construction.
2003	<b>The revision of Temporary Dispatching Work Law</b> Partial removal of negative list, partial extension of terms of dispatching: among a few negative list occupations, manufacturing assembly line to be permitted for dispatch up to one year. For original 26 occupations, the limitation of the term of dispatch to be kept, and for other occupations, the term will be extended to three years.
2003	<b>The revision of Employment Security Law</b> Loosening the conditions to start private job placement: deregulation of the limitation of private job placement as side business in the industries such as restaurant, hotel business, second hand shop, and money-lending business.

The White Paper on Labor in 1999 explains the changing attitude of the MOL towards the labor market problems, which achieved the radical reforms took effective in 1999. It is mainly concerned with unemployment, which had reached 4.1%. In the 1999 White Paper on Labor, little hope is placed in traditional firm internal labor allocation practices of Japanese firms, despite the important function for employment security. For the first time, the Ministry argues that long-term employment may be interfering with an adaptation to adapt to economic environmental changes (MOL 1999, p.242). The focus shifts in the 1999 report to considering a reorganization of the labor market, building new safety-net measures, the training of workers for better “employability,” and the creation of job opportunities (MOL 1999, p.5). In terms of the analysis of unemployment, the Ministry shifts away from its mismatches argument and begins to consider other sources of joblessness. The shrinking coverage of long-term employment practices, diversifying work orientations among young people, and the diversified personnel practices of firms are pointed out as other potential sources of unemployment (MOL 1999, p.19). To adapt to new developments, the Ministry suggests improving employability of workers, organizing labor markets for *paato* and temporary dispatched workers by the closer coordination between public and private job placement agencies, and improving the safety-net for the unemployed, including re-training programs (MOL 1999, p.247).

It was in the context of the re-thinking of the sources and solutions to unemployment that the Ministry undertook a radical revision of the TDW Law. The revision of the TDW Law and the ESL to liberalize private job placement in 1999 was a turning point in the history of labor market policy (Suwa<sup>13</sup> 2000, p.9), liberalizing the temporary dispatching system, and removing the public monopoly on job placement, which had been established after the Second World War. The effect was a clear step in the direction of privatisation of personnel services (Tsuchida 2000, p.74).

In terms of the liberalization of the private job placement, there were two revisions in 1997 and 1999. Until these series of revisions, as mentioned, the private job placement was basically prohibited except for limited occupations<sup>14</sup> by the ESL. In the first revision in 1997, which was made in the form of the ESL, restrictions were loosening in procedures to begin such a business, to charge expenses, and occupational restrictions, which included clerical works, sales<sup>15</sup>, service occupations<sup>16</sup>, security, agriculture and fishery, transportation and communication, and manufacturing and construction. This revision basically means to add white-collar occupations to the original 29 occupations (Goka 1999, p.151).

The next revision was made in 1999. In 1998, the Ministry of Labor Commission of the Employment Law (*Koyô Hôsei Kenkyû-kai*) headed by Koike Kazuo and Sugeno Kazuo issued a proposal for reorganizing the labor market including temporary work and private job placement. The Commission report argued that a range of environmental changes, including industrial structural

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<sup>13</sup> Suwa had been a chair for the Special Committee of Private Job Placement of the Advisory Committee on Employment Security at the Ministry of Labor, and was responsible for the revisions of the TDW Law in 1994, 1996, and 1999.

<sup>14</sup> The list of permitted occupation includes 29 occupations such as medical technician, house helper, hairdresser, cleaning technician, cook, bartender, interpreter, and model. This list first started as 11 occupations, and gradually expanded to 29 in 1990. About the detailed history of this gradual expansion, see Goka (1999, p.136).

<sup>15</sup> About these first two occupations, this limitation is applicable to only the tasks which can be done by the new graduates from the school a year ago.

<sup>16</sup> Service occupations do not include house helper, hairdresser, cleaning technician, cook, bartender, and model.

change, international competition, change in worker consciousness, and the ratification of the ILO Convention 181, necessitated changes in labor market. The proposal argued that the re-organization of the labor market be based on “market mechanism through private intermediate agencies and appropriate regulation of these” (MOL 1998). In response to this report, the ESL was revised to permit the private intermediary agencies to operate after 50 years of prohibition. Mawatari (2000) called this the “big-bang of the labor market.”

Although it took a different path, the TDW Law was also a part of this liberalization drive. The 1999 revision represents it by changing the nature of the temporary dispatching work system. Right after the revision in 1996, the MOL immediately started the preparation for the further revision by the influence from the deregulation committee<sup>17</sup> (Takanashi 2001, p.190). Traditionally, the *shingikai* set their own agenda based on the agreement of the tripartite members (Takanashi 2000, p.1). From the early 1990s, however, in some *shingikais*, the agenda was partly influenced by the deregulatory committees (Miura 2001a). In the case of negotiations on temporary dispatched work, the idea of a negative list originated directly from the Special Committee of the Deregulation (Miura 2001b, p.505).

Given this influence, Special Committee on Private Labor Supply in the Central Advisory Committee on Employment Security (*Shokugyô Antei Shingikai Minkan Rôdôryoku Jukyû Seido Shôinukai*) stated three reasons for this revision as follows.

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<sup>17</sup> In 1994, the Murayama administration established the Administrative Reform Committee (*Gyôsei Kaikaku linkai*) headed by the Iida Yôtarô, the chairman of the Mitsubishi Heavy Industry to broadly discuss reform of the government agencies and deregulation. Under the Administrative Reform Committee, a Special Committee on Deregulation (*Kisei Kanwa Shô linkai*) was created in 1995 headed by Miyauchi Yoshihiko, the chairman of ORIX Corp. Labor had only occasional representation in the deregulation committees and a strong influence of employers was clear. In 1995 and 1996, the special committee publicized a series of deregulation proposals, which started to have an influence on the discussion in the MOL advisory committees (*shingikai*) (Takanashi 2001, p.180, p.190).

- 1) The adoption of the ILO Convention no.181
  - 2) Socio-Economic changes
  - 3) To prepare diversified employment opportunities
- (Special Committee on Private Labor Supply, 1997)

The ratification of this ILO Convention was a major rationale to liberalize temporary dispatching work system and the private job placement system. Especially about the permitted occupations and the term of dispatch, the proposal suggests negative list system and short-term dispatch “considering the spirit of the ILO Convention 181” (Special Committee on Private Labor Supply, 1997). Based on these rationales, this revision re-defines the system as “temporary employment” instead of “the dispatch of specialized workers.” However, because of the differences between labor and management, the Special Committee could not reach to a consensus. In 1998, the public representatives at the Special Committee proposed “basic direction of the reform” to *shingikai* twice to facilitate the discussion. In May of 1998, the last proposal was delivered to the Minister, although two radically different opinions on the revision were still attached to the proposal as references.

The 1999 changes to temporary dispatching work system lifted most of the occupational and other restrictions except for prohibiting temporary work in the few occupations (negative list), effectively deregulating the employment form. The term of dispatch was also changed from one to three years of dispatch for the 26 relatively high-skill occupations originally allowed, while keeping the one year limitation for all other newly permitted occupations. The revision in 2003 took effect in 2004 extended the term of dispatch to three years for the newly permitted occupations. This means for all occupations the term of dispatch was extended to three years including the original 26 occupations. And the manufacturing assembly line was finally removed from the negative list.

After the revision in 1999<sup>18</sup>, the temporary dispatching work system became quite complex system. Simply put, there are two systems in one. One is the

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<sup>18</sup> Detailed description about the revisions of TDW Law and ESL in 1999 can be seen in

original 26 occupations which can be defined as relatively high skill works. The term of dispatch for these workers is up until three years. And the other is the temporary work system of the rest of the occupations that can be dispatched for a year except for the ones on the negative list. The revision had big impact on the development of the system. First, the registrars to the temporary help agencies soared (see next chapter), and second, the temporary help industry was greatly activated. The temporary help firms expanded their businesses using the variety of newly established labor market regulations such as private job placement and limited term contract. By using these with the know-how they accumulated in temporary dispatching business, they started to become “personnel business” firms. Other than their penetrations into the outsourcing business, they show remarkable expansion in the outplacement business. The business is called “risutora shien jigyo” (restructuring support business), and they set up early retirement program with companies having excessive labor force. For the temporary help firms, it is a new field of business, and for the companies with excessive labor, it is an extension of *tenseki* practice. In this sense, it is possible to say that “marketisation of the personnel function” started to emerge.

