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Transforming the Japanese labour market: deregulation and the rise of temporary staffing

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Abstract

The Japanese employment system has undergone significant structural change since the early 1990s. Widespread deregulation and industrial restructuring have increased the number of non-regular workers in Japan, including temporary or 'dispatch' workers supplied by temporary staffing agencies, who numbered some 1.6 million and 2.8 percent of the total working population by 2007. This paper charts the evolution of the Japanese temporary staffing industry in three stages from 1947 to the present. These phases are delimited by two important regulatory changes with respect to temporary staffing – partial legalization in 1986, and full legalization in 1999. The paper argues that a distinct Japanese temporary staffing industry has been produced through a multi-institutional field involving the interaction of a range of actors. While government deregulation has been the key shaper of the industry's emergence, other actors including labour unions, transnational agencies and domestic agencies have played important roles at various times. While the growth of the industry is best interpreted as a gradual evolution of the traditional employment system, the size of temporary staffing employment – and non-regular working more generally – has now reached the stage where it has become a significant political and regulatory issue.

Key words: temporary staffing, Japan, non-regular workers, deregulation, institutional change.

JEL codes: J21, J44, J58, J63

INTRODUCTION

Since the mid-2000s, part-time, temporary and contract workers have risen to hitherto unseen levels of public prominence in Japan. Until that point, popular discourses surrounding these non-regular forms of work were either positive or ambivalent, and tended to be framed within discussions about enabling the continuation of the traditional male ‘lifetime’ employment system. However, such workers have now grown to one third of the total workforce and accordingly, their working conditions and rights have become issues of national debate and significance. In April 2007, for example, a 200-person strong rally organised by the Part-Timer, Arbeiter, Freeter & Foreign Worker Union (PAFF) in Tokyo’s Shinjuku Ward sought to draw attention to the plight of such workers who constitute, it was argued, Japan’s new ‘working poor’ (*waakingu pua*) (HONGO, 2007); many of these workers earn as little as 60 percent of the pay of regular workers, and do not receive training, pension contributions or unemployment insurance. As a result of this emerging two-tier labour market, and with Japan’s inequality level rising to surpass that of all OECD countries except the US, UK and Italy (ECONOMIST, 2006), a powerful ‘divided society’ (*kakusa shakai*) discourse has emerged in Japan’s political and media circles¹. Two now commonly used terms are indicative of the growing concerns within Japanese society: ‘freeter’ – a combination of ‘free’ and the German word for worker, *arbeiter* – draws attention to the growing ranks of Japan’s young part-time and unemployed workers (HONDA, 2005) – while the notion of the ‘precariat’ combines precarious and proletariat in order to describe the conditions of temporary workers (UENO, 2007).

Since 2008, as oil price rises and a subsequent global recession have stifled the nascent economic recovery in Japan, concerns surrounding non-regular workers have assumed an even acuter level of importance. In April 2009, a Ministry of Health, Labour and Welfare (MHLW) announcement estimated that between October 2008 and June 2009 the number of laid-off non-regular workers would exceed 192,000, of which almost two-thirds would be temporary workers (FUKUE, 2009). Another commentator predicted 1.5 million job losses by end of 2010 in the current recession – with unemployment rising up to 6 percent (ECONOMIST, 2009). Non-regular workers have born the

brunt of these job losses, with manufacturing workers hired on temporary contracts in the short-lived upturn particularly badly hit. In December 2008/January 2009, a tent village was established in Tokyo's Hibiya Park to highlight the conditions of laid-off temporary workers. Called *Toshikoshi Hakenmura*, roughly translatable as 'New year's eve village for dispatch workers', it was organised at the initiative of *Zenkoku Yunion*, the National Federation of Community Unions. Over a period of a six days, 500 jobless people stayed in the village in freezing conditions, helped by nearly 1700 volunteers, until they were moved to temporary shelters by MHLW officials (KATO and FUKUE, 2009; see also SHINODA, 2009). Tellingly, perhaps, for the first time the President of Japan's largest trade union confederation, Rengo, also spoke out, stating that 'Temps are being treated the same as robots. We need to go back to the old way' (TSUYOSHI TAKAGI, cited in DICKIE, 2009).

In this paper we seek to describe and explain the rise of one component of Japan's non-regular workforce, namely that of temporary workers placed by private temporary staffing agencies, known as *dispatch* workers or *haken* in Japan. Dispatch working is defined by the nature of the triangular relationship between the dispatching firm, the temporary employee and the client firm; while the employment relation exists between the employee and the staffing agency, the work relation is determined by the client firm (GONOS, 1997; MORISHIMA and SHIMANUKI, 2005; JAPANESE INSTITUTE FOR LABOUR POLICY AND TRAINING, 2009). Such workers now account for almost 3 percent of the working population in Japan, or 1.6 million people, up from just 0.2 percent (87,000) in 1987. Although this expansion has occurred in parallel with a wider expansion of the global temporary staffing industry beyond its traditional heartlands of the US and Western Europe (see COE *et al.*, 2007), we argue that the industry in Japan has grown in a highly distinctive manner that has been mutually constitutive of wider incremental changes in the country's economy and employment system. In line with STURGEON (2007: 2) we suggest that 'in Japan, the picture that is emerging ... is one of substantial, but controlled transformation. Institutional diversity is increasing as monolithic approaches to employment, industry organization, and finance break down'.

The remainder of the paper proceeds as follows. In the next section, we use a variety of data to chart the inexorable growth of temporary staffing in Japan as both an employment form and an industry in itself. We then move on to conceptualise how distinctive national temporary staffing markets are produced through a multi-institutional field of interactions between government, employers, staffing agencies, trade bodies and labour bodies, among others (COE *et al.*, 2009a, 2009b). In the Japanese case, we argue that successive government deregulation of the industry has been the single most important shaper of the pace and nature of growth. With a population of over 127 million, the Japanese market has always held huge latent potential for the staffing industry; until 1986, however, regulatory restrictions largely prohibited the use of temporary staff (PECK *et al.* 2005). Accordingly, and in line with IMAI (2004), we use the key legislative changes – namely partial legalisation in 1986 and near-on full legalisation in 1999 – to divide our ensuing periodization of the industry’s development. For each of the three periods – pre-1986, 1986-1999 and post-1999 – we explore the background conditions and legislative changes that underpinned growth in temporary staffing, and also look at the variable role of other actors such as transnational and domestic agencies in the shaping the industry. Overall, we argue that there has been a managed and gradual transition in the Japanese employment system in response to profound macro-economic challenges. The result has been that the shrinking traditional structures of the labour market are increasingly buffered by a growing proportion of non-regular and temporary workers.

