White-Collar Job Placement Agencies Hold Promise to Improve Job Matching in the Labor Market

by Yuko Shozugawa
Social Development Research Group

1. Introduction

According to the *2001 Labor Force Survey* (Ministry of Public Management, Home Affairs, Posts and Telecommunications), the average unemployment level rose last year by 200,000 to 3.4 million persons, while the unemployment rate hit a record 5.0% since records were begun in 1953) Moreover, of the 64.12 million employed persons, 5.68 million on average wanted to change jobs (up 150,000 from the previous year), while 2.62 million of them actually looked for jobs (up 50,000). Thus the 10.3% of employed persons who want to change jobs was also the highest on record since 1968.

Given the rising unemployment rate and growing number of job changers, we must seek ways to alleviate labor mismatching by age and occupation, and enable the labor market to adapt as quickly as possible to new growth areas and industries.

In light of the fact that white-collar workers comprise over half of all employed persons, this paper focuses on the potential of white-collar job placement agencies to perform matching functions in the labor market. Below we examine market trends, industry issues, and future prospects.[1]

2. Rapid Growth of Job Placement Agencies

Job placement agencies can be divided into those that provide free services and fee-charging services. The former includes public employment agencies (Hello Work), human resource banks, schools, and labor unions, while the latter consists of specialized placement agencies for services such as sales, housekeeping, meal servers, and the topic of this paper—white-collar job placement services.

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[1] According to the Ministry of Public Management, Home Affairs, Posts and Telecommunications, of the 53.69 employed persons in 2001, white-collar workers—specialists, technicians, managers, clerical and sales workers— comprised 29.60 million, or 55.1% of the total.

According to the Ministry of Health, Welfare and Labor's *Survey Report on Employment Trends*, of the new white-collar workers in specialized, technical, managerial, clerical, and sales occupations, only 1.1% found jobs through placement agencies in the private sector. Moreover, a 1999 survey of mid-career job changers among large companies found that 20 to 30% of job changers found jobs through placement agencies.[2]

However, according to the MHLW's *Report on Private Sector Job Placement Agencies (2000)*, ordinary job vacancies handled by placement agencies mushroomed in 2000, including 188,379 specialized and technical positions (59.8% year-on-year increase), 43,778 managerial positions (29.9% increase), 56,369 clerical positions (78.25 increase), and 50,818 sales positions (58.4% increase). Moreover, the number of positions filled rose sharply: 8,754 in sales (109% increase), 25,642 specialized and technical positions (33.3% increase), and 7,117 clerical positions (94.3% increase).

Recently, with the increasingly detailed and specialized nature of job vacancies, the job placement industry has gained recognition for its extensive databases and accurate evaluations of human resources. Job changers have also expressed strong satisfaction. For example, in a survey of job changers in the greater Tokyo area (Recruit Works Institute, *Working Person Survey 2000*), 37.1% of those using private agencies were "very satisfied"—far more than among users of public agencies (Hello Work) and recruitment magazines—while 83.0% were at least "satisfied." This attests to the strong job matching capability of private job placement agencies.

2 See NLI Research Institute, *Survey Report of the Diversification of White-Collar Hiring Strategies* (2000), a study commissioned by the former Ministry of Labor.

Figure 1 Satisfaction of Job Changers, by Search Method

	Satisfied	Somewhat satisfied	Somewhat dissatisfied	Dissatisfied	No answer
Inquired directly at company	25.3	56.2	11.7	3.8	2.9
School's job placement office	26.1	50.6	18.8	0.0	4.4
Hello Work	16.2	57.2	18.4	7.6	0.6
Private placement agency	**37.1**	**45.9**	**15.0**	**2.0**	**0.0**
Staffing agency	15.2	62.5	16.3	6.0	0.0
Employment magazine	18.2	59.0	15.7	6.3	0.8
Magazine	11.0	74.8	9.1	0.0	5.1
Newspaper ad	15.5	64.1	14.1	5.8	0.6
Poster, flyer, etc.	18.3	61.1	13.3	7.1	0.3
Job fair	0.0	100.0	0.0	0.0	0.0
Internet	19.2	54.0	21.9	0.0	4.9
I-mode, cell phone service	0.0	0.0	100.0	0.0	0.0
Family, acquaintance	19.1	63.0	13.3	3.8	0.8
Other	15.9	69.4	7.1	4.6	3.0