The White Paper on Labor Economy (*Rôdô Keizai Hakusho*)<sup>19</sup> recognized on expanding role for private job placement services including temporary dispatched work (MHLW 2001b, p.22). The White Paper on Labor Economy in 2002 ties employment mismatches to sectors of the labor market which can not be addressed by public job placement services (MHLW 2002, p.8). Although the term “mismatch” continues to be used the meaning of the term changes from industrial, occupational, age, and gender mismatches to mismatches in workers’ competencies, imperfect information, and preferences by both workers and companies (WHLW 2002, p.8). To solve these problems, the White Paper suggests training programs, career consulting, and the facilitation exchange of

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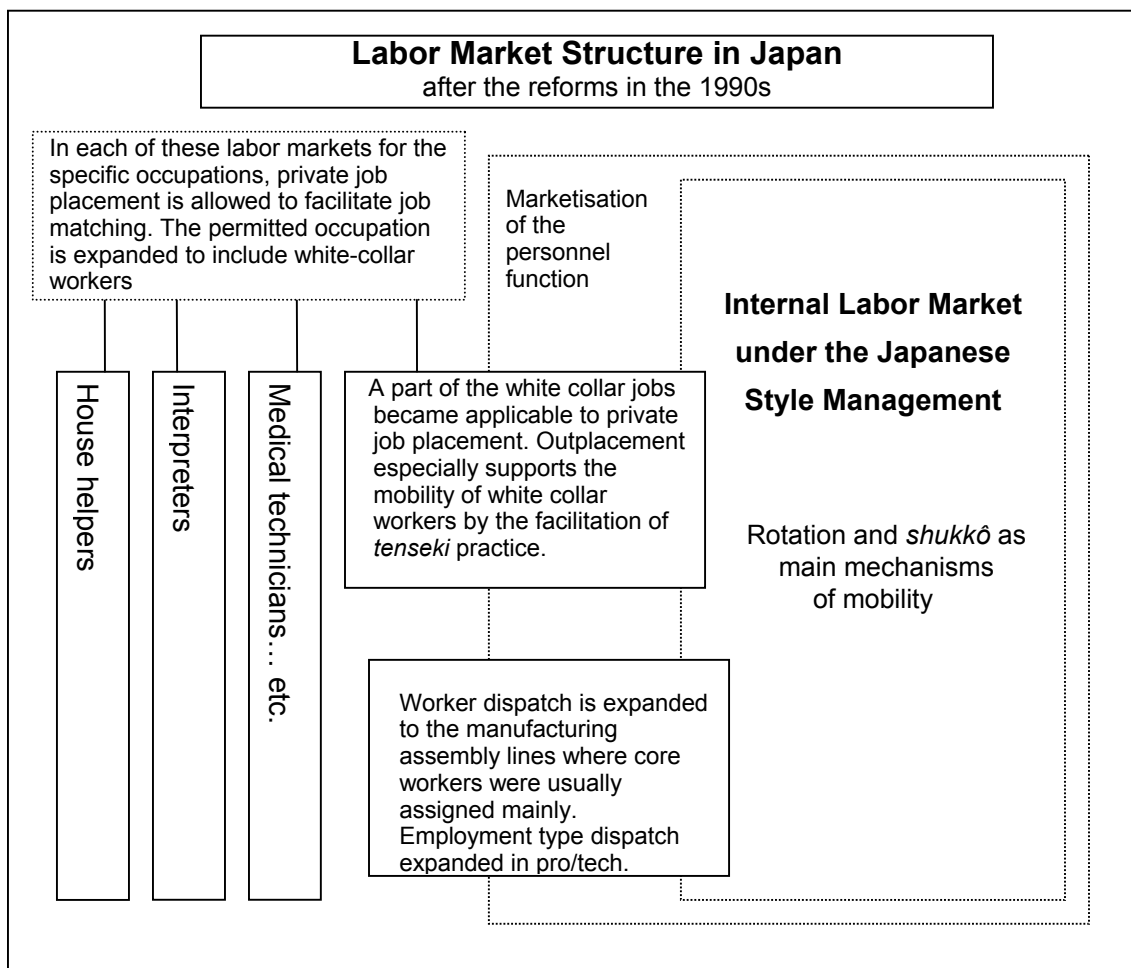
Kamata 2000 and Tsuchida 2000.

<sup>19</sup> From 2001, the Ministry of Labor was merged with the Ministry of Welfare, and became the Ministry of Health, Labor and Welfare (MHLW) by the administrative reform. Because of this merger, the White Paper of Labor changed to the White Paper of Labor Economy.

information at both public and private job placement services and between them. Other measures to support elderly workers and workers with specific skills (MHLW 2002, p.113) especially for the small and medium size companies should remain a public responsibility however.

Based on the revisions through the 1990s, the structure of the labor market can be summarized as following in Figure 1.4. The impact of the revision in 2003 can not yet be confirmed.

Figure 1.4. Labor Market Structure in Japan, 2003



#### 1.4. Summary of the chapter

Above all, the regulative reforms not only established the temporary dispatching work but also significantly expanded the conditions of the private job placement and limited term contract. And these eventually promote the employment diversification along with the de-standardisation of employment. The main points of this chapter are summarized as follows.

- The private labor supply, the temporary dispatching work and the private job placement, was prohibited in reference to the pre-war feudal exploitative employment relations by the ESL and LSA.
- The private labor supply was only accepted to a limited number of occupations.
- The temporary dispatching work was prohibited. However, in practice, it kept being existed as a form of *kônai ukeoi*, which was interlocked within *keiretsu* relations, especially in the occupations such as machine designing and programming.
- The temporary dispatching expanded after the 1970s driven by the establishment of the temporary help firms mainly focusing on the clerical work.
- The TDW Law was established in 1986 to better regulate dispatching under the guise of *kônai ukeoi* and to meet shortages and labor market mismatches among relatively high skill workers.
- The temporary dispatching gradually expanded in terms of the permitted occupation and the term of dispatch. Until 1999, the permitted occupation was expanded to 26 occupations and the term of dispatch was extended to three years. The revision in 1999 altered the system from positive list to negative list, and one year of dispatch was accepted for all other occupations. The revision in 2003 deleted the manufacturing assembly line from the negative list, besides the term of dispatch was extended to three years for all occupations.

- The private job supply was also gradually added permitted occupations, but it was basically liberalized by the consecutive revisions in 1997 and 1999.
- The attitude of the MOL (MHLW) toward the role of external labor market (and that of traditional internal labor relocation) changed in the diffusion process.
- This change was partially produced by the influence by the deregulation committee.
- Using these regulative reforms, the temporary help firms started to become actors who facilitate “marketisation of the personnel function” of the user companies.



## 2. Temporary Employment

So far, it is examined that the regulative reforms established the new form of employment status, *haken*, and expanded the definitions of the existing non-regular employments under the name of deregulation. In this chapter, the actual development of the labor market following these regulative reforms will be examined. The overall question for this chapter is if and in what way the normal employment is replaced with the non-standard employment. In practice, we examine the following detailed questions to answer to the overall question.

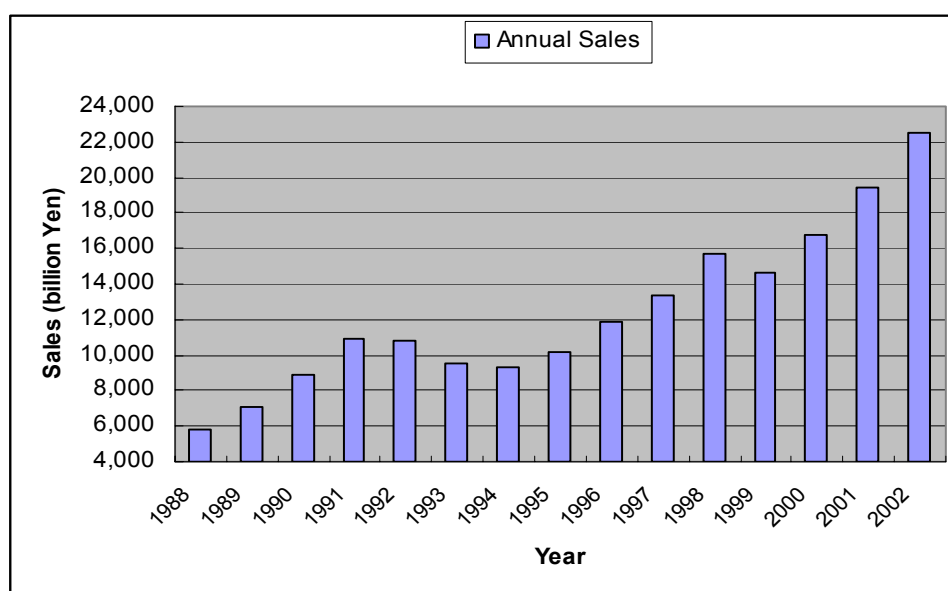
- (1) In what direction is *haken* industry as a personnel service industry developing?
- (2) How did regular/non-regular composition of the employment change during the 1990s?
- (3) In which sector of the labor market are non-regular employments, including *haken*, increasing?
- (4) Under what labor conditions do *haken* workers, as a representative case of the newly developing status of employment, work?

From the examinations of these points, the direction of the restructuring of the labor market will be analyzed.

## 2.1. The development of the temporary help industry

The regulative reforms fueled the growth of the THFs, especially after the radical liberalization of labor regulations during the period between 1997 and 2002. In this section, we locate the THI as a main actor of the development of the field of private labor supply, and examine the recent development of the temporary help industry. Figure 2.1 shows the development of the annual sales of the temporary help firms.

Figure 2.1. Annual Sales of the Temporary Help Industry<sup>20</sup>



source: Rôdôsha Haken Jigyô Jigyô Hôkoku (Business Report of *Haken* Industry)

The growth of the THI is rapid. When the temporary dispatching system started, the sales amount of the THI was a little less than 6,000 billion-yen. In 2001, it is more than 22,000 billion-yen, nearly four times larger than 1988. It is clear that the THI kept growing in terms of sales throughout the 1990s.