This paper draws on work conducted for a large ESRC-funded project entitled *The Globalization of Temporary Staffing* that ran from 2004 to 2006. The overall aim of the project was to examine the geographical expansion and service diversification of the largest transnational staffing agencies, with a focus on the markets of Australia, the Czech Republic, Japan, Poland and Sweden. In addition to the extensive collection and analysis of secondary data, for the country case studies semi-structured interviews with senior executives in transnational and domestic temporary staffing agencies, labour unions, industry trade bodies and government departments proved to be the most insightful way of addressing the research objectives. During our research in Japan we carried out 20 such interviews in

early 2006, with nine transnational staffing agencies, six domestic agencies, two trade associations, one business federation and two academic specialists. The interviews were enriched through assembling a repository of publications on Japanese temporary staffing from transnational and domestic temporary staffing agencies, industry trade bodies, trade unions, government departments, investment analysts and other academics². We have subsequently undertaken follow up work on the 2006 to 2009 period to explore how the market has fared under conditions of economic growth and, more recently, economic crisis.

CHARTING THE RISE OF TEMPORARY STAFFING IN JAPAN

The rise of temporary staffing in Japan can usefully be charted from three perspectives. First, employment status data allows us to position the growth in temporary staffing against a broader trend towards non-regular working in Japan³. As Table 1 shows, over the period 1987-2007, non-regular working has risen from just under one fifth to fully one third of total employees (see also CHATANI, 2008). In 2007, around two thirds of non-regular work, and 22.6 percent of the overall total was accounted for by part-time employment (known as *paato/arubaito*). Another 5.8 percent was constituted by limited-term contracting work, a practice known as *keiyaku* or *shokutaku*. Strikingly, however, temporary or dispatch workers (*haken*) had grown by 2007 to constitute 2.8 percent of the total workforce – or 1.6 million people – up from just 0.2 percent in 1987 and 0.5 percent in 1997. While Table 1 illustrates that all forms of non-regular work have been expanding in recent years, it charts in particular a dramatic expansion of dispatch workers since the turn of the century, with some 900,000 being added to the economy during the period 2002-2007. This growth now places Japan among those nations with the highest shares of temporary agency employment (for example, the figures for the US and UK in 2007 were 2.0 percent and 4.8 percent of total employment, respectively) (CIETT, 2009). While for much of its history, Japan's temporary staffing workforce has been dominated by female workers – who made up 80 percent of the total in 1997 – there is a profound on-going shift in gender composition with the female proportion having dropped to 62 percent by 2007. With respect to occupational categories, all increased in terms of absolute numbers

over the period 1997 to 2007 (see Table 2). In relative terms, ‘manufacturing and construction’ expanded more than threefold from 2002 to 2007, becoming the largest category by the latter year (40 percent of the total), with clerical work having fallen from 50 percent in 2002 to 37 percent of dispatch worker employment, thereby driving the gender shift described above. ‘Technical and professional’ is another occupational category on the relative wane, falling from 12 percent of the total in 1997 to 5 percent in 2007. In short, temporary staffing in Japan has now expanded well beyond its traditional clerical and professional heartlands in its largest markets (COE *et al.* 2007)⁴.

[Tables 1 and 2 about here]

A second means of profiling growth is to look at the numbers of workers placed by the industry⁵. Table 3 profiles the rising levels of worker dispatching over the period 1987-2006. Such data requires two points of explanation. First, there are two kinds of temporary staffing employment in Japan, the employment type (*jōyō gata*) – whereby workers are employed by agencies on a full-time basis working on contracts of several weeks/months in length – and the registered type (*tōroku gata*) whereby workers are employed as and when required, usually on an hourly rate. Agencies that only perform employment type temporary staffing are known as *tokutei baken* and are less stringently regulated than *ippan baken* agencies, which are able to perform both registered and employment type staffing. Second, there are two ways of recording employment type placements depending on whether the overall number of workers placed or the number of full-time equivalents is the adopted metric. The latter is perhaps the most appropriate measure of overall activity and is the one used in calculating the totals in Table 2 (although both measures are shown). The data again allows us to chart the expansion of the industry since legalization in 1986, and demonstrates the same acceleration in growth since 2000 detected in the employment status data. Growth was particularly strong over the years 2004-2006 (70 percent expansion), with a resurgence in employment type placements accounting for a significant proportion of expansion. As we shall see, this reflects a rapid growth in manufacturing dispatch workers after deregulation of that occupation in 2004.

[Table 3 about here]

A third perspective is provided by looking at the temporary staffing industry itself. The International Confederation of Private Employment Agencies (CIE'TT, 2009) estimates that the Japanese temporary staffing market was worth US\$43.3bn in 2007, up significantly from US\$33.3bn in 2006, and showing considerable market expansion on the historical figures of US\$14.7bn in 2000 and US\$7.4bn in 1994. The Japanese staffing market is now the third largest globally, after the US and UK, accounting for approximately 14 percent of global turnover and making up the vast majority (around 95 percent) of the Asia-Pacific staffing market. The industry is constituted by some 15,000 private employment agencies, which operate over 65,000 branches across the country and employ over 200,000 workers directly – all three figures are the highest for any national temporary staffing industry. Table 4 lists the ten largest temporary staffing firms in Japan in 2007. These firms accounted for around one third (32 percent) of the total staffing market, with the top five alone constituting 26 percent (Staff Service 7 percent; Pasona 5 percent; Tempstaff 5 percent; Recruit Staffing 4.5 percent; Adecco 4.5 percent). Of the top ten, only two – Adecco (Switzerland) and Manpower (US) – were not Japanese owned (see COE *et al.*, 2009c). The remainder of the staffing market is composed of a range of mid-sized Japanese and foreign owned firms, and a plethora of small enterprises. Other international staffing firms present in the market include Vedior, Kelly Services, Hudson, Robert Walters and Michael Page. Overall, in terms of the market structure, the Japanese industry lies somewhere between the concentrated markets of France and the Netherlands and the highly fragmented markets of the US and UK.

[Table 4 about here]

**CONCEPTUALISING THE DEVELOPMENT OF JAPAN’S TEMPORARY STAFFING
INDUSTRY**

Having outlined the emergence and recently accelerating growth of temporary staffing in Japan over the last two decades, we now move to conceptualising the various forces that have shaped this expansion, and considering how that growth can, in turn, be related to wider changes in the Japanese labour system. Here we adopt a framework that has previously been used to explain the formation of distinctive national temporary staffing markets (see COE *et al.*, 2009b). This approach sees a national staffing market as an institutional field shaped by six intersecting influences (see Figure 1). First and foremost is the domain of national state regulatory policy⁶. There are three important aspects which shape temporary staffing. One is the degree to which the industry itself is subject to direct government intervention (e.g. licensing requirements, sectors it is allowed to operate in etc.). As we shall see shortly, in the case of Japanese this has been the single-most important instrument through which the expansion of the temporary staffing market has been managed and shaped. Additionally, temporary staffing markets are heavily shaped by the wider labour market regimes in which they are embedded, and in particular, the ways in which mainstream employment relations are coordinated and regulated. Broadly speaking, it is possible to assess the extent to which such relations are shaped collectively by state, corporate and labour organisations, or are individualized and left open to market forces⁷. Finally, the nature of welfare provision exerts an influence (*cf.* ESPING-ANDERSEN, 1999) both in terms of the safety nets provided for under/unemployed workers, and direct state involvement in job placement activity. All three dimensions need to be seen in dynamic, not static, terms however: the Japan case, for example, has seen liberalisation of the first two dimensions with respect to non-regular employment in a context where such workers are still offered little welfare protection as the country continues to combine elements of ‘both the liberal-residual and the conservative-corporatist model’ (ESPING-ANDERSEN, 1997: 187).