Note: Although the Working Person Survey covers the Tokyo, Tokai, and Kinki areas, only Tokyo results are shown due to small sample sizes of the other areas.
Source: Recruit Works Institute, *Working Person Survey 2000 (Tokyo Area)*.

3. Characteristics of the Job Placement Industry

(1) Industry Characteristics

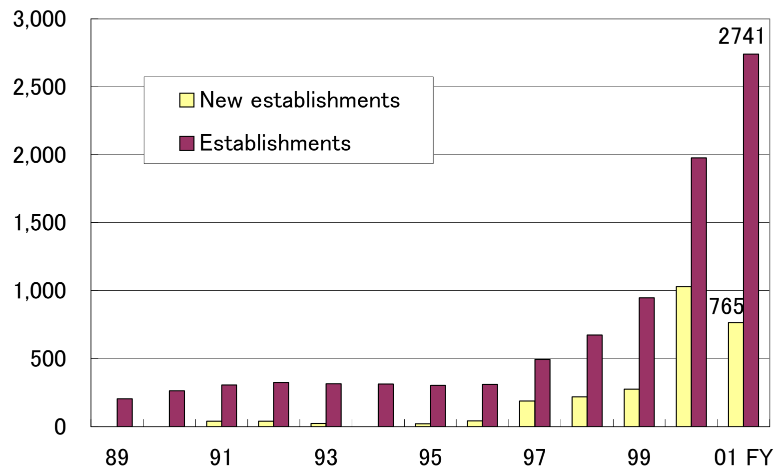
The job placement industry consists of three segments: general registration agencies match job vacancies and mostly young and middle-aged job seekers; executive search (head hunting) firms are hired by companies to find and extract high-level managerial, professional and technical personnel from other companies; and outplacement centers help laid-off middle-aged and older workers find new jobs. Since outplacement centers primarily help individuals write resumes, hone interview skills, and select employers, they tend to be regarded as job placement services. However, as large companies continue to adjust employment, other segments are looking at their methods, am important point in enhancing consulting skills such as counseling and matching.

General registration agencies comprise two-thirds (67.1%) of all agencies, followed by executive search firms (21.3%). Human resources firms also engage in temporary staffing, outsourcing, and human resources consulting (Japan Institute of Labor, *Survey of Job Placement Agencies and Middle-Aged and Older White-Collar Workers 2000*).

The number of establishments, which had hovered around 300 up to fiscal 1996, increased as deregulation took place, starting with the revision of the Ministry of Labor's administrative order in 1997. By fiscal 1999, the number had tripled to 947 establishments; by 2001, with the ban on temporary-to-permanent staffing lifted in December 2000, there were 2,741 establishments.[3]

By capital affiliation, agencies are almost evenly divided between independent agencies and affiliated agencies. Many of the affiliated agencies have parent companies in manufacturing, wholesale and trading, and service industries. Each establishment has an average of 5.7 consultants to handle vacancies, job seekers, and counseling and job matching functions. The industry is characterized by a small establishment size: up to 80% of establishments have five or fewer employees. Moreover, 90% of establishments have fee schedules that are linked to the annual salary of filled positions, with the average fee rate being 23.8%.[4] Fees charged by executive search firms are highest at 29.4%, followed by registration type agencies at 23.2%, and outplacement centers at 16.6% (JIL 2000 survey).