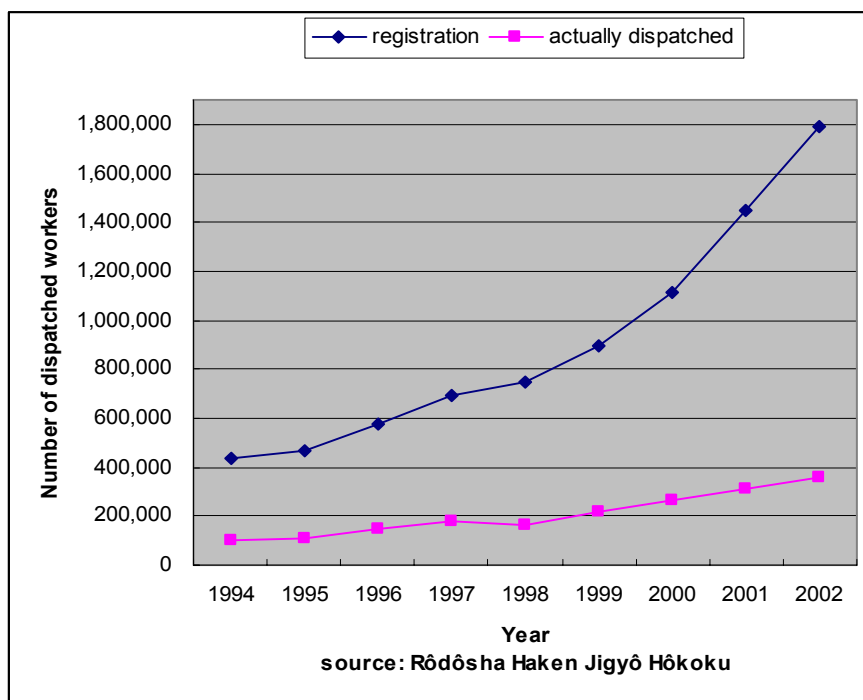
The following figures show more precisely about how the THI grew focusing purely on the dispatching business. Figure 2.2 shows the growth of the number of workers registered with *haken* agencies and the number of the actually

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<sup>20</sup> This figure is created by the annual reports which all the temporary help firms (hereafter, THFs), including *ippan* and *tokutei* firms, have to hand in to the Ministry. The name of the report is in Japanese *Rôdôsha Haken Jigyô Jigyô Hôkoku* (literally means the business report of *haken* industry).

dispatched workers (*tōroku-gata*). Since one worker can register to several dispatching agencies, and one worker can be dispatched several times in a year, the sum total of actually dispatched workers over 350,000 in 2002 is larger than the total in the Employment Status Survey.

Figure 2.2. Number of Temporary Dispatched Workers (Registered type)



source: Rōdōsha Haken Jigyō Jigyō Hōkoku (Business Report of *Haken* Business)

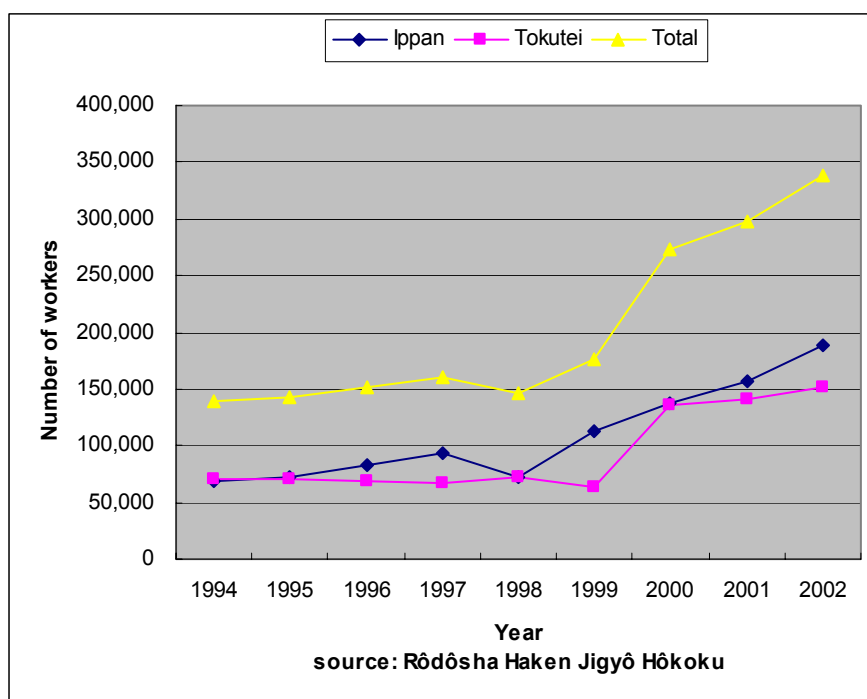
It is still clear from this figure that the growth of the THI has been quite rapid and steady. Registered workers increased from 437,000 in 1994 to 1,791,000 in 2002. Actually dispatched workers increased from 99,400 to 355,000. Registration and actual dispatch are accelerated with the revision of regulation in 1999.

Business Report of *Haken* Industry asked the most frequently dispatched occupation in terms of the original 26 occupations. Operation of the office machines is the most frequently dispatched work through this period<sup>21</sup>. Journal entry, contract drafting, and filing are following.

<sup>21</sup> Statistics are not available for this. The number in 1996 is the accumulation of the

Figure 2.3 shows the growth of the number of employment type (*jōyō-gata*) dispatched workers in both *ippan* and *tokutei haken* agencies (see p. 13 for the distinction of these different types of dispatching). Both *ippan* and *tokutei haken* agencies can conduct employment type dispatching work. Here again, the numbers still include the workers who were dispatched several times in a year.

**Figure 2.3. Number of Temporary Dispatched Workers (Employment type)**



source: Rōdōsha Haken Jigyō Hōkoku (Business Report of *Haken* Business)

The total number of employment type dispatched workers more than doubled during this period. It increased from 138,900 in 1994 to 338,600 in 2002. Especially notable is the rapid growth after 1999. This again suggests the impact of the revision in 1999 to the employment type dispatch.

Except for 1998, it is clear that the expansion of employment type dispatch at *ippan haken* companies has been steady. At *ippan haken* companies, the

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actually dispatched workers, but the number in 2001 is re-calculated in the number of regular workers by dividing the accumulated hours that actually dispatched workers worked by the average hours of work of regular employees. These two numbers are not comparable.

most frequently dispatched occupation is operation of the office machines: 36,507 in 1996, increasing to 56,273 in 2001. Contract drafting and filing have constant demand. In the same period, contract drafting increased from 4,971 to 8,450, and filing increased from 6,187 to 11,110. Journal entry started with 18,795, experienced a loss in 1998, but in 2001, reached 26,192.

At *tokutei haken* companies, the most frequently dispatched occupation is programmer/software developer, yet the total number of dispatching is decreasing from 24,844 in 1996, peaking in 1999, 25,468, and in 2001, declining to 19,409. Operation of the office machine was the second in 1996 counting 16,834, was third in 2001 with 9,664. Machine/plant designer was third in 1996, increasing from 14,219 to 23,926 in 1999, and decreasing in 2001 to 17,373. Since the accumulation of these three categories of occupation reaches about 80% of all dispatches among the 26 occupations, there is no clear sign of expansion.

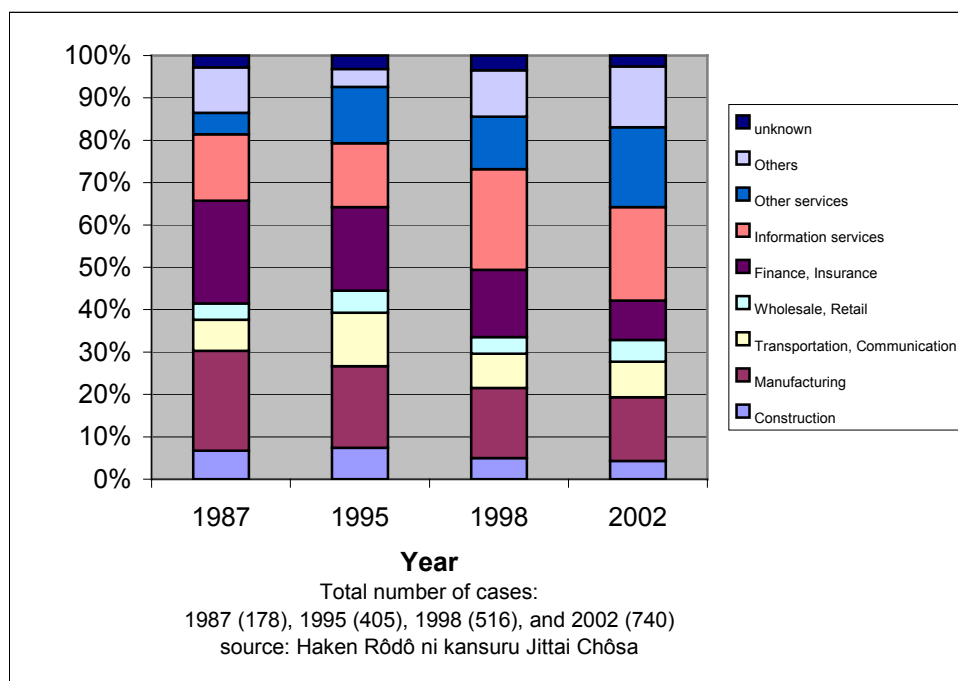
Expansion of employment type dispatch at *tokutei haken* should be caused by the liberalization of the system. It is clear from Figure 2.3. It had been stable until 1999, and it doubled in 2000. Since we do not have enough information about the employment type dispatching other than 26 occupations, it is only possible to present a few possible hypotheses about its expansion from the data presented so far.

- Employment type dispatch is growing in the occupational categories such as sales and service.
- Employment type dispatch is also growing in the occupational category of manufacturing/construction.

These are questions that it is necessary to conduct surveys for the THFs, especially to *tokutei* ones to ask, in which form and to what kind of user companies they dispatch workers recently.

The information about the needs of *haken* workers by the user companies are indirect but necessary to answer these questions. Figure 2.4 is created by the Tokyo metropolitan government's survey on the development of *haken*.