[Figure 1 about here]

Moving beyond the national governmental regulatory sphere, we also need to recognise the institutional role of temporary staffing agencies. The central point here is that the presence of staffing agencies in the labour market has system-wide consequences, as agencies seek to create the conditions under which it is feasible for clients to pursue intermediated employment practices. Agencies are not the dominant institutional presence in all temporary staffing markets, however; their relative importance is spatially variable. While in some territories agencies will be driving market development and regulation will be largely responsive to growth (e.g. the markets of Central and Eastern Europe: COE *et al.*, 2008) in others, as we shall see in the case of Japan, they have been tightly constrained by the ways in which deregulation has occurred. However, the extent to which transnational staffing agencies – our second shaping factor – enter a market and then consolidate their position can powerfully shape the production of temporary staffing markets. In the case of Japan, we shall argue that transnational agencies were instrumental in laying the foundations for the temporary staffing industry in the 1960s and 1970s, but have waned in importance somewhat over the past two decades. Domestic staffing agencies – the third of our six influences – are another important actor who will seek to create a space for themselves through their competitive strategies. Our analysis will show how during two decades of steady growth, a small group of Japanese agencies have risen to a dominant position within the contemporary Japanese market.

Fourth, we need to recognise the collective role performed by staffing agencies – and particularly the large transnational agencies – in lobbying for favourable regulatory change: the effectiveness of the activities of national and international trade bodies can also influence what happens in particular national contexts. In many countries the 1990s and 2000s have witnessed a significant ‘re-regulatory push’ by agencies and those that represent the industry. Fifth, the collective representatives of both capital and labour in terms of industry associations and trade unions are an important institutional presence in many territories, and are usually notable for their lobbying either for or against the expansion of temporary staffing and its perceived weakening of worker pay and conditions. Again, these institutions are highly nationally-specific: for example, the periodization that follows will show

how the influence of the labour movement over the regulation of temporary staffing has gradually waned from an initially central position. Finally, the structures of client demand within a national context will also influence the kind of market that evolves. These influences include: the geography of the market (more specifically the urban hierarchy) and the extent to which that places limits on the expansion of agency activities; the sectoral structure of demand and the way in which it shapes demands for particular kinds of temporary workers (e.g. blue collar versus white collar); and the ownership structure of demand in terms of the level of presence of transnational firms who may act as a stimulus for the entry of transnational staffing agencies. In the Japan case, the gradual acceptance on the part of employers of the need for a strong buffer of temporary staff around their core employees has been an integral element of market development.

In sum, we argue that staffing markets are continually produced (and reproduced) through the ongoing interactions between these various elements, as depicted in Figure 1. Moreover, the precise combination of influences that come together will be both *nationally-distinctive* and shaped by *path dependencies*, i.e. as the market develops over time it will be strongly influenced by the pre-existing institutional formations. In the Japanese case, this means the growth of the industry must be interpreted in relation to the changing nature of the ‘traditional’ Japanese employment system, often seen to be based on Japanese social values, strong firm internal labour markets, and the three pillars (OECD, 1977) of lifetime employment (*shushin koyo*), wage structures heavily influenced by seniority and length of service (*nenko joretsu*) and the coordination of labour through plant level enterprise unions (*kigo-nai kumiai*) (JACOBY, 2005). Although as we shall see this system was never all pervasive, and perhaps best describes the activities of large manufacturing groups, it was much lauded in the 1970s and 1980s as underpinning Japan’s strong economic growth and productivity gains.

From the 1990s onwards, against a backdrop of a deep and sustained recession and a progressively globalizing and interconnected world economy, debate has shifted to considering the impacts of

1
2 liberalization pressures and processes of institutional adaptation within the labour system. ESPING-
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4 ANDERSON (1997: 188) argued in the late 1990s that there 'are many indications that the lifelong
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6 guarantee and, with it, the company welfare package will be difficult to maintain ... over the next
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8 decades ... [with] ... Japan experiencing "de-industrialization" and pressures for more employment
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10 flexibility'. More recently as JACOBY (2005) has described, there have been powerful forces for
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12 change in this system encompassing: restructuring in the search for enhancement efficiency in a
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14 context of recession; social change towards individualism, especially amongst the young; declining
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16 union strength (35 percent of workers in 1970, now 19 percent); a redistribution of corporate gains
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18 towards managers and shareholders; and statutory reform, especially the flexibilisation of labour
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20 regulation and financial deregulation. The result has been a significant level of adjustment in the
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22 labour system in areas such as wage restraint, worker-management collaboration to raise
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24 productivity, the increasing share of nonregular workers and a shift in the lifetime guarantee from the
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26 company to the corporate group (VOGEL, 2006). These developments have raised questions about
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28 the extent to which the Japanese model is unraveling, becoming more liberal, or perhaps even
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30 converging towards a US model (CROUCH AND STREECK, 1997), and authors describing these
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32 changes have variously sought to emphasise elements of continuity (e.g. HOLLINGSWORTH,
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34 1997) or transformation (e.g. DORE, 1997). However, 'the apparent functioning of Japanese
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36 institutions in the face of extreme and protracted pressure has led most observers to highlight the
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38 processes of gradual institutional evolution over breakdown and radical change' (STURGEON,
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40 2007: 3).

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42 As JACOBY (2005: 19) rightly observes, the adoption of certain liberalization practices does not
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44 necessarily imply convergence but can lead to a variety of outcomes: 'convergence pressure from
45
46 common environmental changes may be resisted or may lead to a form of hybridization that
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48 preserves national diversity'. Empirical evidence on the selective adoption and adaptation of
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50 practices originating in different economies suggests that any such convergence is limited and
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52 geographically uneven (KATZ and DARBISHIRE, 2000). The evolving Japanese employment
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model is best seen, therefore, as an example of continued diversity of economic practices at the global scale. Nationally-based institutions continue to have a profound influence on the content and degree of labour flexibility (CHRISTOPHERSON, 2002) and as such, the development of a temporary staffing industry has evolved within particular (shifting) institutional contexts in a way that is particular to Japan. The process can be thought of as one of *patterned innovation* – whereby institutional innovation is shaped by existing institutions (VOGEL, 2006) – or *institutional layering* rather than displacement. As STURGEON recounts (2007: 4), ‘the “drag” on organizational change created by existing institutions slows the process enough to allow institutional and organizational evolutions to develop into coherent systems’. Importantly, however, the development of Japan’s temporary staffing industry must be seen as integral, not external to, processes of institutional adaptation within the labour system. Growth is the inevitable corollary of efforts to preserve a core of lifetime employment, a feature missed in some accounts. In other words, the ‘institutionalization of new practices and their impact on the old institutional arrangements’ require further examination (SHIRE, 2002: 22).

