

Career Management at Temporary Agencies
—The Potential for Registered Dispatched Workers’ Career Development, as
Seen through Interview Surveys —

Summary

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Study Period

April 2008 to March 2010 (survey period is from December 2008 to December 2009)

Background and Objectives of Study

In this study, the question of how temporary agencies view and manage the careers of dispatched workers is clarified through interview surveys. This survey research is part of the “Study on the Career Paths of Dispatched Workers” that has been conducted by the Japan Institute for Labour Policy and Training since FY 2008. “Career development” as mentioned here refers to the situation where the dispatched worker is given more advanced work assignments and their conditions are further improved as the occupational competence of the worker is enhanced. Based on this premise, “career management at temporary agencies” refers to the efforts and system of the temporary agencies for supporting the career development of the workers they are dispatching.

Prior to this report, the preliminary study (Ono, [2009]) looked at the potential for the career development of registered dispatched workers based on interviews with three temporary agencies as well as surveys conducted in previous research. The study concluded that there are limitations on career development under the current way of working for registered dispatched workers.

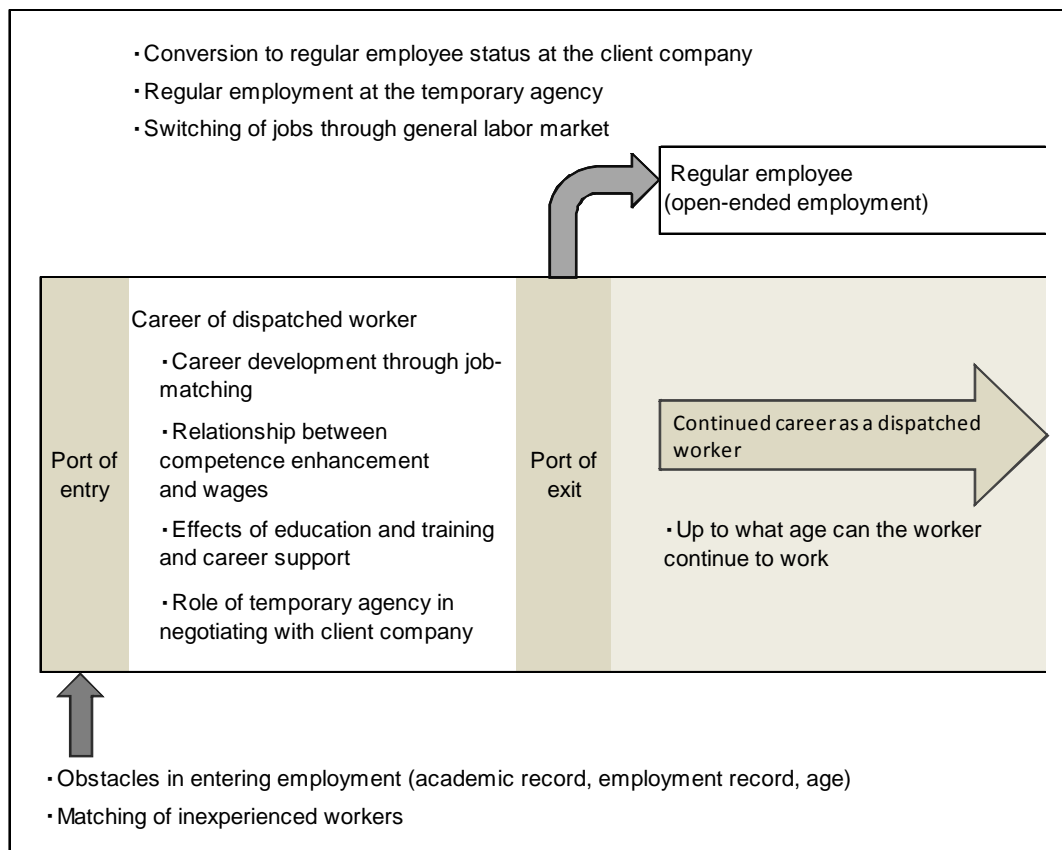
If we look at the levels of career development from a more segmentalized and limited perspective, however, what kind of conclusion can we reach? For example, it is difficult for dispatched workers to develop extremely high competence or advanced careers, but is it possible to develop high competence in the initial stages of career development? As for education and training, not only general training but specialized training to provide added value might also be conducted. There is also the question of whether dispatch work serves as a bridge for becoming a regular employee. The answers to these questions have not been clarified.