Figure 2.4. User Companies by Industry (*ippan haken*)<sup>22</sup>



source: Haken Rôdô ni kansuru Jittai Chôsa (Tokyo Survey on Temporary Dispatching Work System)

The Tokyo Survey reported in Figure 2.4 asked *ippan haken* companies to list their biggest customers in terms of sales. In 1987, finance and insurance industry was the biggest in 24.2%, and manufacturing was the second in 23.6%. In 2002, finance and insurance declined, in proportion to the total demands, to 9.3%, and manufacturing also declined to 15.0%. Instead in 2002, information services and other services became the top users of the temporary dispatching workers. These industries reached 22.0% and 18.9% of the largest sales to user firms in Tokyo, growing from 15.7% and 5.1% in 1987, respectively.

The Tokyo Survey also asked in which occupation user companies in different industry use temporary dispatched worker. Among 62 *haken* companies that dispatch workers in “software developing,” 77.4% answered that the customers are in information service industry. In terms of “machine/plant

<sup>22</sup> Tokyo Metropolitan Government conducted surveys of temporary dispatching work system in 1987, 1995, 1998, and 2002. In 1995, they chose 740 *ippan haken* companies, and got 405 replies (response rate: 54.7%). In 1998, they got 516 replies out of 1,003 *ippan haken* companies (51.4%). In 2002, they got 740 replies out of 2,000 (37.0%).

designing,” among 25 *haken* companies, 10 companies sent workers to manufacturing, and another 10 companies sent to construction. About the “operation of office machines” and “filing,” there is no distinctive difference among the industries<sup>23</sup>.

This result suggests that the clerical workers are needed by all the industries. However, by focusing on other occupations, the industrial structural change brings new dimension in the labor market reorganization. Tokyo survey clearly shows that *haken* started to provide workers in expanding industries such as information service and other services.

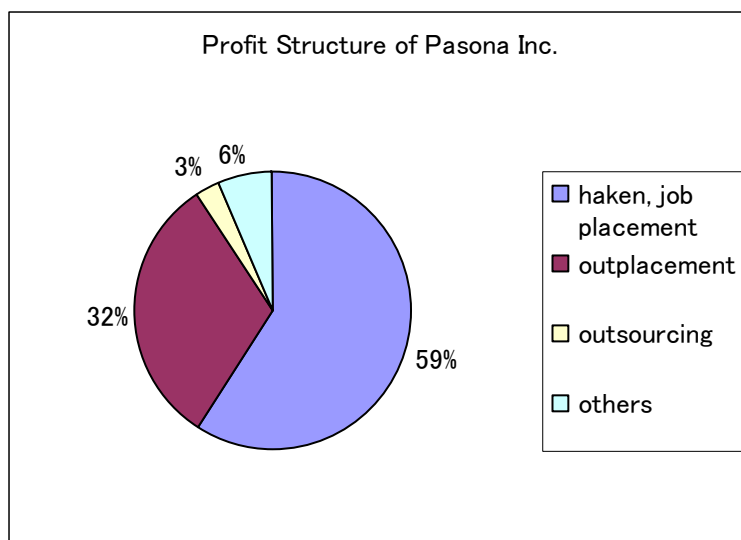
The expansion of the field of private labor supply enables the THFs to conduct various other businesses. The expansion of the market supports their business diversification to the direction toward what they call as *jinzai bijinesu* (personnel business). It is the marketisation of the personnel function of firms by the expanding roles of the THFs. The typical line-up of their “personnel business” includes *haken*, job placement, temp to perm, *ukeoi*, outsourcing, outplacement, and training services. Especially after the liberalization of 1999, the THFs are increasingly active in these businesses besides worker dispatching business (JIL 2003).

Among these new businesses, the emergence of outplacement service shows the growing significance of the roles of the THFs in the labor market. Figure 2.5 shows the profit structure of Pasona Inc. in 2002.

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<sup>23</sup> For other occupations, Tokyo Survey do not have enough sample cases. With noting this, it is possible to discern following tendencies. Manufacturing industry is the most frequent user of temps for “contract drafting,” finance and other services are for “journal entry,” finance and information services use them in “tele-marketing,” and wholesale and retail use them in “sales.”

Figure 2.5. Profit Structure of Pasona Inc.



source: *Chûkan Kessan Setsumeikai* (Pasona Mid-term Business Report 2002) (Pasona 2003)

The most striking fact that can be seen from this Figure is the share of profit earned by outplacement business helping firms to restructure excessive labor. As the traditional practices of labor relocation such as *shukkô* and *tenseki* by Japanese companies started to face the limit, the THFs started to help them transfer excessive labor force to the outside of *keiretsu* relations and corporate groups. In terms of the sales, the share of *haken* and job placement still is still more than 90%, but the Figure suggests that the company is increasingly relying on the profit from the outplacement business. Interviewee from Pasona Inc. admits that the “restructuring support business” is one of the most promising fields of business in the future (Nemoto 2003).

## 2.2. The growth of non-regular employment

Given the regulative reforms, the structure of Japanese labor market started to change significantly, partially helped by the subsequent development of private labor supply business. Table 2.1 below shows the labor market change after the establishment of the TDW Law in terms of the regular/non-regular composition of the employment.



**Table 2.1. Number of Employees by Employment Statuses**

	numbers in thousands							
	1987	%	1992	%	1997	%	2002	%
Regular employees	34.565	74,9	38.062	72,4	38.542	70,1	34.557	63,1
Executives	3.088	6,7	3.970	7,6	3.850	7,0	3.895	7,1
Non-regular employees	8.497	18,4	10.432	19,8	12.590	22,9	16.206	29,6
Paato, Arubaito	6.563	14,2	8.481	16,1	10.342	18,8	12.062	22,0
Haken	87	0,2	163	0,3	257	0,5	721	1,3
Keiyaku, Shokutaku	730	1,6	880	1,7	966	1,8	2.477	4,5
Others	1.118	2,4	1.008	1,9	1.025	1,9	946	1,7
Employees, total	46.153	100,0	52.575	100,0	54.997	100,0	54.733	100,0

source: Shûgyô-Kôzô Kihon Chôsa (Employment Status Survey)

The Employment Status Survey done every five years provides an overall picture of changes of the employment structure in Japan<sup>24</sup>. From 1987 to 1992, during the peak of the bubble economy, the total employment increased from 46,153 thousands to 52,575 thousands. During this period, all non-regular employee increased by 2 million, while regular employee also increased by 3.5 million. Although the proportion of the regular employee dropped 2.5% point, the category of regular employment still expanded in actual number. In 1997, after the bubble burst, total employment still increased by 2.4 million from 1992 and reached about 55 million. This expansion however relied mostly on the increase of the non-regular employment. The proportion of regular employment decreased by 2.3% point when the proportion of the non-regular employment increased by 2.9% point. Compared to 1987, regular employment decreased by 4.8% point and non-regular employment increased by 4.5% point.

These trends of change were accelerated between 1997 and 2002. The regular employment decreased by 4 million and reached to the historical low of 63.1% to total employee. Instead, all non-regular employment greatly expanded

<sup>24</sup> Employment Status Survey (*Shûgyô-Kôzô Kihon Chôsa*) is conducted every five years by the Statistics Bureau. The survey is based on the National Census. For instance, The Employment Status Survey in 1997 was conducted by choosing 29,000 areas based on National Census. About 430,000 households were chosen in these areas, and about 1,100,000 people were included in this survey. The results are statistical estimations. In this survey, the ways of the categorization of the non-regular employment rely on the local conventions of respondents (and their workplaces).

about 3.6 million and reached to almost 30%, while the total employee did not change that much, from 54,997 to 54,733.

Overall, the survey shows the dramatic change in terms of the regular/non-regular composition of the employment from 1987 to 2002. It seems the size of the regular employee is pretty much the same between 1987 and 2002. It was 34,565 in 1987 and was 34,557 in 2002. Excluding the increase of executives about 800 thousands, about 7.8 million increase of the total employment is caused by the expansion of the non-regular employment from 8,497 thousands to 16,204 thousands. Non-regular employees are actually doubled during this period.

Among the non-regular categories of employment, *haken* is still the smallest category of the non-regular employments. In 2002, 720 thousands, 1.3% of the total employment, are in this category. However, it is the fastest growing category among the various non-regular employment statuses. In 2002, it became more than eight times in 2002 compared to 1987. *Paato* increased by 5.5 million, and this made 22.0% of the employee *paato* in Japan in 2002. *Keiyaku/shokutaku* also increased dramatically. It increased 1.7 million, and reached the proportion of 4.5% of the total employment. This category is important especially from our interest as some of the workers in this category might actually get a job through private job placement run by dispatching companies or employed by outsourcing companies that are also run by dispatching companies, although individually contracted workers and re-hired retirees are surely included too. In any case, it is clear that Japanese companies started rapidly relying on this category of employment.

This change tends to be discussed in its relation to the corporate efforts to increase personnel flexibility to adapt to the globalized competition. The impact of the industrial structural transformation, however, can not be ignored. The development of the *haken* status was together with the industrial structural transformation. In 1986, when the temporary dispatching work system started, two occupational categories, technical/professional and clerical works dominated the industry, 20.7% and 44.8%, respectively, of all temporary

dispatched workers. These occupations are still important in the latest statistics, but there are other developments.