THE MAKING OF THE JAPANESE TEMPORARY STAFFING INDUSTRY IN THREE PERIODS

Private temporary staffing agency activity was prohibited in Japan under the Employment Security Law (ESL) enacted in 1947. It was partially legalized in 1986 with the advent of the Worker Dispatching Law (WDL), and then almost fully legalized in significant amendments to both the ESL and WDL in 1999. As such, we follow IMAI (2004) in using these key dates to bracket our three stage periodization of the development of Japan’s temporary staffing market. By way of summary, and to provide further background detail, Table 5 profiles all the significant legislative changes affecting temporary staffing over the period 1947-2007. Gradual deregulation has occurred in three areas, namely: the rules and regulations concerning staffing firm establishment; the sectors in which temporary staffing is allowed; and the maximum length of time for which worker placements are permitted.

[Table 5 about here]

1947-1985: pre-legalization

The pre-legalization period saw the establishment of two important preconditions for subsequent growth post-1986. Firstly, the early inward investment by the American transnational staffing agency Manpower in 1966 arguably laid the foundations for the industry⁸. Temporary staffing did, then, occur in Japan before the advent of 1986 Worker Dispatching Law, albeit in relatively small numbers. Manpower Japan initially serviced other transnational firms with female, and often multi-lingual, secretarial workers. Given the small number of foreign firms in Japan, the numbers of secretaries placed were modest although the specialist nature of these activities resulted in high profit margins, and the company subsequently moved into supplying similar workers to a number of Japanese clients. By placing female clerical workers – already considered to be temporary workers in cultural terms – Manpower did not challenge the established gender divisions in the Japanese labour market and existing commitments to permanent employment. This relative disconnection from the mainstream Japanese labour market kept Manpower's 'grey' – i.e. technically illegal – activities beyond the gaze of the Japanese government: 'staffing operations...settled into niches and stayed there for nearly 20 years, tolerated by both the social partners and government bodies...often despite dissonance with legislative restrictions' (SHIRE and VAN JAARSVELD, 2008: 3). In the 1970s a small number of domestic Japanese staffing firms were formed in response to Manpower's activities – for example Tempstaff in 1973 and Pasona in 1976. Much like Manpower, the initial activities of such domestic firms were concerned with the small-scale supply of clerical labour, although to predominately Japanese firms. During this phase, as SHIRE and VAN JAARSVELD (2008: 4) describe, 'governments maintained their prohibitions against agency employment, labour unions tended to ignore temporary agency employees and the few agencies...continued to take root and expand their services with little disruption by finding niches on the labor market peripheries of the protected employment economies'.

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Secondly, the period also saw the development and institutionalization of certain forms of flexibility within, and around the margins of, *keiretsu* business groups⁹ which were precursors to the widespread adoption of non-regular working practices in subsequent decades (and, indeed, are still used today). For example, many *keiretsu* established subcontracting or *ukeoi* staffing companies in order to promote stable yet flexible business relationships within the business grouping (IMAI, 2004). As such practices expanded, they rapidly became a legal grey area with respect to the 1947 Employment Security Law: attempts were made during the late 1940s and early 1950s to tweak the regulations to ensure that *ukeoi* companies took full responsibility for their workers and did not simply become labour contractors. Additionally, from the 1970s onwards other forms of intra-group labour mobility rose to prominence, namely *shukko* – the practice of moving people within the business group but retaining the original employer and contractual conditions – and *tenseki* – moving people within the group but to a new employer and contractual conditions. As JACOBY (2005) notes, *shukko* and *tenseki* transfers developed for several reasons: to allow technology transfer to suppliers, customers and partners; to co-develop products with customers or partners; and to spread the cost of no lay-off policies by passing on surplus employees to subsidiaries and suppliers. The latter rapidly became the most important, however, as macroeconomic conditions worsened during the 1970s (and again in the 1990s). Again, then, it is important to note that certain forms of temporary staffing predate legalization. Indeed as early as the 1970’s, CRAWCOUR (1978: 238) noted that ‘subcontracting and temporary employment provided a necessary buffer against business fluctuations’, challenging the notion of ‘traditional’ employment relations in Japan and the extent to which the ‘three pillars’ were characteristic of the whole labour market. As VOGEL (2006: 9) argues, employers ‘retained considerable flexibility with a starkly tiered system of permanent employees, who enjoyed job security and full benefits, and non-regular workers, who might work full time but did not enjoy the same level of wages, benefits or security’. Importantly, however, in this early phase flexibility was largely enacted *within* the corporate group, rather than through independent labour market intermediaries such as staffing agencies, thereby imposing limits on the growth of the industry.

This first phase was critical in initiating the development of dispatch working in Japan. While the government largely fulfilled a watching brief, Manpower and later on, initial Japanese entrants to the market were critical in starting to create a market for the services of independent staffing agencies. At the same time, potential clients in the dominant *keiretsu* were already adopting widespread use of flexible employment practices. By the mid-1980s – due to its growing size and concerns about ongoing *ukeoi* practices – the industry was ripe for legalization. In fact, discussions about the legalization of temporary staffing were already ongoing by the late 1970s (IMAI, 2004). In 1984, the Special Committee on Temporary Help Industry was established and subsequently presented its recommendations to the then Ministry of Labour. They listed five rationales for legalizing temporary dispatch working, namely that: professional workers wanted to work freely without restrictions of time and space; dispatch working would help resolve labour market mismatches; it would remove the grey areas surrounding certain *ukeoi* practices; legislation would help provide rules for temporary worker protection; and that making such work visible would actually help efforts to assess the impact on traditional employment relations (IMAI, 2004). 1984 saw the establishment of the Temporary Work Services Association (TWSA) of Japan by eight leading companies in the industry, and in 1985, in anticipation of legislation being passed, Adecco – a leading Swiss-based transnational staffing agency – entered the market. The TWSA subsequently joined the International Confederation of Temporary Work Agency Businesses (CIETT) in 1994 and renamed itself as the Japanese Staffing Services Association (JASSA) in 1995, as the national trade association extended its remit in expanding the industry in Japan.

1986-1998: partial legalization and the early years of market formation

In 1986 the Japanese government passed the Worker Dispatching Law, which allowed the operation of two types of temporary staffing firm. *Ippan haken* agencies, performing both registered and employment type staffing (see earlier), were required to seek Ministry of Labour approval for their establishment and subsequent branch openings (the latter stipulation being removed in 2004), while

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3 *tokutei haken* agencies only performing employment type placements simply had to notify the Ministry
4 of their establishment. The legislation adopted a 'positive list' approach in which dispatch worker
5 placements were allowed in 13 defined occupational fields, a list subsequently expanded to 16
6 occupations later on in 1986 and then 26 in 1996. The positive list occupations combined the
7 traditional areas of clerical/secretarial work – thereby allowing employers to keep that tranche of
8 female workers at a distance from the lifetime employment model – with a range of professional
9 occupations where workers were either in high demand (e.g. software) and/or where organizational
10 factors demanded temporary employment (e.g. project work in the broadcast media)¹⁰. Temporal
11 constraints were also imposed: the maximum period of dispatch was initially set at nine months, and
12 then increased to one year. The rationale behind the legislation was twofold. First, 'legalization was
13 motivated primarily by the need to bring the extra-legal system of dispatching personnel from
14 subcontracting firms within supply chains (*ukeoi*) into the realm of legality' (SHIRE and VAN
15 JAARSVELD, 2008: 6). Second, the 1986 law 'confined dispatch work arrangements to those jobs
16 which required specialized knowledge or skills and those which required special treatment in
17 employment...By limiting types of work for which dispatching [was] permitted to professional
18 activities, regular employment and dispatch work were thought to be able to co-exist' (ARAKI, 2002:
19 42). The legislation was drafted with the inputs of labour unions through their representation within
20 the Ministry of Labour, and also on the advice of Manpower.