In this report we consider the potential for career development of dispatched workers in a more elaborate manner, by increasing the number of companies subject to interview surveys, and classifying them by their history, area of expertise and size, and thus distinguishing between different forms of career management.

Challenges and Method of Study

When looking at the career development of dispatched workers from the perspective of their career paths, the following three issues need to be clarified: the issue of entry into a career, the issues faced during the career development of dispatched workers, and the issue of exit from a career (see Figure 1).

Figure 1 Conceptual Diagram of Career Development Paths of Dispatched Workers



In the European Union (EU), dispatched workers are being actively utilized mainly because there is the idea of lowering the unemployment rate by further mobilizing the labor market and enhancing the job-matching function. It is true that the situations of dispatched workers, in the same way as other atypical workers, are inferior to those of regular workers (open-ended employment) in terms of working conditions, social security, and safety and health, among other aspects¹. However, dispatch work is positioned to serve the function of a port of entry into the labor market, and is expected to play the role of a stepping-stone to conversion to regular worker status (known as temp-to-perm) with generous social security benefits (open-ended employment). It can be construed that in Japan as well, dispatch work may serve the function of a port of entry into the labor market. We expect to see some potential in this report through interview surveys targeting temporary agencies.

This report is structured in the following way. In Part I (Analysis), 13 temporary agencies with registered dispatched workers are analyzed according to the above-mentioned framework of analysis. In Chapter 2, the overview of the temporary

¹ See Storrie (2002).

agencies that are the target of the surveys is described. Where are those companies positioned in the worker dispatching industry? Their attributes as well as the changes in and the characteristics of the industry are discussed. In Chapter 3, the “method of identifying competence levels and job-matching” is discussed. After explaining the method of registration at temporary agencies and how the basic job-matching procedures are conducted, we describe how the agencies identify the competence levels of the dispatched workers in clerical and specialized fields. In addition, the potential for matching inexperienced workers to jobs, which is evident at the port of entry into the career development of dispatched workers, is explained. Moreover, the relationship between age and job-matching; namely, the question of up to what age it is possible to be dispatched, is discussed as well as the question of what the conditions are that break the age “barrier.” In Chapter 4, as part of the “relationship between enhanced skills and competence and wages,” the following points are clarified: the relationship between dispatching fees and wages, the relationship between the enhanced competency of dispatched workers and an increase in wages, which is more effective to move to a different client company or stay at the same company in the long term for wages to be increased, and the role of temporary agencies in relation to the increase or decrease in the wages of dispatched workers. In Chapter 5, the issue of “education and training system, and career support” is discussed. Explanation is provided on basic training and training related to specialized work, and the effects of training and how it leads to career development, and job referrals are clarified. In addition, the measures taken by temporary agencies when dispatched workers worry about their own careers are explained. In Chapter 6, the issue of “conversion to regular employee status at the temporary agency or client company” is discussed. This constitutes the port of exit from the career development of dispatched workers. In the last chapter, in addition to summarizing the analysis and providing further discussion, we aim to answer the question of whether it is possible for registered dispatched workers to develop careers. In Part II, we look at actual cases. Companies are labeled from A to N. We have conducted interview surveys targeting a total of 14 temporary agencies since FY 2008 (see Table 1).