Table 2.2. *Haken* Workers by Occupation and Sex<sup>25</sup>

	numbers in thousands											
	1987			1992			1997			2002		
	total	male	female	total	male	female	total	male	female	total	male	female
technical and professional	18 20,7%	13 36,1%	5 10,2%	21 12,9%	15 30,6%	6 5,3%	30 11,7%	20 37,7%	10 4,9%	44 6,1%	23 11,3%	21 4,1%
management	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%
clerical	39 44,8%	7 19,4%	32 65,3%	94 57,7%	8 16,3%	86 75,4%	180 70,0%	14 26,4%	166 81,4%	360 49,9%	29 14,2%	331 64,0%
sales	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	4 1,6%	1 1,9%	3 1,5%	48 6,7%	11 5,4%	37 7,2%
service	4 4,6%	2 5,6%	2 4,1%	10 6,1%	3 6,1%	7 6,1%	10 3,9%	2 3,8%	8 3,9%	43 6,0%	9 4,4%	34 6,6%
security	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%
agriculture/fishery	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	0 0,0%	1 0,1%	1 0,5%	0 0,0%
transportation and communication	2 2,3%	1 2,8%	1 2,0%	6 3,7%	4 8,2%	2 1,8%	4 1,6%	1 1,9%	3 1,5%	11 1,5%	9 4,4%	2 0,4%
manufacturing and construction	14 16,1%	12 33,3%	2 4,1%	27 16,6%	16 32,7%	11 9,6%	28 10,9%	14 26,4%	14 6,9%	192 26,6%	113 55,4%	79 15,3%
unclassified	10 11,5%	3 8,3%	7 14,3%	5 3,1%	2 4,1%	3 2,6%	0 0,0%	0 0,0%	0 0,0%	21 2,9%	8 3,9%	13 2,5%
total	87 100,0%	36 100,0%	49 100,0%	163 100,0%	49 100,0%	114 100,0%	257 100,0%	53 100,0%	204 100,0%	721 100,0%	204 100,0%	517 100,0%

source: Shûgyô-Kôzô Kihon Chôsa (Employment Status Survey)

The largest expansion in *haken* work throughout the period since the first TDW Law is in clerical work. It increased from 39,000 in 1987 to 360,000 in 2002. In 2002, almost 50% of *haken* workers are clerical workers. In this category, female workers are dominant. The proportion of female workers in this occupation was 82.1% in 1987, and it increased to 91.5% in 1997 and 92.0% in 2002.

<sup>25</sup> The occupational categorization of the Employment Status Survey was slightly changed from 2002 survey. Thus the numbers of 1987, 1992, and 1997 surveys are recalculated.

Until 1997, professional/technical was the second largest category in *haken*. In 2002, although the proportion of professional/technical in the total number of temporary dispatched worker has declined, the increase of the category had been steady.

Radical change has happened in the category of manufacturing/construction. It jumped from 28,000 in 1987 to 192,000 in 2002. 58.9% of the workers are men in this category. Actually this is the only male dominating category in *haken*, and 55.4% of the male *haken* workers are working in manufacturing/construction. Sales and service emerged as main occupational categories of *haken* in 2002. Close to 80% of the workers in these categories are women.

Summing up the changes, first, the impact of 1999 revision was immense. The expansion of *haken* during the period of 1997 and 2002 is radical. It is obvious that the expansion of manufacturing/construction, sales, service and clerical is caused by the revision in 1999. Secondly, although the expansion of manufacturing/construction decreased the proportion of female to total *haken* population, *haken* is still a predominantly female employment centering around the categories such as clerical, sales and service.

*Keiyaku/shokutaku* also radically changed after the liberalization of the private labor supply function and the expansion of the limited term contract.

Table 2.3. Keiyaku/shokutaku Workers by Occupation and Sex

numbers in thousands

	1987			1992			1997			2002		
	total	male	female	total	male	female	total	male	female	total	male	female
technical and professional	139	70	69	150	82	74	175	87	87	378	160	218
	19,0%	14,6%	27,3%	17,0%	14,2%	24,6%	18,1%	14,4%	24,1%	15,3%	12,2%	18,6%
management	14	13	0	14	13	1	13	12	1	17	16	1
	1,9%	2,7%	0,0%	1,6%	2,2%	0,3%	1,3%	2,0%	0,0%	0,0%	0,0%	0,0%
clerical	200	120	80	252	149	103	283	150	133	655	222	433
	27,4%	25,1%	31,6%	28,6%	25,7%	34,2%	29,3%	24,8%	36,8%	26,4%	17,0%	37,0%
sales	64	42	22	69	41	27	88	55	33	297	137	158
	8,8%	8,8%	8,7%	7,8%	7,1%	9,0%	9,1%	9,1%	9,1%	12,0%	10,5%	13,5%
service	52	21	31	79	31	48	88	38	50	260	90	170
	7,1%	4,4%	12,3%	9,0%	5,4%	15,9%	9,1%	6,3%	13,9%	10,5%	6,9%	14,5%
security	36	34	2	31	30	1	35	34	1	75	70	5
	4,9%	7,1%	0,8%	3,5%	5,2%	0,3%	3,6%	5,6%	0,3%	3,0%	5,3%	0,4%
agriculture/fishery	8	7	1	9	7	1	10	8	1	15	13	3
	1,1%	1,5%	0,4%	1,0%	1,2%	0,3%	1,0%	1,3%	0,3%	0,6%	1,0%	0,3%
transportation and communication	30	28	2	37	35	2	44	40	4	128	119	10
	4,1%	5,9%	0,8%	4,2%	6,0%	0,7%	4,6%	6,6%	1,1%	5,2%	9,1%	0,9%
manufacturing and construction	120	87	23	229	187	43	224	176	49	620	463	157
	16,4%	18,2%	9,1%	26,0%	32,3%	14,3%	23,2%	29,1%	13,6%	25,0%	35,4%	13,4%
unclassified	2	1	1	7	5	2	7	5	2	31	17	14
	0,3%	0,2%	0,4%	0,8%	0,9%	0,7%	0,7%	0,8%	0,6%	1,3%	1,3%	1,2%
total	730	478	253	880	579	301	966	605	361	2477	1309	1169
	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

source: Shûgyô-Kôzô Kihon Chôsa (Employment Status Survey)

Although it had steadily grown in all occupational categories until 1999, it increased three or even four times more during the 1997 and 2002 period. Sales increased more than four times from 64,000 to 297,000. Service and transportation/communication followed in about 300% increase. Manufacturing/construction, clerical, and technical/professional easily exceeds 200% increase.

Another characteristic is that there is increasing number of female workers in this employment form. In total number of workers in *keiyaku/shokutaku* category, the proportion of women increased from 34.7% to 47.2%. As this category was more attached to the company internal personnel measures since it was used, for instance, for the retired elderly workers, it was no surprise that there were more men in this category. Thus the increase of women is a distinctive difference in 2002. In all the occupational categories, except for service, there

were more men than women in 1987. However in 2002 66.1% of clerical workers, 65.4% in service, and 57.7% of technical/professional workers turned out to be female.

By the examinations of the newly established and expanded categories of employment, the impact of industrial structural change can be seen as common background. Besides the massive increase of clerical and manufacturing/construction, the expansions of professional/technical, sales, and service clearly show the industrial structural transformation toward knowledge intensive and service economy relies on the new mechanisms of labor market.

So far, we confirmed the following points from the overall changes of the labor market.

- The proportion of the regular employment dropped significantly from 74.9% to 63.1% during the period between 1987 and 2002, while the total non-regular employment expanded from 18.4% to 29.6%.
- *Haken* is the fastest growing category of the non-regular employment, although it is still the smallest in actual number. And *haken* is predominantly a category for female workers.
- *Keiyaku/shokutaku* also increased significantly
- *Paato/arubaito* expanded steadily and doubled during the period between 1987 and 2002.
- More and more workers are in the statuses of *haken* and *keiyaku/shokutaku*, especially in the occupations such as clerical, sales, service, professional/ technical, and manufacturing/ construction, suggesting the impacts of globalized competition and industrial structural change. This tendency became much stronger during the period between 1997 and 2002.

All these points suggest that regulative reforms to establish employment diversity were quite effective during the period. The new form of employment, *haken*, grew fast and became important section of the non-regular employment. The growth of *keiyaku/shokutaku* and *paato/arubaito*, various kinds of the

limited term contract, also proves the impact of the regulative reforms. Given the environmental changes, the replacement of regular workers with non-regular workers is clear. In the next section, we will examine how this process of replacement takes place.

### 2.3. Replacement of regular with non-regular employment

Japanese companies traditionally adjust their personnel through the uses of the *keiretsu* relations. In this *keiretsu* structure, larger companies send excessive labor to the medium and small size companies through *shukkô* and *tenseki* practices. If this structure is still underway, the non-regular employment should be able to find more in medium and small size companies than the larger ones.

Table 2.4. Employment Diversification and Size of the Company

numbers in thousands

1987*															
	Regular employee	%	Non-regular employee										Exec.	Total	%
			sub total	%	Paato Arubaito	%	Haken	%	Keiyaku Shokutaku	%	Others	%			
1000~	7.496	88,2	916	10,8	684	8,1	25	0,3			207	2,4	83	8.495	18,4
500~999															
300~499	3.644	82,9	635	14,4	489	11,1	15	0,3			131	3,0	117	4.396	9,5
100~299	4.372	79,2	962	17,4	744	13,5	20	0,4	-		198	3,6	187	5.521	12,0
30~99	5.320	74,5	1.413	19,8	1.127	15,8	17	0,2	-		269	3,8	411	7.144	15,5
1~29	9.202	59,4	3.976	25,7	3.232	20,9	10	0,1	-		734	4,7	2.312	15.491	33,6
Public/others	-		-		-		-		-		-		-	5.074	11,0
Total**	34.585	74,9	8.497	18,4	6.562	14,2	87	0,2	-		1.848	4,0	3.088	46.153	100,0

\* In 1987 survey, 300~999 is the only available category. And keiyaku/shokutaku is included in the category of others.