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The impacts on the industry were immediate. 2,500 employment agencies were established in the
first year after the 1986 legislation (SHIRE, 2002) as new domestic firms were created in response to
legalization, and many major corporations set up their own staffing companies and hired clerical
workers from them (SHIRE and VAN JAARSVELD, 2008). Deregulation saw firms engage directly
with the formal labour market far more widely than in the previous phase. The early years after
deregulation also saw something of a separation between the activities of transnational and domestic
staffing agencies, with the former continuing to supply transnational subsidiaries and the latter
seeking to take on existing *ukeoi* type placements, and to educate Japanese firms about the benefits of

1
2 using temporary staffing services. The late 1980s and early 1990s are perhaps best characterised as
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4 years of steady rather than explosive growth in temporary staffing. Several commentators note that in
5
6 the early recessionary years of the 1990s *shukko* and *tenseki* practices worked fairly well in reallocating
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8 displaced workers: 'traditional cost-cutting methods functioned well enough to protect permanent
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10 workers. Firms reduced their labor bill by cutting overtime and slowing wage increases for
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12 permanent workers, while shedding temporary and part-time workers, moving work to lower-cost
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14 offshore locations, and seeking price concessions from suppliers' (STURGEON, 2007: 20).
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20 However, as Japan's recession deepened into the 1990s, the limits of these intra-group practices
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22 started to emerge, and the use of the external labour market increased significantly. According to
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24 MOUER and KAWANISHI (2005), many intersecting structural forces were driving change in the
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26 Japanese labour market – encompassing increased international competition through globalization,
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28 industrial restructuring, rising unemployment and record numbers of bankruptcies – leading to a
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30 greater willingness on the part of workers to assess different options – especially the young – and
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32 new adaptive corporate strategies (see also MIZUSHIMA, 2004). It is important to reiterate that
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34 these processes evolved gradually during the 1990s, with expanded use of external labour markets
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36 sitting alongside continued protection of regular employment practices: 'concurrently, companies
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38 activate[d] all the safety valves available under the traditional system – curtailing recruitment,
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40 downsizing employee buffer groups (temporaries and part-timers), shifting surplus workers to
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42 affiliated firms – while publicly honoring traditional commitments to job and wage security'
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44 (LINCOLN and NAKATA, 1997: 35-6). For THELEN and KUME (2003), this period is best seen
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46 as an era of commitment to the stability of the existing employment system based on long-term
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48 employment *despite* liberalizing tendencies.
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58 By the late 1990s and with unemployment levels over four percent, some commentators were
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60 arguing for further deregulation of the temporary staffing market. Some influences were external – in
1997 the Japanese government had adopted the International Labour Organization's (ILO)

convention 181 on staffing agency activity, while SHIRE (2002) highlights calls from within the OECD for an increase in labour mobility in Japan through the deregulation of temporary work. Moreover, for the first time, employer associations started to lobby for change, having hitherto been steadfastly opposed to labour market reforms that might undermine the long-term employment system. WEATHERS (2001:173), for example, suggested that 'business leaders....[made] steady progress in fostering a steady restructuring of employment practices and regulations. A leading proponent of deregulating employment practices [had] been the hardline employers association Nikkeiren'. Employer support for deregulation was far from unanimous, however, as VOGEL (2006: 81) recounts: "The unions opposed the liberalization of dispatch workers" recalls one Labor Ministry official, "but many employers had their doubts as well. They wanted to preserve a system in which they keep their best people forever. So the goals of the employers and the unions were not that different"¹¹. Nonetheless, the Government's Deregulation Committee (under the Administrative Reform Council) turned to labour issues in 1995, seeking to reform labour markets in order to facilitate the reallocation of workers displaced from other sectors. In contrast to the 1986 deregulation, by moving debate beyond the tripartite membership of the Ministry of Labour (employers, unions and the state), trade unions and other social partners were effectively excluded from deliberations (VOGEL, 2006), with the Cabinet Office using ILO 181 as leverage for this shift (SHIRE and VAN JAARSVELD, 2008). The Committee's proposals led to wider labour market legislative changes in 1997-8 – including the loosening of conditions surrounding the formation of staffing agencies in 1997 – and laid the groundwork for further liberalisation of temporary staffing in 1999.

1999-present: full legalization and rapid expansion

The 1999 amendments to Employment Security and Worker Dispatching Laws effectively marked the full legalization of temporary staffing activity in Japan: local commentators described the changes as a 'labor market big bang' and 'a turning point in the history of labor market policy' (IMAI, 2004: 20-21). The Employment Security Law was revised to permit private staffing agencies to operate

after 52 years of prohibition. Changes to the Worker Dispatching Law saw the lifting of most of the occupational and other restrictions on temporary staffing. The positive list of occupations in which placements were allowed was replaced by a much shorter 'negative list' of job-types in which dispatch working was banned including manufacturing, construction, harbor transport and certain specialized professions. The limits of duration of dispatch were lifted from one to three years for the 26 occupations on the previous positive list, and set at one year for all others. Both the sectoral and time restrictions have been subsequently relaxed further (See Table 5). Importantly, in 2004, manufacturing and certain types of medical work were removed from the negative list, and the time restrictions were removed for most occupations; in 2007, the maximum term was lifted for manufacturing workers from one to three years. Another legislative change in 2000 lifted restrictions on so-called 'temp-to-perm' placements in which worker dispatch is used as a precursor to permanent employment. The impact on the industry of full legalization has been profound. As noted earlier, dispatch working has risen from 0.5 percent of total employment in 1997 to 2.8 percent in 2007, with growth accelerating since the 2004 opening-up of the manufacturing sector. In short, the industry has become the fastest growing and most profitable in the world in the 2000s¹².

The expansion of dispatch working in manufacturing raises interesting issues concerning sectoral variations in the use of temporary staff. Only officially legalized in 2004, the number of temporary manufacturing workers had mushroomed to over 600,000 by 2007, with the speed of growth seemingly being matched by the speed with which such jobs have been shed since 2008 (not yet picked up in official data) (SUZUKI, 2009). Unlike many other leading economies, Japan still depends heavily on its manufacturing industry (STRÖM, 2005). Over the last few years, temporary staffing – and nonregular work in general – has penetrated much further into the heart of *keiretsu* manufacturing activities than ever before, and intra-group contract labour companies are now coming under strong competitive pressure from independent agencies (FUJIMOTO and MIURA, 2005). Canon, for example, had reached a stage by 2007 in which 70 percent of its 13,000 factory workers were non-regular, up from 50 percent in 2000, and just ten percent in 1995 (ECONOMIST,

2007). Toyota is another company that has taken advantage of the law change, hiring significant numbers of assembly line dispatch workers on three-month contracts. VOGEL (2006) proffers the interesting argument, however, that a tendency in the literature to focus on changes within Japan's large manufacturing groups is somewhat myopic. His case studies reveal that levels of adoption of temporary and other non-regular workers are even higher in certain service sector activities. For example, Mitsukoshi – an elite department store chain – increased the level of temporary workers from 13 percent in 1990 to 35 percent in 2004, including rehiring retired workers as temporary employees. In another instance, the retailer Seiyu expanded the proportion of nonregular workers from 56 percent of the workforce in 1995 to 79 percent in 2005, with plans to expand the level as high as 85 percent. In conclusion, he suggests the necessity of developing *sectoral* varieties of capitalism theses, which, in the case of Japan, would recognise the variability of 'traditional' models and their degree of adaptation from sector to sector.