Table 1 Attributes of Surveyed Companies

	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Size of company	Large	Large	Large	Medium	Medium	Medium	Medium
Independent/Belonging to a group with capital ties	Independent	Independent	Independent	Independent	Belonging to a group	Belonging to a group	Belonging to a group
Main field of worker dispatch (main area of specialized work)	Clerical	Clerical	Clerical	Clerical	Clerical (finance, trade)	Clerical (trade)	Clerical (sales work)
Main type of job for dispatched workers (percentage of the total number of actual cases of dispatch)	Operation of office appliances (80-85%)	Operation of office appliances (70%), financial processing, preparation of business documents	Operation of office appliances (70%), financial processing, research and development (those 3 types account for 90% of the total)	Operation of office appliances (50%), telemarketing (20-30%), financial processing (20-30%)	Operation of office appliances, preparation of business documents, financial processing	Operation of office appliances, preparation of business documents, financial processing (those 3 types account for 90% of the total)	Sales work, receptionist/secretary
Number of actually dispatched registered workers (See Notes 1 and 2)	Approx. 30,000	Approx. 36,000	Approx. 43,000	Approx. 11,000	Approx. 7,200	Approx. 3,500	Approx. 2,300
Male/Female ratio	1:9	0.5:9.5	0.3:9.7	2:8	1.5:8.5	1:9	0.5:9.5
	Company H	Company I	Company J	Company K	Company L	Company M	Company N
Size of company	Medium	Medium	Small	Medium	Large	Medium	Large
Independent/ Belonging to a group with capital ties	Independent	Independent	Independent	Belonging to a group	Independent	Independent	Independent
Main field of worker dispatch (main area of specialized work)	Clerical (medical clerk)	Clerical (nursing care)	Clerical (creative work)	Clerical (creative work)	Manufacturing work	Light physical labor	Technical/regular employment
Main type of job for dispatched workers (percentage of the total number of actual cases of dispatch)	Medical clerk (100%)	Operation of office appliances (40%), nursing care, pharmacist (30%), filing clerk (30%)	Advertisement design, production and editing of books, etc., operation of broadcast equipment, etc.	Advertisement design, production and editing of books, etc. (those 2 types account for 50% of the total), operation of office appliances	Manufacturing work (100%)	Light physical labor, transportation work, manufacturing work	Machine design (70%), software development (20%), research and development (5%)
Number of actually dispatched registered workers (See Notes 1 and 2)	Approx. 350 (20,000 including outsourced workers)	Approx. 1,100	Approx. 400	Approx. 8,000	Approx. 37,000	Approx. 9,000	Approx. 6,000 (See Note 3)
Male/Female ratio	0.1:9.9	1:9	1:9	1.4:8.6	8:2	5:5	9.5:0.5

Note 1: "Number of actually dispatched registered workers" refers to the number of registered workers who have been dispatched at least once during the one-year period

Note 2: For Companies A, G, L and M, the figures are from FY 2007, and for other companies the figures are from FY 2008.

Note 3: All of those workers are regularly employed (open-ended employment).

Findings

The findings of the study are summarized here according to the Conceptual Diagram of the Career Development Path of Dispatched Workers (shown above in Figure 1).

First, at the port of entry, there are few obstacles for registered dispatched workers to enter employment. There is little importance attached to academic records and

employment records as regular employees, which are the focus of attention in the career change market for regular employees. Even if the worker has no previous experience in the work, as long as he/she has good personal skills, the temporary agency sometimes “squeezes” him/her into the client company by guaranteeing the worker’s good personal skills. In addition, in terms of specialized work (e.g., accounting, medical clerk, import/export clerk, DTP operator, and technical work), if the connection between the temporary agency and the client company is strong, there is a possibility that the worker can enter employment by starting with auxiliary work.

Second, we look at the potential for career development during the dispatch period. In The “job hopping pattern” in which a worker builds his/her career by switching to different client companies, the increase in wages in accordance with the improvement of competence is not guaranteed because his/her wages are linked to the dispatching fees that change according to the market conditions. On the other hand, in the “same company pattern” in which the worker stays at the same client company to expand his/her work, there is a higher possibility that the temporary agency can negotiate an increase in dispatching fees (wages) and the dispatched worker can develop his/her career with increased wages. Nonetheless, because temporary agencies are generally in a weak position with regard to their client companies, and there are also differences in bargaining competence, good results cannot always be expected. Therefore, it can be concluded that regarding career development during the dispatch period, it is possible to develop competence by accumulating experience through work, but it is difficult to do so with an increase in wages. As for education and training, significant development in terms of basic training cannot be expected. In the case of training related to specialized work, however, if a dispatched worker can receive such training, it may serve as an opportunity that leads to job referrals. Training that is available to limited people is more effective in enhancing added value than training that is open to all registered workers where free-riding is possible.