\*\* Total includes workers in public sector. And percentages do not add up to 100% as the category of "executives" is not included.

2002															
	Regular employee	%	Non-regular employee										Exec.	Total	%
			sub total	%	Paato Arubaito	%	Haken	%	Keiyaku Shokutaku	%	Others	%			
1000~	6.764	73,0	2.201	23,7	1.693	18,3	217	2,3	487	5,3	34	0,4	67	9.271	16,9
500~999	1.896	70,1	766	28,3	540	20,0	67	2,5	150	5,5	9	0,3	37	2.704	4,9
300~499	1.584	67,6	710	30,3	487	20,8	59	2,5	151	6,4	13	0,6	43	2.342	4,3
100~299	3.664	64,7	1.829	32,3	1.325	23,4	137	2,4	329	5,8	38	0,7	158	5.661	10,3
30~99	4.305	61,7	2.275	32,6	1.781	25,5	105	1,5	306	4,4	83	1,2	387	6.978	12,7
1~29	7.896	49,3	5.139	32,1	4.382	27,3	55	0,3	302	1,9	400	2,5	2.966	16.026	29,3
Public/others	-		-		-		-		-		-		221	11.240	20,5
Total**	34.557	63,1	16.204	29,6	12.061	22,0	720	1,3	2.477	4,5	946	1,7	3.895	54.733	100,0

source: Shūgyō-Kōzō Kihon Chōsa (Employment Status Survey), 1987 and 2002



This table helps us to analyze what is happening in the reorganization of workforce in Japanese companies by size. The first thing that caught our eyes is the radical drop of the proportion of the regular employee in almost all sizes of the companies. In average, it dropped from 74.9% to 63.1%. The large companies, which have more than 1,000 employees, reduced the proportion about 15% point, from 88.2% to 73.5%, although it still keeps the highest proportion of the regular employee. Interestingly, the number is getting closer to the proportion proposed in the New Age Japanese Style Management by Nikkeiren in 1995, which is 70% (Nikkeiren 1995). In all other level of sizes, except for the smallest, the proportion of the regular employee dropped about 11% point toward the level of 65%.

By the comparison about the degree of reliance on non-regular employee, it is possible to see a bit more complex picture. The increase of non-regular employment is biggest in the size of 100~299 with 15.8% point increase, followed by 300~999 and 30~99 with the figures of 15.3% point and 14.7% point respectively. In the large companies, the figure changed from 10.8% to 23.9%, 13% point increase. It shows that the reliance on the non-regular employment has been strengthened in small and medium size companies, while the reliance on non-regular employment has been generally increased dramatically in all level of company sizes.

The trend of expansion is different among various types of non-regular employment. *Keiyaku/shokutaku* is the rough indicator of the company activities in terms of the *tenseki* practice. The category was included in the category of “others” in 1987, and the table shows that 2% to 3% increase in all sizes of the companies other than the one with 1-29 employees.

The expansion of other forms of non-regular employment simply tells that the increasing reliance of companies on the external personnel. *Paato/arubaito* is used most frequently by the very small companies. In the very small companies that have less than 30 employees, 27.3% of the employees are *paato/arubaito* in 2002. However, it is also clear that whatever the size of the company is, they expanded the proportion of *paato/arubaito* about 10%. *Haken* is in the same

trend. Other than the companies with less than 100 employees, all companies increased it about 2.5% point from almost 0%.

Despite the small differences among the different sizes of the companies, general trend seems to be quite similar among them. The general trend is the replacement of regular workers with non-regular workers. The degree of change in all the sizes, it is easier to find the similarities than differences. In all the sizes of the companies, total non-regular employees reaches about 30%, *haken* consists of about 2.5%, and *keiyaku/shokutaku* are in between 5.5% and 6.5%. This tells that something beyond the practices of *shukkô* and *tenseki* is underway.

Considering the active use of the “early retirement program” by the companies and increasing insecurity of employment among young workers, it is reasonable to hypothesize that the replacement takes place as a generational project.

Table 2.5. Employment Status by Age Cohort

**2002**

	15-24	%	25-34	%	35-44	%	45-54	%	55-64	%	65-	%	total
Total employee	6,323	11.6	13,672	25.0	11,471	21.0	12,831	23.4	8,030	14.7	2,405	4.4	54,733
%	100.0		100.0		100.0		100.0		100.0		100.0		100.0
Executives	14	0.4	244	6.3	603	15.5	1,106	28.4	1,156	29.7	780	20.0	3,895
Regular employee	3,355	9.7	10,354	30.0	7,977	23.1	8,247	23.9	4,071	11.8	542	1.6	34,557
% / total employee	53.1		75.7		69.5		64.3		50.7		22.5		63.1
Non-regular employee	2,944	18.2	3,049	18.8	2,888	17.8	3,460	21.4	2,784	17.2	1,077	6.6	16,206
% / total employee	46.6		22.3		25.2		27.0		34.7		44.8		29.6
<i>paato</i>	326	4.2	1,140	14.6	1,895	24.2	2,472	31.6	1,531	19.6	458	5.9	7,824
<i>arubaito</i>	2,161	51.0	851	20.1	352	8.3	319	7.5	343	8.1	211	5.0	4,237
<i>haken</i>	104	14.4	340	47.1	142	19.7	76	10.6	42	5.9	17	2.3	721
% / non-regular	3.5		11.1		4.9		2.2		1.5		1.6		4.4
<i>keiyaku, shokutaku</i>	269	10.9	555	22.4	351	14.2	388	15.6	660	26.6	256	10.3	2,477
% / non-regular	9.1		18.2		12.1		11.2		23.7		23.8		15.3
Others	85	9.0	165	17.4	149	15.7	206	21.7	207	21.9	136	14.3	946

**1997**

	15-24	%	25-34	%	35-44	%	45-54	%	55-64	%	65-	%	total
Total employee	7,876	14.3	12,670	23.0	11,266	20.5	13,368	24.3	7,594	13.8	2,220	4.0	54,997
%	100.0		100.0		100.0		100.0		100.0		100.0		100.0
Executives	31	0.8	254	6.6	614	15.9	1,219	31.7	1,082	28.1	651	16.9	3,850
Regular employee	5,485	14.2	10,684	27.7	8,294	21.5	9,212	23.9	4,395	11.4	651	1.7	38,542
% / total employee	69.6		84.3		73.6		68.9		57.9		29.3		70.1
Non-regular employee	2,360	18.7	1,908	15.2	2,357	18.7	2,932	23.3	2,114	16.8	916	7.3	12,590
% / total employee	30.0		15.1		20.9		21.9		27.8		41.3		22.9
<i>paato</i>	317	4.5	930	13.3	1,799	25.7	2,338	33.4	1,237	17.7	375	5.4	6,998
<i>arubaito</i>	1,844	55.1	575	17.2	259	7.7	239	7.1	245	7.3	182	5.4	3,344
<i>haken</i>	48	18.7	129	50.2	44	17.1	18	7.0	14	5.4	5	1.9	257
% / non-regular	2.0		6.8		1.9		0.6		0.7		0.5		2.0
<i>keiyaku, shokutaku</i>	38	3.9	87	9.0	92	9.5	133	13.8	396	41.0	219	22.7	966
% / non-regular	1.6		4.6		3.9		4.5		18.7		23.9		7.7
Others	113	11.0	187	18.2	163	15.9	204	19.9	222	21.7	135	13.2	1,025

**1987**

	15-24	%	25-34	%	35-44	%	45-54	%	55-64	%	65-	%	total
Total employee	7,224	15.7	10,339	22.4	12,651	27.4	9,884	21.4	4,873	10.6	1,181	2.6	46,153
%	100.0		100.0		100.0		100.0		100.0		100.0		100.0
Executives	-	-	-	-	-	-	-	-	-	-	-	-	-
Regular employee	5,894	17.1	8,879	25.7	9,454	27.4	7,060	20.4	2,891	8.4	388	1.1	34,565
% / total employee	81.6		85.9		74.7		71.4		59.3		32.9		74.9
Non-regular employee	1,310	9.9	1,233	9.4	2,436	18.5	1,890	14.3	1,243	9.4	389	3.0	13,175
% / total employee	18.1		11.9		19.3		19.1		25.5		32.9		28.5
<i>paato</i>	209	4.5	636	13.6	1,849	39.5	1,352	28.9	502	10.7	130	2.8	4,677
<i>arubaito</i>	938	14.3	325	5.0	248	3.8	155	2.4	158	2.4	63	1.0	6,563
<i>haken</i>	18	20.7	34	39.1	14	16.1	9	10.3	10	11.5	2	2.3	87
% / non-regular	1.4		2.8		0.6		0.5		0.8		0.5		0.7
<i>shokutaku, others</i>	145	7.8	238	12.9	325	17.6	374	20.2	573	31.0	194	10.5	1,848
% / non-regular	11.1		19.3		13.3		19.8		46.1		49.9		14.0
Others	-	-	-	-	-	-	-	-	-	-	-	-	-

source: Shūgyō-Kōzō Kihon Chōsa (Employment Status Survey), 1987, 1997, and 2002

Table 2.5 shows the trends of each employment statuses focusing on the differentiation between age cohorts. In terms of *haken*, in 1997, 50% of all *haken* workers were workers who are between 25-34, and is still so in 2002. In terms of *keiyaku/shokutaku*, 41% of them were the workers between 55-64, and 23% of them were over 65 in 1997. However, in 2002, although 55-64 cohort is still the largest in 26.6%, but the second largest is 25-34 in 22.4%. Since the actual number is anyway increasing in all the categories, especially in the older cohorts, companies' restructuring efforts can not be ignored. However, it is more obvious that the replacement of the regular with non-regular takes place by the retirement (or early retirement) of the middle age and elderly workers and the new hire of young workers in the non-regular statuses.

