

Labor Recruitment in Japan's Corporate Service Price Index (CSPI)

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Japan's Corporate Service Price Index (hereafter CSPI) contains an item named "temporary employment agency services." This item corresponds to class codes 85121, 85123, and 85129, which is for supply of personnel services, in the CPI version 1.0, and to the code 7491, which is for labor recruitment and provision of personnel, in the ISIC revision 3. The weight of this item is 1.55 percent of the total in the 2000 base CSPI, an increase from 1.1 percent in the 1995 base.

A. Business Model

Business Structure

Temporary employment agency services have grown rapidly in Japan in recent years. In 2003 more than 16,000 temporary employment service establishments existed, more than double the figure ten years ago. The number of registered temporary workers is 1,987,000, a four-fold increase in ten years. Sales also increased 148.9 percent in ten years, recording a total of 2.361 trillion yen.

The rapid growth of the temporary employment service industry is mainly due to changes in corporate employment policy and deregulation of the labor market. In the past, lifetime employment was a key characteristic of Japan's labor market. Throughout the harsh 1990s, however, companies have actively employed temporary workers to reduce their labor costs and to respond to rapid changes in business conditions flexibly. In addition, the law that had limited the use of temporary employment services has been gradually deregulated; the result is that more and more companies have entered the market.

Market Structure

Large companies that have more than 20 places of business and more than 20,000 registered workers still exist in Japan today, but 55 percent of all companies have just one place of business, and 65 percent conduct their operations with less than 1,000 registered workers.

In Japan, the services provided by temporary employment service companies are mainly office support; these include secretaries, receptionists, clerks, bookkeepers, data entry operators, processor operators, and others.

B. Government Regulation

Regulatory Basis

Temporary employment agency services are regulated by the "Law for Proper Operation of Worker Dispatch Undertaking and Improved Working Conditions for Dispatched Workers" (hereafter "the Law"), which was enforced in 1985. The objective of the Law is to take measures for securing the proper operation of worker undertakings, and for adjusting proper labor supply and demand in conjunction with the Employment Security Law, as well as measures for securing improved working conditions for workers, and thereby to contribute to the stability of employment and otherwise to the promotion of the welfare of the workers.

Before 1999, worker supplying services had been limited to 26 specific cases. However, the 1999 revision of the Law generally deregulated this restriction in principle. The principles of the law after 1999 are as follows:

- 1) A shift from prohibition of applicable work to liberalization (negative list system)
- 2) Simplification of procedures for licenses and other permits.
- 3) Ceiling for the sending period of one year (except for 26 job classifications currently

prescribed by cabinet order that require professional knowledge and skills or special employment management techniques)

4) Measures for the protection of workers such as appropriate control of personal information and strict observance of individual privacy

In 2004 the Law was again revised to deregulate the market further. In particular, it is important that the 2004 revision was approved to provide workers to manufacturing factories.

C. Pricing Methodology

For the CSPI item “temporary employment agency services,” we collect representative sample prices, including office support occupations, software development engineers, interpreters, translators, producers and editors of books, and receptionists. Although labor provision for the manufacturing sector was approved in 2004, we do not survey prices of the sector because of its representation at the moment.

The pricing method adopted in the BOJ is the monthly rate per person, which is the price survey based on the time providing services. Strictly to say, it is not the price survey corresponding services themselves. This is because of the difficulty in the definition of temporary employment agency services, in other word, in the definition of quality of the service. □ In practice, each price is calculated from the total value of the transaction divided by the total quantity of the transaction, which is the number of the temporary workers per a month.

When calculating this monthly rate per person, however, the following characteristics are fixed to survey services fixed in quality as much as possible to reflect fluctuations only caused by the changes in supply and demand.

- (1) Type of work (e.g., the payments to workers engaged in translation may differ from those to workers engaged in filing)
- (2) Region of service provided (regional price differences exist among temporary workers)
- (3) Contract conditions (service price may differ between the first contract and the renewed contract)
- (4) Level of worker in terms of job experience and training
- (5) Size of client firms contracting with service-providing firms

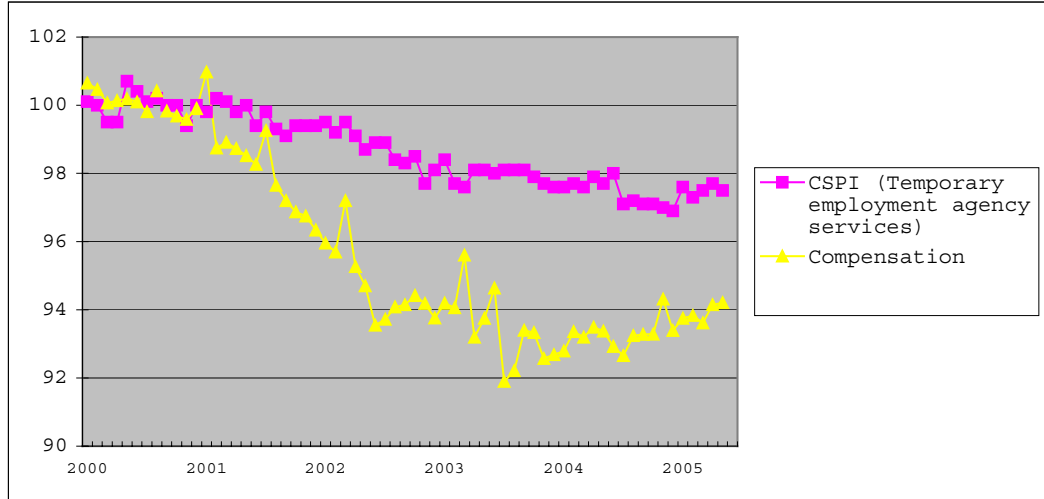
D. Published Data and its “Goodness”

Chart 1 shows the movement of the published CSPI for “temporary employment agency services.” From 2000 to 2003, the index decreased in line with Japan’s macroeconomic weakness, but after that it seems to have stabilized; it bottomed out in 2005. Compared with the movement of the compensation on a macro basis, although the decline of the CSPI is milder, the index largely conforms to the movement of the compensation.

While prices of temporary employment agency services vary for skilled workers, they are basically determined by supply and demand conditions in the labor market. In this sense, the movement of the index looks reasonable, and coincides with the observations by business people in this field.

Chart1

Temporary Employment Agency Services



Compensation figure is calculated by the Bank of Japan as the index of total cash earnings times the index of regular employees divided by 100.