While the 1999 legalization was centrally shaped by the desire of central government to deregulate labour markets against a challenging macroeconomic backdrop, the subsequent decade has seen the emergence of large domestic agencies as a key actor shaping the growth and development of the industry (see Figure 1). As noted earlier, despite the early market entries of Manpower and Adecco – and the subsequent entry of other transnationals including Vedior (1999), Robert Walters (2000) and Michael Page (2001) – the Japanese market is now dominated by domestic agencies. Three attributes of these agencies are worth noting. First, is their sheer size: for example, The turnover of Tempstaff, the third largest agency, rose from US\$0.73bn in 1999 to US\$1.76bn in 2004 and US\$2.56bn in 2008¹³ (data from <https://www.tempstaff.co.jp/english/corporate/>, accessed 13/5/09). By 2009, the firm had 271 offices in Japan and 11 overseas including those in Los Angeles, Hong Kong, Shanghai, Seoul, Singapore and Bangkok. It had 28 constituent companies in Japan – some regionally-focused (e.g. Tempstaff Fukuoka) but most specialised (e.g. Tempstaff Marketing and Tempstaff Creative) – in addition to ten overseas subsidiaries, and employed over 1500 workers directly. These cross-cutting geographical/functional divisions allow the firm to respond to the variable subnational

composition of Japan's labour market. Second, the leading agencies have expanded their range of services beyond basic worker dispatch into activities such as placing redundant workers (outplacement), human resources outsourcing, headhunting, and permanent recruitment services (SHIRE and VAN JAARSVELD, 2008). In 2008, for example, the third largest agency in Japan – Pasona – accrued six percent of its US\$2.48bn revenues from outsourcing, three percent from outplacement, and three percent from permanent recruitment – such activities offer far higher profit margins than those on the remaining 88 percent of revenues derived from temporary staffing (<http://www.pasonagroup.co.jp/english/company/>, accessed 13/5/09)¹⁴. Third, although the leading Japanese agencies generally have rather small scale overseas arms, some have initiated innovative modes of cross border staffing. Both Pasona and Recruit Staffing, for example, have established training sites for computer technicians in China who are then dispatched to the Japanese market (SHOZUGAWA, 2001). Overall, Japanese agencies have now become some of the largest and broadest staffing companies in the world, and increases in the level of consolidation activity over the last decade are another indication of the growing maturity of the industry (see IMAI (2009) for more on these agencies and their strategies).

CONCLUSIONS

In this paper we have profiled the emergence and growth of Japan's temporary staffing industry against a backdrop of increasingly widespread non-regular employment practices. We have sought to make two inter-linked analytical arguments through this account. First, and using Figure 1 as a guiding template, we have shown the variable roles of different actors during three phases of the industry's evolution. Most importantly, the growth of the industry has been closely managed, and primarily shaped, by government deregulation, both of employment relations in general but most particularly through relaxing direct regulations on the industry itself. While partial legalization in 1986 was conducted with the involvement of social partners and early members of the industry, full legalization in 1999 was essentially enacted by the government alone in the context of external pressures to liberalize and against a much starker economic backdrop. In terms of the agencies

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2 themselves, Manpower was a crucial catalyst for industry development in the pre-legalization phase,
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4 and full legalization has now released the shackles on a cohort of rapidly growing domestic agencies
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6 that have rapidly become some of the world's largest and most profitable staffing firms. Interestingly,
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8 Japanese employers' organizations have continued to defend traditional employment models. This
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10 distinguishes them from their equivalents in other countries, where the support for non-regular
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12 employment forms has been more unequivocal.
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19 Second, we have interpreted the growth of the industry as part of a gradual, path-dependent
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21 institutional evolution of the Japanese labour system. The result is a temporary staffing industry that
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23 remains distinctly Japanese, and is functionally connected to the regular workforce and those still
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25 working within some variant of the Japanese 'model'. That being said, opinions still vary as to how
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27 far the expansion represents incremental change or a profound challenge to the Japanese model.
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29 After over 20 years of legalized expansion, however, it is increasingly hard to argue that temporary
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31 staffing – and non-regular working more generally – are now simply 'grafted on' to the core
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33 workforce (e.g. JACOBY, 2005). Indeed, many areas of Japan's service economy have never been
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35 characterized by the lifetime employment model, and the rapid expansion of temporary staffing in
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37 the manufacturing sector since 2004 is a highly significant development. Over time, a system has
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39 developed whereby firms now have a wide range of ways to pursue labour flexibility. As VOGEL
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41 (2006: 218) describes, 'companies have cashed in on this flexibility, preserving the long-term
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43 employment system for permanent employees while downgrading it and restricting it to a smaller
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45 proportion of the workforce. They have shifted the employment guarantee from the company itself
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47 to the wider corporate group and even beyond to unaffiliated firms'. In short, the long-standing
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49 'buffer' of non-regular workers has now grown to such an extent that it is starting to present a
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51 significant regulatory and political challenge.
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Thus returning to the themes with which the paper opened, it is clear that temporary staffing in
Japan is at something of a crossroads in the current global recession. As growth returned to Japan in

the mid-2000s, some were predicting a return to labour shortages, wage increases and the permanent hiring of more graduates, and that non-regular workers would get higher status, wages and benefits relative to regular employees (VOGEL, 2006). The economic downturn has revealed that not only did non-regular employment forms – and particularly temporary staffing – continue to expand rapidly in the 2000s, but also that there had been little improvement in benefits and protections for such workers. For example, when the government considered extending the 50 percent pension contribution scheme to employers of non-regular workers in the mid-2000s, it had to back down in face of strong resistance from the private sector, especially retailers and other service firms who employ large numbers of such workers. At the time of writing, the rights of non-regular workers had become a crucial political issue. Many commentators were arguing that the safety net for such workers needed to be improved through, for example, the easing of eligibility criteria for welfare entitlements such as employment insurance (e.g. SAITO, 2009). Others, including representatives of the Democratic Party and automobile industry unions, were suggesting a total ban on manufacturing dispatch workers (SUZUKI, 2009). Any policy responses clearly need to be balanced with the realities of an ageing population and a relatively low female participation rate in comparison to other leading economies (ECONOMIST, 2007). What is beyond question, however, is that dispatch workers – and the agencies that provide them – have now become an integral and important component of one of the world's largest economies.