Figure 2 Number of Establishments



Notes: Data is taken at fiscal yearend. At the end of fiscal 2000, there were 1,461 companies. Data for fiscal 1998, 1999, and 2000 are estimated by JESRA. For fiscal 2001, data was taken on January 1, 2002.
Source: Japan Executive Search and Recruitment Association (JESRA)

(2) Market Size

We estimated the size of the outplacement market based on fees collected by white-collar job

[3] In temporary-to-permanent staffing, temporary workers are dispatched with the expectation of being hired for permanent positions.
[4] Another method is the retainer method, in which fees are paid beforehand.

placement agencies in the MHLW's *Fiscal 2000 Report on Private Job Placement Agencies* (Figure 3).

The market size in fiscal 2000 was estimated at ¥66.6 billion, as follows: ¥4 billion in total cap-type (upper limit) fee revenue, ¥46.6 billion in register-type (unregulated) fee revenue, and an estimated ¥16 billion (by JESRA) for the outplacement market in fiscal 2000.[5]

Figure 3 Size of the Job Placement Services Market (Fiscal 2000)

(¥ million)

	Cap-type fees	Register-type fees	FY 2000 total	FY 2000 outplacement market size	FY 2000 market size est.
Professional, technical	1,479.040	18,092.417	19,571.457		
Managerial	1,540.645	13,468.616	15,009.261		
Administrative	490.282	6,600.740	7,091.022		
Sales	516.275	8,404.634	8,920.909		
	4,026.242	46,566.407	50,592.649	16,000.000	66,592.649

Sources: Ministry of Health, Welfare and Labor, *Report on Private Job Placement Agencies in Fiscal 2000*; JESRA.

(3) Deregulatory Trend

Gradual deregulation has created a job placement market where only a government monopoly had existed before. Below we examine the status of competition in labor market services between the public and private sector.

As for the existence of competition (redundancy) between private and public sectors in human resource services, almost 60% of private agencies feel they are competing with the public sector (42.3% are already competing, and 14.4% expect to in the future). However, compared to data providers and staffing agencies, placement agencies have a relatively low competition index, indicating that private agencies have established a niche market for labor matching functions alongside public agencies.

The deregulatory trend began with the revision of a Ministry of Labor administrative order in 1997. While-collar fields were largely deregulated, while improvements were made in placement fees, certification standards, and worker protection.

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[5] Although the MHLW has not yet released fiscal 2001 results of the *Report on Private Job Placement Agencies*, JESRA estimates the outplacement market in fiscal 2001 at ¥22 billion.

Figure 4 Index of Competition Between Public and Private Agencies

	Total	Job data provider	Placement agency	Staffing agency
No. of agencies responding	362	75	**150**	87
Competing now	42.3	68.0	**36.0**	34.5
May compete in future	14.4	8.0	**14.0**	21.8
Will not compete in future	39.0	17.3	**48.0**	43.7
Don't know	4.4	6.7	**2.0**	0.0
Competition index	**103.5**	**154.3**	**87.8**	**90.8**

Note: Competition index = [(% compete now) x 2] + (% may compete later)
÷ (% compete now) + (% may compete later) + (% won't compete later)
Source: Association of Job Journals of Japan, Japan Executive Search and Recruitment Association, and Japan Staffing Services Association, *Survey of the Labor Market Services Industry 2001*.

In 1999, the Employment Security Act was revised to deregulate job categories of private job placement agencies. On the other hand, regulations were strengthened regarding protection of personal data and privacy, while fee collection from job seekers was banned in principle.

In 2000, the ban on temp-to-perm staffing was lifted. In 2001, responding to rapid advances of the Internet, email notifications of job descriptions were permitted, and the office floor area requirement was eased for Internet-based placement agencies. In the same year, Job-net.jp, a public-private collaboration to integrate data and facilitate job vacancy and job seeker searches, was launched. In February 2002, the ban on collecting fees from job seekers was lifted for managerial, research and technical positions above a prescribed income level, and ceilings were abolished on fees collected from employers. In addition, the new practice of trial employment has circumvented restrictions on temp-to-perm staffing by enabling employers to carefully screen prospective employees for up to one year using documentation, interviews, and written tests.[6]

As further deregulation occurs, we expect that well-managed job placement agencies will expand in size as well as service area, while cooperating and collaborating with the public sector to help create a more diverse and flexible labor market.