The upper age limit for dispatched workers is around 40 for clerical work. With manufacturing or light-manual labor, age is not an issue, but problems of physical strength on the part of the worker arise. Either way, it is difficult to work as a dispatched worker continuously up to the pension eligibility age. In specialized work (e.g., accounting, medical clerks, and technical work), however, it is easier to break the age “barrier.” There is also no upper age limit in the fields that overlap with the labor market of part-time workers (e.g., medical clerks and sales work). Furthermore, if a dispatched worker stays at one or a few temporary agencies after his/her 30s and builds up more work, the temporary agency will become familiar with the worker’s

performance. In such cases, it becomes easier for the agency to provide a guarantee to the client company as to the worker's performance, and job referrals are more likely to occur.

Lastly, we discuss the port of exit. There are many cases where registered dispatched workers are employed directly by the client companies by means other than the temp-to-perm system ("headhunting"). Temporary agencies are not able to keep track of all cases of conversion after the expiry of dispatch contracts, but the number of those cases may equal or surpass the number of temp-to-perm cases. It seems that at the time the client companies ask for conversion, they often ask the workers to become limited-term contract workers. Those who are most likely to be employed directly are dispatched workers whose job categories overlap with those of regular employees, up to the mid-30s in terms of age. There is a possibility that dispatch work can be used as a stepping-stone to conversion to regular employee status. It can be considered that the number of cases of conversion to "open-ended employment" at temporary agencies will increase in instances where workers are to be employed as leaders mainly in contractual work.

We can conclude from the above that regarding the career development of registered dispatched workers, as far as specialized work is concerned, there is a possibility of a certain degree of competence development through job-matching and education and training, but not much can be expected especially with regard to increased wages linked to an improvement in competence. There is a possibility, however, that being able to accumulate work experience while working as a dispatched worker will lead to the worker's subsequent career development. In particular, the action of the temporary agency of sending an inexperienced worker to a client company in order to enable the worker to build work experience is important for the worker to developing a career. There are also cases where dispatched workers who have gained work experience have been converted to regular employees at client companies. It can thus be said that dispatch work has the potential to serve as a stepping-stone during the period of career development.

Discussion

(1) Career Development and Division of Work

What is lacking in the way of working for registered dispatched workers is a long-term perspective. In career development, workers having a short-term career perspective would lead to decreased incentive for client companies to conduct the

education and training necessary for the performance of work, and foster the development of workers².

Since the Worker Dispatch Law was first enacted in 1985, dispatch work has been positioned as one form of “interim and temporary” employment that is considered to have little risk of replacing regular employment. However, due to the revision of the Law in 2004, the three-year limit for the dispatching period which had been imposed on 26 work categories was abolished, raising the potential for designing career development in the long term, virtually at the same client company regarding those 26 work categories. This study has also found that in specialized job types³, there is a stronger relationship between career development and specialized education and training through job-matching.

However, although the 26 work categories designated by the current government ordinance are called “26 specialized work categories,” these include work categories that are difficult to be recognized as specialized work categories⁴. As time has passed since the initial enactment of the law, gaps have been found between the work categories designated by the current Worker Dispatch Law and actual work content. For example, there are quite a few types of work that should be designated as specialized work categories in the fields of welfare and medical care in accordance with the aging of society, such as “nursing care.” It is very difficult to determine the standards based on which work categories will be limited or added, but it is necessary to add and reorganize work categories.