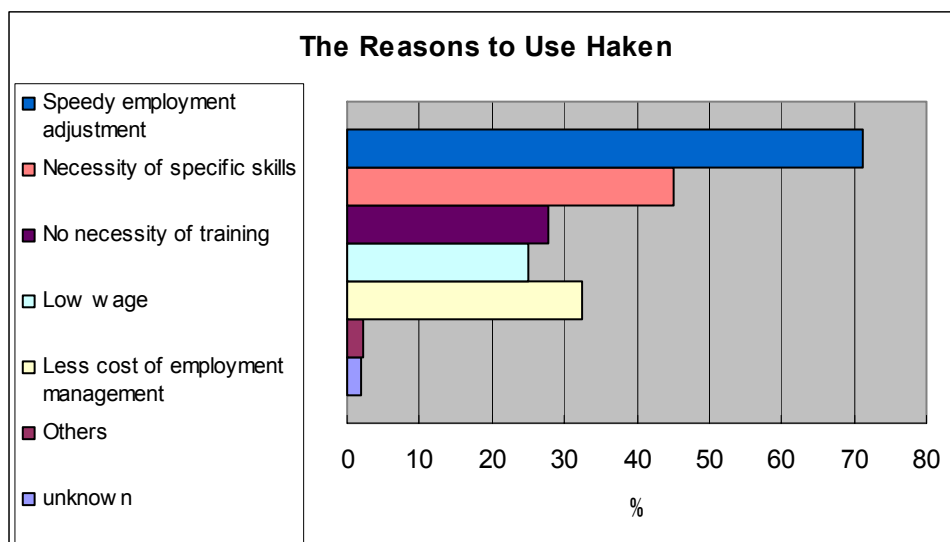
#### 2.4. Working conditions

In terms of *haken*, the demands from user companies greatly shape the characteristics of the development. The following table from the Comprehensive Survey of *Haken*<sup>26</sup> done by the MHLW in 2001 shows the reasons to use *haken* workers. The question asked was the reasons to use *haken* workers besides other non-regular workers such as *paato/arubaito* and *keiyaku/shokutaku*.

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<sup>26</sup> The Comprehensive Survey of *Haken* is called in Japanese as *Rôdôsha Haken Jigyô Jittai Chôsa*. The MHLW sent questionnaires to 2,000 *haken* firms (1,000 each from *ippan* and *tokutei*), 10,000 user companies, and 10,000 *haken* workers. 699 *haken* firms replied (35% response rate, 348 from *ippan* and 309 from *tokutei*), 1,223 user companies (12.2%), and 2,029 workers (20.3%). The samples of user companies and *haken* workers were selected from the customers and workers of 699 *haken* firms that replied to the questionnaire.

**Figure 2.6. The Reasons to use *Haken* Workers**



source: *Rôdôsha Haken Jigyô Jittai Chôsa* (The Comprehensive Survey of *Haken*)

More than 70% of the user companies chose “speedy employment adjustment” as the top reason to use *haken* workers. Since user companies have no responsibility as an employer even when they terminate the contract (with dispatching firms), they feel freer to hire and fire dispatched workers depending upon the economic ups and downs. This is different from the case of *paato*. *Paato* is also employed with a certain term of contract. However in the cases of *paato* workers who work long enough in the company by repeatedly renewing the contract, there is growing possibility for workers to bring the cases to court seeking employment security when their contracts are terminated by wrong reasons. In the case of *haken*, employers are free from such anxiety. Thus the system of temporary dispatched work truly enables “just-in-time” of labor force for user companies. Combined with the second reason, it is clear that users’ interest is in the flexible employment that achieves “necessary skills in necessary times.”

The low wage of *haken* employment is not the top reason, and it is ranked third. And there is a discussion on the wage level of temporary dispatched workers if the establishment of the new employment status created another category of low wages. A critical camp emphasizes that especially the negative list occupations drive wages of temporary dispatched workers down (Shimada

et.al. 2000, p.12, Nakano 2000a, p.69, Nakano 2000b, p.21), while others do not see temporary dispatched workers as low wage workers (Fujikawa 2001, p.128). There does seem to be concern about the possible decline of wages of the temporary dispatched workers (Yashiro 1999, p.175) and the polarization of their wages depending upon the skill levels of dispatched employees (JASSA 2002, p.10)<sup>27</sup>.

The Comprehensive Survey on *Haken* offers information on various dimensions of the wages of *haken* workers. *Haken* workers in average earn 1,255 yen per hour, 9,263 yen per day, 188,000 yen per month, and 2,395,000 yen per year. On the basis of hourly wage, it is higher than that of *paato* workers, which is 911 yen<sup>28</sup>. Thus, it is true that if user companies are in need of cheap labor, *haken* is not their first choice.

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<sup>27</sup> The public representatives on the MOL (MHLW) advisory council, from liberalization theorists to those who supported more social regulations, tended to be sympathetic toward including regulations to prop up the wages of dispatched workers. However the measures they advocated varied. The major reforms included:

- Formalize the collective negotiation by the trade union of user companies to negotiate for dispatched workers (Kojima 2002).
- Currently the lowest wage is calculated as a day wage. It should be changed to an hour-base.
- The idea of pay equity is understandable, but it is simply not realistic. As a THF, the improvement of the wage depends on how valuable the skill of workers is. So, skill formation is necessary (Ohara 2002).

<sup>28</sup> This number is from the results of Basic Survey on Wage Structure (*Chingin Kôzô Kihon Chôsa*) 2002 (MHLW 2002b). This survey is done every year by the MHLW.

Table 2.6. Wages of *Haken* Workers by Occupations

	Hourly wage (Yen)	Daily wage (Yen)	Monthly wage (10,000 Yen)	Annual salary (10,000 Yen)
Total	1255.0	9263.2	18.8	239.5
Female	1228.4	8848.4	17.2	208.1
Male	1574.7	12215.4	26.2	388.0
Registered	1284.1	9503.9	19.1	222.9
Employed	1246.3	9420.9	19.7	276.8
Software development	2069.3	13628.3	27.6	440.8
Machine designing	1829.0	15434.3	30.7	428.8
Operation of office machines	1203.2	8524.1	17.3	204.7
Filing	1241.0	8793.3	16.5	193.7
Journal entry	1175.7	7999.6	15.3	195.2
Contract drafting	1385.8	10190.1	20.7	239.0
Receptionist	1171.3	8259.8	19.8	188.7
Tele-marketing	1200.6	8298.1	15.5	198.2
Marketing & sales	1475.7	10107.1	23.9	328.6
Sales	1050.0	7366.7	13.5	161.3
Clerical	1207.0	8721.2	17.1	212.1
Others	1337.3	10549.1	20.3	266.6

Source: *Rôdôsha Haken Jigyô Jittai Chôsa* (The Comprehensive Survey on *Haken*)

Although *haken* workers' wages are higher than *paato*'s in average, we have to note that there is great variance between occupations. Table 2.6 shows the average wages of different occupations. Software developer earns more than 2,000 Yen per hour, while sales workers earn only half of them.

Another source of variance is the types of dispatch: registered type and employment type. On the level of hourly wage, registered type earns more than employment type. However on the levels of monthly wage and annual salary, the opposite is true.



And the gap is significantly bigger in annual salary; employment type earns almost 550 thousands yen more than registered type. This difference is due to the application of allowances.

Table 2.7. Allowances by *Haken* Types

	Commuting allowance	Bonus, Lump-sum allowance
Registered type	54.0%	24.3%
Employment type	84.6%	69.9%
Total	71.2%	49.2%

Source: *Rôdôsha Haken Jigyô Jittai Chôsa* (The Comprehensive Survey on *Haken*)

Commuting allowance is paid to 84.6% of employment type *haken* workers, while 46.0% of registered type *haken* workers have to pay it by themselves. Almost 70% of employment type *haken* workers can earn extra lump-sum allowance, when only one fourth of registered type *haken* workers are considered as eligible. These differences clearly cause the big gap in annual income.

Other indicator suggests that these two types of *haken* employment are almost two different statuses of employment. The following table is on the methods of wage payment by types of *haken*.

Table 2.8. Methods of Wage Payment by Types of *Haken*

	Hourly wage payment	Monthly wage payment
Registered type	82.9%	12.4%
Employment type	28.0%	58.5%
Total	54.1%	36.1%

Source: *Rôdôsha Haken Jigyô Jittai Chôsa* (The Comprehensive Survey on *Haken*)

The method of payment is significantly different between the two types of *haken*. Vast majority of registered type workers are paid hourly. 58.5% of employment type *haken* workers are paid monthly, and only 28% of them are paid hourly.

This difference suggests that registered type *haken* is used more as temporary workforce than employment type.

The gap between registered and employment types is also clear in other dimension of working conditions of temporary dispatched workers. Social insurance coverage represents this dimension.