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Table 1: The rise of non-regular employment in Japan, 1987-2007 (numbers in thousands)

Category	1987	%	1992	%	1997	%	2002	%	2007	%
Regular employees	37,653	81.6	42,032	80.0	42,392	77.1	38,452	70.4	38,336	67.0
Non-regular employees	8,497	18.4	10,432	20.0	12,590	22.9	16,206	29.6	18,889	33.0
Part-time (paato/arubaito)	6,563	14.2	8,481	16.1	10,342	18.8	12,062	22.0	12,362	22.6
Dispatch (haken)	87	0.2	163	0.3	257	0.5	721	1.3	1,608	2.8
Contract (keiyaku/shokutaku)	730	1.6	880	1.7	966	1.8	2,477	4.5	3,313	5.8
Others	1,118	2.4	1,008	1.9	1,025	1.9	946	1.7	1,043	1.8
Total employees	46,151	100.0	52,564	100.0	54,982	100.0	54,658	100.0	57,235	100.0

Source: Employment Status Survey, various years.

Table 2: Dispatch workers by occupation, 1987-2007 (numbers in thousands)

Category	1987	1992	1997	2002	2007
Technical and professional	18 20.7%	21 12.9%	30 11.7%	44 6.1%	76 4.7%
Management	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
Clerical	39 44.8%	94 57.7%	180 70.0%	360 49.9%	588 36.6%
Sales	0 0.0%	0 0.0%	4 1.6%	48 6.7%	91 5.7%
Service	4 4.6%	10 6.1%	10 3.9%	43 6.0%	72 4.5%
Security	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%	1 0.1%	4 0.2%
Transportation and communication	2 2.3%	6 3.7%	4 1.6%	11 1.5%	31 1.9%
Manufacturing and construction	14 16.1%	27 16.6%	28 10.9%	192 26.6%	636 39.6%
Unclassified	10 11.5%	5 3.1%	0 0.0%	21 2.9%	110 6.8%
Total employees	87 100.0%	163 100.0%	257 100.0%	721 100.0%	1608 100.0%

Source: Employment Status Survey, various years.

Table 3: The growth in worker dispatching, 1987-2006

Category	1987	1992	1997	2002	2004	2006
Registered type (1)	171,283	503,156	695,045	1,791,060	1,844,844	3,210,468
Registered type (2)	46,307	111,617	179,994	354,824	469,034	651,687
Employment type (3)	97,017	150,442	160,285	338,594	421,200	866,501
Total employees (2)+(3)	143,324	262,059	340,059	693,418	890,234	1,518,188

Source: Ministry of Health, Labor and Welfare data; www.jassa.jp

Notes: Registered type: hired as and when required; (1) number of people registered who worked during given year (2) number of people who worked during a given year converted into number of regular full-time employees. Employment type: employed by agencies on a full-time basis.

Table 4: The top 10 temporary staffing agencies in Japan, 2007

Rank 2007	Firm	Head Office	Parent Company	2007 Sales (US\$m)
1	Staff Service	Tokyo		3,176.24
2	Pasona	Tokyo		2,105.64
3	TempStaff	Tokyo		2,103.97
4	Recruit Staffing	Tokyo	Recruit	1,988.58
5	Adecco	Tokyo	Adecco (Switzerland)	1,983.74
6	Manpower	Kanagawa	Manpower (US)	893.10
7	Human Resocia	Tokyo		490.18
8	Fuji Staff	Tokyo		442.08
9	Intelligence	Tokyo		396.94
10	Panasonic	Osaka	Panasonic	330.24

Source: Adapted from BJF (2008) Report on 'Talent Dispatch Company gross sales ranking' (translated from Japanese). Available from: <http://www.jinzaibf.co.jp/toukei.html>. Uses December 2007 average monthly exchange rate of 1¥ = US\$ 0.00888663.

Table 5: The chronology of laws and regulations relating to temporary staffing

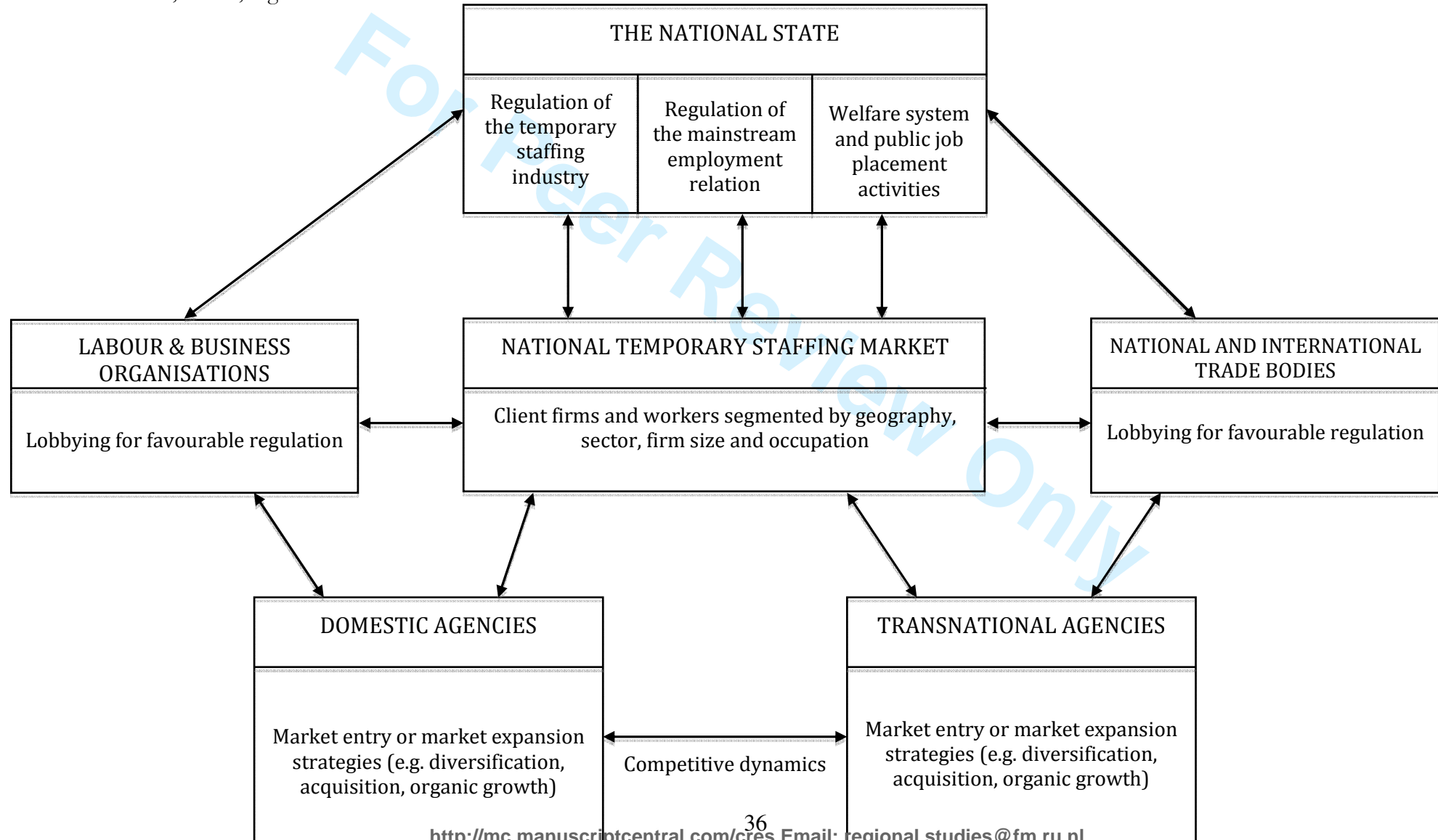
Year	Law(s)	Details
1947	Enactment of Employment Security Law	Established public employment agencies; private job placement services prohibited
1964	Amendment to Provisions of Employment Security Law	Deregulated applicable jobs and introduced fee-based job placement services by private companies
1986	Enactment of Worker Dispatching Law	Accepted 13 types of work for temporary staffing due to increased demand for such services, 3 added later in year
1996	Amendment to Worker Dispatching Law	Accepted 10 more types for temporary staffing (raising total from 16 to 26)
1997	Amendment to Provisions of Employment Security Law Adoption of ILO Convention No.181	Liberalized market entry by private companies offering fee-based job placement services Fee-charging employment agencies convention
1999	Amendment to Employment Security Law Amendment to Worker Dispatching Law	Liberalized the types of work eligible for temporary staffing; positive list replaced by negative list Clarified 5 types of work not eligible for temporary staffing; Terms of dispatch lifted from 1 to 3 years for original 26 occupations, 1 year for others
2000	Amendment to Employment Security Law Amendment to Worker Dispatching Law	Lifted prohibition on temporary staffing in cases in which personnel are expected to become permanent employees
2004	Amendment to Employment Security Law Amendment to Worker Dispatching Law	Simplified approval/notification procedures for service providers Permitted temporary staffing in manufacturing field, and in medical field in cases in which personnel are expected to become permanent employees; Terms of dispatch lifted to 3 years for all occupations
2007	Amendment to Worker Dispatching Law	Terms of dispatch lifted to 3 years for manufacturing workers