(2) Wages and Evaluation of Employees

Dispatch work now extends beyond “interim and temporary” employment⁵. The issue arises of how to evaluate the occupational competence and work performance of a dispatched worker which improve as the worker becomes a core member of the labor force in terms of quality. As long as the worker does not expand his/her work, problems do not arise even when the worker’s rate stays the same. However, when the worker’s work is expanded, a chain structure between work, evaluation, and wages is envisioned, and wages should vary according to the evaluation. When the client company cannot

² See Shimanuki and Morishima (2004).

³ This refers not to the 26 work categories designated by the current government ordinance but job types such as accounting, import/export clerk, and medical clerk.

⁴ Hamaguchi (2009) stated that the system of limiting work categories as seen in the Worker Dispatch Law is problematic, discussing that “unreasonable standards for limiting work categories” is used particularly regarding the “filing” category. He also pointed out that in Europe there are few examples of regulation systems that focus on the limitation of work categories, and the EU directive clearly states that such systems should be abolished.

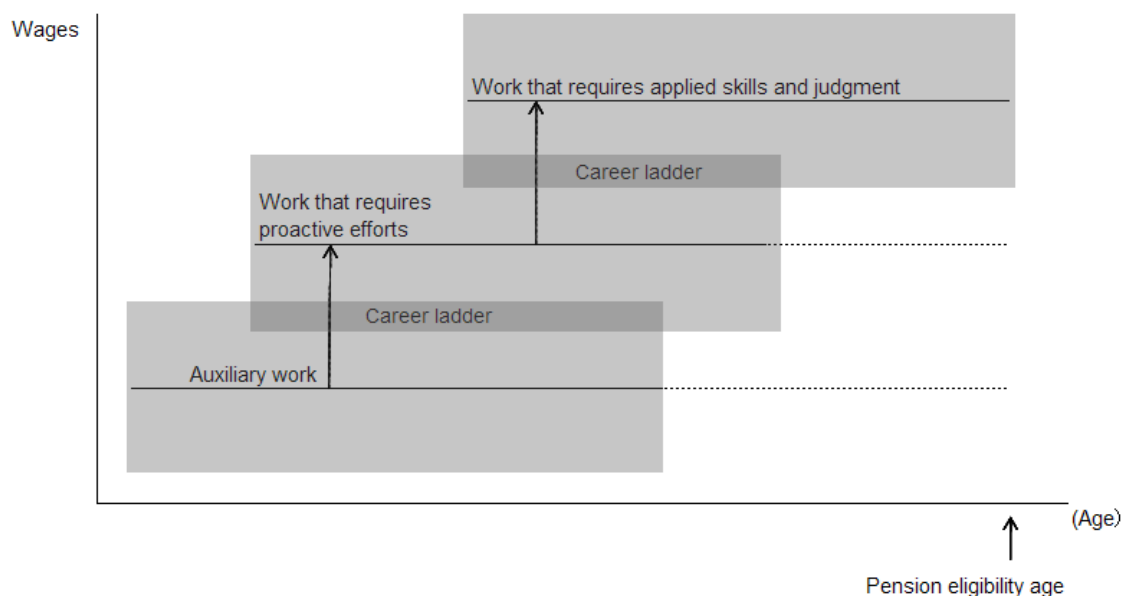
⁵ See Shimizu (2007).

engage in the evaluation of the worker and enhance the incentives for the worker, the productivity of the worker will not improve. If the level of the worker's contribution to the client company and the compensation do not match, the motivation and satisfaction on the part of the dispatched worker will decrease. In the case of a long-term employment relationship, it is especially important to achieve a satisfactory relationship between evaluation and wages.

In the case of registered dispatched workers, if the temporary agency can set evaluation items based on the agreement with the client company at the initial stage of dispatching workers, and raise dispatching fees (wages) according to the results of the evaluation, there will likely be a link between evaluation and wages. Regarding specialized job types in particular, it should be possible to divide work into different levels to a certain degree, according to the difficulty in performing the work. There are work categories such as accounting and import/export clerk, in which a certain degree of crosscutting market wages are beginning to be formed according to the difficulty in performing the work. If temporary agencies establish common levels of difficulty in performing work, there will be a clearer link between levels of work and wages. For example, the lowest level would be "auxiliary work," the next level would be "work that requires proactive efforts," and the highest level would be "work that requires applied skills and judgment" (Figure 2).