Table 2.9. Insurance Coverage by *Haken* Types

	Employment insurance	Health insurance
Registered type	74.9%	66.4%
Employment type	83.9%	76.9%
Total	78.7%	70.1%

Source: *Rôdôsha Haken Jigyô Jittai Chôsa* (The Comprehensive Survey on *Haken*)

In both of the employment insurance and health insurance, almost 10% less workers are covered in registered type *haken* compared to employment type. JBF<sup>29</sup>, representing the view of user companies, argue that it is not necessary for dispatched workers to have social insurance. In principle, they argue that it is only necessary for those who interested in taking out a policy in since for those who work only a few hours a week may feel the insurance cost is simply too much. In this sense, it is up to individuals' choice, and it should not be obligation (Matsui 2003).

For THFs, it is a sensitive issue. As far as it is an obligation for all the THFs, there is no problem for them. However in reality, it seems that not negligible number of THFs do not make much effort to meet this nonbinding objective about social insurance. This causes crucial problem. Since the less effort THFs make, the cheaper services they can provide, which simply enables to attract more users, same as the situation of safety matters, "bad money drives out good" situation could emerge.

The TDW Law states that THFs need to encourage. Though it is not obliged, their registered and employed temporary workers to participate in the social insurance system. The revised law in 1999 emphasized the necessity, and the social insurance association for dispatched worker was established in 2002. As

<sup>29</sup> JBF stands for Japan Business Federation, which is in Japanese Nihon Keidanren.

of February 2003, 152 THFs participate in this insurance association, and about 124 thousands dispatched workers take out this policy (JASSA 2003).

## 2.5. Summary of the chapter

In this chapter, we examined the actual expansions of new employment statuses and temporary help industry. The findings can be summarized as follows.

- Given the liberalization of the private labor supply, the THI has been growing in a significant speed. In 2002, the total sales of the industry exceeded 22,000 billion-yen.
- The expansion of the industry enables the THFs to conduct various forms of personnel business such as *ukeoi*, outsourcing, outplacement, training services other than *haken* and job placement. It is a sign of the marketisation of personnel function of the firms.
- The replacement of regular workers with non-regular workers is the most notable characteristic of the labor market change of these 15 years.
- Non-regular employment grew faster than ever especially in the occupations such as clerical, manufacturing/construction, sales, service, and professional/technical, suggesting the impacts of globalized competition and industrial structural change.
- Replacement of regular workers with non-regular workers takes place as a generational project by the uses of early retirement program for elderly (and even middle age) workers and cutting down of the number of new employee.
- The expectations toward *haken* by user companies are on the convenience of employment adjustment and timely mobilization of necessary skills.
- It is necessary to distinguish registered type and employment type to evaluate labor conditions of *haken* workers. Employment type

workers are eligible to various allowances, although many registered workers are not even to commuting allowance.

## Conclusion

We set two broad questions for this paper in terms of the recent changes of the Japanese labor market. The questions are as follows.

- What do the recent legal changes and changes in the employment system mean for the nature of labor market in Japan? Can we speak of a de-standardisation of work?
- Can we speak of “normal working relations” being replaced by non-standard work?

Answer to both questions is yes, although more precise answer is necessary.

In chapter one, the historical development of the private labor supply was examined by dividing the process into delegalisation, legalisation, and diffusion periods. The establishment of *haken* status and the expansion of the definitions of other non-regular forms of employment clearly tell that non-standard ways of work started to expand in the Japanese labor market. The increasing number of workers in these statuses of employment, which we examined in the second chapter, proves the growth of non-regular forms of employment. Regular employment declined from 75% to 63% during the period from 1987 to 2002, and more and more people experience non-regular forms of employment.

This replacement of regular workers with non-regular workers takes place in the specific pattern. Analyzing the patterns of growth of non-regular forms of employment by workers' age, it is clear that the replacement is executed more as a generational project. More young workers are found in *keiyaku/shokutaku*, which were predominantly middle age male category of employment in the past. And *haken* is obviously filled with young female workers.

The regulative reforms of the labor market also facilitates Japanese firms to mobilize necessary skills to cope with the industrial structural change toward

knowledge intensive and service oriented economy. The analyses of the government statistics find more workers in the occupational categories in service, sales, professional/technical in addition to the rapid growth in clerical and manufacturing/construction. Employers, for instance, prefer *haken* form of employment in mobilizing necessary skills in necessary times.

The expanding roles of the THFs clearly contribute to these developments in the Japanese labor market. From the analyses of the development of the THI as an active actor to form the shape of labor market, it is possible to suggest “marketisation” thesis. As examined in the historical development, the developments of *haken* and other forms of non-regular employment strongly associate with the changing practices of personnel relocation of Japanese firms. As these practices started to face with their limit, the THFs started to find their businesses in taking over the personnel functions of Japanese firms. The line-up of businesses including *haken*, job placement, *ukeoi*, outsourcing, outplacement, and training services, strongly suggests the possibility of marketisation of personnel functions of Japanese firms. The thesis has to be tested in the future research.

## Appendix

### Deregulating Bodies and *Shingikais* Related to the Private Labor Supply in Japan

1978 – 2002

Year/ Mon.	Deregulation	Private Labor Supply	Rationales of the committee	Chair
1978/1 0		Rôdôryoku Jukyû Shisutemu Kenkyûkai (Research Committee on Labor Supply)	*Overall analysis of labor supply system	Takanashi (members: Omiya, Okamoto, Sano, Hanami)
1980/5		Rôdôsha Haken Jigyô Mondai Chôsakai (Research Committee on Temporary Help Industry)	*To make proposal to establish THI	Ishikawa (prof. Univ. Tokyo), tripartite system with 21 memers
1981 /3 – 1983 /3	Dai2ji Rinji Gyôsei Chôsakai (The Second Ad Hoc Commission on Administrative Reform)		*Financial restoration by the administrative reform *Suggestions to the government	Dokô (The President of Keidanren)
1983 /6 – 1986 /6	Dai1ji Rinji Gyôsei Kaikaku Suishin Shingikai (The First Provisional Council on Administrative and Fiscal Reform)		*Check the execution of the suggestions made by the Commission on Administrative Reform)	Dokô (The President of Keidanren)
1984/2		Rôdôsha Haken Jigyô tô Shôinikai (Special Committee on Temporary Help Industry, under the Central Advisory Committee on Employment Security)	*The research committee (of 1980/5) proposed further deliberation of concrete regulations under the Shingikai initiative	Shingikai: Ouchi (prof. Univ. Tokyo), with 21 tripartite memers Special committee: Takanashi with 9 tripartite members
1987 /4 – 1990 /4	Dai2ji Rinji Gyôsei Kaikaku Suishin Shingikai (The Second Provisional Council on Administrative and Fiscal Reform)		*Deregulation plan for economic structural reformation	Otsuki (The President of Nikkeiren)
1989/3		Rôdôsha Haken Jigyô Shôinikai (Special Committee on Temporary Help Industry, under the Central Advisory Committee on Employment Security)	*The TDW Law had a clause for the revision within three years. This proposed the revision in H2	Shingikai: Takanashi with 21 tripartite memers Special committee: Nita (prof. Musashi Univ., Univ. Tokyo), tripartite
1993/5		Chûô Shokugyô Antei Shingikai (Central Advisory Committee on Employment Security)	*The treatment of elderly workers as TDW. This proposed the revision in H6.	Takanashi with tripartite members

1994/1 0		Minkan Rôdôryoku Jukyû Seido Shôininkai (Special Committee on Private Labor Supply, under the Central Advisory Committee on Employment Security)	*The research committee (of 1989/3) proposed revision within 5 years. This proposed the revision in H8. *The cabinet agreed upon Deregulation plan	Shingikai: Takanashi with 21 tripartite members Special committee: Suwa (prof. Hosei Univ.), tripartite
1994/1 2	Gyôsei Kaikaku Iinkai (Administrative Reform Committee: ARCom)		*Admonitions to government on the issues of deregulation	Iida (Board Chairman: Mitsubishi Heavy Industry)
1995/4	Kisei Kanwa Shô Iinkai (Special Committee on Deregulation)			Miyauchi (Board Chairman: ORIX corp.)
1996 /11	Gyôsei Kaikaku Kaigi (Administrative Reform Council)		*Reform plan of the government ministries and agencies	Hashimoto (The Prime Minister)
1997/1		Minkan Rôdôryoku Jukyû Seido Shôininkai (Special Committee on Private Labor Supply, under the Central Advisory Committee on Employment Security)	*The revision of H8 could not fully reflect the proposals made by ARCom. *Adoption of ILO treaty	Shingikai: Nishikawa (prof. Keio Univ.) with tripartite members Special committee: Suwa (prof. Hosei Univ.), tripartite
1997		Koyô Hôsei Kenkyûkai (Study group on the labor market laws)	*The informal advisory group for the division chief of the employment security, MHLW	Kenkyûkai: Koike (prof. Hosei Univ.) Senmon Bukai: Sugeno (prof. Univ. Tokyo)
1998 /1	Kisei Kanwa Iinkai (Deregulation Committee)			Miyauchi (Board Chairman: ORIX corp.)
1999 /4	Kisei Kaikaku Iinkai (Regulation Reform Committee)		*Deregulation committee is renamed	Miyauchi (Board Chairman: ORIX corp.)
2001 /4	Sôgô Kisei Kaikaku Kaigi (Council for Regulatory Reform)		*Regulation Reform committee is renamed.	Miyauchi (Board Chairman: ORIX corp.)
2001/8		Minkan Rôdôryoku Jukyû Seido Shôininkai (Special Committee on Private Labor Supply, under the Division of Employment Security, of the Advisory Committee on Labor Policy)	*Further revision of the temporary dispatching work system and private job placement	Shingikai: Nishikawa (prof. Keio Univ.), Bunka-kai: Suwa (prof. Hosei Univ.), Special committee: Higuchi (prof. Keio Univ.)

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