Source: adapted from Imai (2004) and Nishizawa (2005).

Figure 1: Key actors in the Japanese institutional field

Source: Adapted from

COE *et al.*, 2009b, Figure 1.



¹ Another key contribution to this debate was the airing in 2006 and 2007 of three ‘NHK Special Documentaries’ – a highly respected TV programme – on the working poor. Shinoda (2009) describes the widening and deepening of media and cultural interest in the phenomenon in more detail.

² Conducting data collection in Japan necessitated a rigorous and self-reflective methodological approach to ‘penetrate’ the supposedly ‘closed’ world of Japanese information (BESTOR *et al.* 2003). While qualitative methodologies are now the most commonly used approach in cross-cultural studies, there is a general lack of specific focus on cross-cultural interviewing and its implications for data collection and data interpretation (SHAH, 2004). There were clear differences between our research experiences when interviewing non-Japanese respondents (often Western European or American white males) and Japanese firm owners/managers and government officials. Our positionalities shifted dependent upon a number of factors including the interviewing researchers (as our team was mixed-gender), the method of gaining access (through ‘cold-calling’ or ‘snowballing’), our familiarity with the firm or organisation (high levels of contact had been maintained with some transnational firms across a range of geographies) and finally, the familiarity of interviewees with the global staffing industry and other staffing markets. Overall, during the research process it became apparent that we were **not** complete ‘cultural outsiders’, but that this resulted more from Japanese understandings of western culture and society than *vice versa*. We also benefited greatly from discussions with our translator and academic contacts at the University of Tokyo.

³ Regular work is taken to refer to full-time employees with ‘open’ (non-limited term) contracts. Nonregular employees have employment restricted for less than one year in length – as written into Japanese labour law – and in general do not have the same fringe benefits (such as company housing, pensions, health coverage) as regular employees (REBICK, 2005). Nonregular work is highly gendered, with women making up 70 percent of the total; such jobs accounted for 53.1

percent of all female employment in 2007, and some 18 percent of the male workforce (although this had risen from just 8.8 percent in 1997).

⁴ Interestingly, and although it is beyond the remit of the current paper, the shifting composition of temporary staffing in Japan has also altered the intra-national geography of this employment type, with the growth in manufacturing placements driving a relative shift away from the Tokyo region towards long-established manufacturing centres such as Yokohama, Osaka, Nagoya, Kobe and Fukuoka.

⁵ As workers may be registered with, and accepting work placements from, more than one temporary staffing agency, such data does not always tally exactly with that provided through the Employment Status Survey.

⁶ While in many contexts – including Japan – the national scale is the dominant level at which labour market policy is formulated, in some contexts other spatial scales may be important. In Federal states, for example, *regional/state/provincial administrations* may be involved in the different areas of policy and regulatory activity that affect temporary staffing. The European Union is by far the most significant example of how employment legislation at the *macro-regional scale* can impinge upon national policy-making.

⁷ There have been several well-known attempts in the literature to classify countries along such dimensions, either through explicitly focusing on the labour dimension e.g. ‘modes of labour regulation’ (PECK, 1996) or by embedding labour within broader notions of ‘varieties of capitalism’ (HALL and SOSKICE, 2001) and ‘national business systems’ (WHITLEY, 1992).

⁸ In a similar way, inward investments by Korn/Ferry and Egon Zehnder (1972) and Drake Beam Morin (1982) were significant in launching Japan’s executive search and outplacement markets, respectively, during this period (JETRO, 2003).

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⁹ A large-scale business grouping of networked, affiliated companies that grew to prominence from the mid-1950s onwards.

¹⁰ The thirteen initial occupations were: software development, machinery design, broadcast equipment operation, broadcast programme direction, office equipment operation, translation services, secretarial work, filing, investigative research, financial affairs, transaction document creators, demonstrators and tour guides. Building cleaners, construction equipment operators and receptionists were added later in 1986, and R&D, business operation planning, editing, advertising, interior design, announcing, office equipment training, telemarketing, sales engineering and broadcast set/prop work were added in 1996 (JETRO, 2003).

¹¹ Interestingly, Vogel (2006) also suggests that there were important sectoral variations, with smaller firms in the service sector being far stronger advocates of liberalization than large *keiretsu* manufacturers in competitive sectors keen to protect their core workforces.

¹² Growing global interest in the Japanese market was reflected by the international staffing association (CIETT) holding a major conference in the country in May 2002.

¹³ Tempstaff also established a partnership with US transnational Kelly Services in 2005 on basis of the old staff dispatching division of Sony Corporation, but sold the operation to Kelly Services in 2007.

¹⁴ These developments raise the question of how the competitive dynamics of Japan's staffing market will evolve over time. In longer-established markets, leading agencies have not been able to move towards higher value-added activities as quickly as they would like, and hence have been largely unable to insulate themselves from the harshly competitive conditions and low margins that prevail in general staffing. The comparatively young Japanese staffing market is still

characterised by relatively high profit margins (in international terms) in all areas of activity and hence it will be important to monitor the shifting balance of different staffing activities as the market matures.

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