If the rankings of jobs are established within the labor market of dispatched workers and they are linked to wages (dispatching fees) even in a loose manner, the rankings of wages in the labor market of those jobs would be clarified and would serve as an incentive for the next step.

Figure 2 Conceptual Diagram of Relationship between Work Level, Evaluation and Wages⁶



(3) Education and Training, and the Development of Human Capital

The issues related to education and training can be divided into those related to temporary employment in general, and those particular to dispatch work. When seen from the perspective of human capital model, the issue with temporary employment is that there is higher uncertainty on the part of the companies about whether it will be possible to recover the investment in education and training in comparison with open-ended employment, which leads to decreased incentives for the companies to invest in the workers. Similarly, dispatch work is also based on short-term career perspectives, and this fact decreases the incentives for client companies to conduct education and training as part of on-the-job training (OJT)⁷.

The issues particular to dispatched workers regarding education and training are the issue of gaps between training in multi-purpose skills conducted by the temporary agencies and the actual skills used at the client companies⁸, and the issue of free-riding

⁶ The categories of wages by Ishida ([1990], pp.12-18) were used as a reference for the conceptual diagram of wages. According to Ishida, in the case of a wage system where the wage rate is attached to the job, the resulting form of wages will be as shown in Figure 2, and in the case where there is no evaluation, a single rate will apply (i.e. only the solid line), and in the case where evaluation is undertaken, there will be a range of wages. Single-rate systems are used at ordinary factories in the UK, while there is a range of wages at forward-looking factories in the UK or factories of Japanese companies that have moved to the UK. Ishida concluded that the current single-rate wage system would be changed into a system that allows for a range of wages.

⁷ See Shimanuki and Morishima (2004).

⁸ Same as above.

on training and education by registered dispatched workers⁹. Temporary agencies with registered dispatched workers are conducting training on multi-purpose skills such as the handling of business machines, but it is indeed questionable to what degree such training actually contributes to the improved occupational competence of workers at the workplace. In terms of specialized work, however, as can be seen from this study, there is a relationship, to a certain degree, between education and training and the increased added value of the dispatched worker.

By conducting education and training, and providing an opportunity for career consultations for the career development of dispatched workers, temporary agencies will contribute to enhancing the motivation of dispatched workers to stay at the same temporary agencies to continue working¹⁰. There may be various methods of career consultations such as career counseling and career seminars, but it is also possible to gather dispatched workers engaged in the same types of jobs to help them exchange information to confirm where they stand in terms of their careers and their future directions. At any rate, whether workers are aware of what kind of role their current working styles play in their career paths and what they should do for the future would make a big difference in their motivation for work.

(4) Conversion to Regular Employee Status

At the port of exit from the career of a dispatched worker lies a path leading to the conversion to “open-ended employment” status. European countries such as the EU member states are heading in a direction that enables dispatch work to play a role as a stepping-stone to regular worker status¹¹. Oshima (2009) pointed out that if fixed-term employment serves as a stepping-stone to regular employment, the worker’s desire to continue working will not be lowered even if the term is fixed, but if it serves as a dead end, there is a possibility that it will lead to the decreased effort and desire of the worker, even to the point where labor productivity will be lowered¹². On the other hand, in companies that are eager to invest in human capital, the system of promoting non-regular employees to regular employees is well established, and there are actually many cases of non-regular employees being promoted to regular employees¹³.

The findings of this research indicate that the turning point, in terms of age, for whether a registered dispatched worker can be converted to a regular employee is

⁹ See Kimura (2007).

¹⁰ See Shimanuki (2007).

¹¹ See Storrie (2002) and Kavasnicka (2005).

¹² See Oshima (2009).

¹³ See Sato (2004).

mid-thirties. This is consistent with the results of the study by Genda¹⁴, in which the characteristics of conversion of non-regular employees to regular employees were analyzed. In this study, the circumstance of conversion from non-regular to regular employment was compared between the cases of intracompany conversion and intercompany conversion. According to the study, in the case of intracompany conversion to regular employees, registered dispatched workers accounted for the largest proportion at 26.5%. When looking at the age group of non-regular employees at the time of converting to regular employees, there are a larger number of workers in their 30s than those in their 20s or early 40s.

In this age group, the annual incomes of the regular employees overlap with the incomes of non-regular employees¹⁵. This means that companies can convert non-regular employees to regular employees without a heavy burden in terms of a change in wages.

It has been shown that if explanation is provided to a worker on the rules of the workplace or the internal company regulations of the client company at the time the worker enters employment, it will be effective in increasing his/her motivation for work and desire to continue working at the client company¹⁶. Therefore, if the worker is informed beforehand of whether there has been a case of a dispatched worker being converted to a regular employee in the same work category at the client company, and if the worker were to be converted to a limited-term contracting worker, whether there would be a possibility that the worker would be promoted to a regular employee, as well as the required procedures for conversion (recommendation by supervisor, examination, etc.), the working conditions in the previous cases of conversion, and the state of the company at the time of conversion, it will provide strong momentum for the dispatched worker to feel motivated about developing his/her career. Even a mere presentation of previous cases of the temporary agency's dispatched workers being converted to regular employees would serve as useful information when dispatched workers start working.

(5) Role of Temporary Agencies in the Labor Market

Temporary agencies are beginning to play a larger role in the labor market. Major temporary agencies that specialize in dispatching clerical workers have a long history since their establishment, and have accumulated know-how. They also possess

¹⁴ See Genda (2009).

¹⁵ See the Figure 3-(2)-5 (p.171) of the *White Paper on the Labour Economy (FY 2009)*. The data are estimated based on the Employment Status Survey. There is no heavy burden imposed on the companies by the "switching" of non-regular employees to regular employees in their 20s to 30s.

¹⁶ See Shimanuki (2007).

invaluable ability in job placement based on the enormous quantity of data they possess. The labor market should actively utilize such know-how that has been accumulated over the years. In order for new employment formats to take root and mature, it is important to observe the situation for a certain period of time, and repeat various forms of trial and error. What is required may be policies and guidance that lead the situation in a better direction, instead of uniformly prohibiting certain employment formats.

Today's labor market of dispatched workers is structured in such a way that only marketable human resources are available in the market, and the vulnerable are not absorbed. This is because temporary agencies are private for-profit companies that pursue profits, and naturally give priority to human resources that can earn profits. Regarding human resources that are not preferred in the market (e.g., older persons, women who are in the period of child rearing, people who are not in education, employment or training (NEET), "freeters," and people who have been unemployed for a long time¹⁷), it should not be private companies that assume the role of supporting their employment. Rather, a different approach is necessary where the government provides such support and entrusts local autonomous bodies as well as other entities such as social enterprises¹⁸ and nonprofit organizations (NPOs) with the responsibilities so that they will be able to solve the issues together with the government.

The wages of dispatched workers that are determined by dispatching fees are easily influenced by the demand and supply of the market and changes in market conditions. Unless a system is established where the quality of the workers is enhanced with client companies seeking such quality, the dispatching fees may further decrease due to price competition. In order to realize such a system, it is necessary for temporary agencies that lead the industry to convert price competition into qualitative competition. It is necessary to establish a system where wages are increased as the competence of dispatched workers is enhanced and the level of difficulty of work is increased. Regarding specialized work in particular, it is necessary to design the operations of the entire industry and the dispatching fees so as to establish different levels for each job type by analyzing work assignments, to set an appropriate dispatching fee for each level, and to create an evaluation system.

¹⁷ In a broad sense these human resources are subject to social exclusion.

¹⁸ It is anticipated that social enterprises that engage in worker dispatching for noncommercial purposes will be established.