[6] While temp-to-perm staffing can help improve job matching, temporary staffing is subject to the Worker Dispatching Law, which prohibits employers from conducting interviews or requesting resumes.

Figure 5 Deregulation of Job Placement Industry

Date	Description	
April 1997	Licensing	Requirements regarding qualifications & experience of agency head are abolished, and those of agency employees reduced; establishment requirements are simplified; license renewal is simplified; reporting frequency is reduced.
	Scope of activity	Deregulation in principle of occupation fields (negative list)--private agencies can place all white-collar workers excepting new graduates with less than 1 year of employment.
	Fee	Deregulation of fee collection method, expansion of scope of fee collection, approval of consulting fees.
December 1999	Placement is allowed for new graduates with less than 1 year employment (excluding construction and harbor transport occupations)	
December 2000	Ban lifted on temp-to-perm staffing (hiring temp staff employee as regular employee after probation period)	
April 2001	E-mail allowed to replace paper media regarding notification of work conditions, etc. for job seekers.	
	For job placement conducted exclusively on Internet without on-site interviews, floor size of establishment is disregarded.	
August 2001	Launch of "Job-net.jp," a public-private collaboration to facilitate and integrate use of job seeker and vacancy information.	
February 2002	Deregulation of fees. Ban lifted on job seeker fee for managers, researchers, and technicians with prescribed income. Maximum fee for employers is abolished.	
	Creation of job placement for trial employment. Employee signs contract of up to 1 year with company, company assesses employee based on interviews, written tests, etc., and can hire permanently after mutual consent.	

Source: Compiled by NLI Research Institute.

4. Industry Issues

Competition is heating up in the job placement industry as specialized independent agencies are joined by affiliates of staffing agencies, subsidiaries of large companies (manufacturers, trading companies, etc.), and foreign companies. Establishments must find ways to improve visibility, deepen their database of job seekers and employers, enhance consultant hiring, training, and management, and upgrade business expertise. In addition, the sharp increase in new entrants poses challenges to raising the industry's ethical standards and establishing sound business foundations.

Prospects lie in the two directions of enhancing cost efficiency and upgrading personal services—as well as in the possibility of developing new business areas such as temp-to-perm staffing and elderly staffing (Figure 6).

Figure 6 Top Five Prospective Business Areas, by Industry Segment

Rank	Information provider	Job placement	Temporary staffing
1	Job vacancy data on Internet	**Internet-based placement**	General staffing (26 fields)
2	Job vacancy data on cell phone	**Interview-based placement**	Temp-to-perm staffing
3	Job vacancy data in print	**Job vacancy data on Internet**	Staffing (other than 26 fields)
4	Job placement on Internet	**Temp-to-perm staffing**	New graduate staffing
5	Job seeker data	**Elderly staffing**	Interview-based placement

Source: Association of Job Journals of Japan, Japan Executive Search and Recruitment Association, and Japan Staffing Services Association, *Survey of the Labor Market Services Industry 2001*.

According to a 2001 survey of all listed companies by the Japan Productivity Center for Socio-Economic Development, the introduction of temp-to-perm staffing has risen by 10 percentage-points over the three-year period from 1999 to 2001.[7]

Conclusion

For consultants at job placement agencies, the placement process from registration to contract completion requires several interviews with job seekers, each lasting one to two hours. This is because for successful job matching, consultants must assess each person's work career, analyze their strengths and weaknesses, consider their family situation, and provide emotional support. At times they must also participate in interviews at prospective employers. Moreover, high ethical standards are required to ensure confidentiality and discretion. Many of the best consultants are thus experts at interpersonal communication.

Today, the industry is exploring ways to improve the cost efficiency of these registration, job matching, and placement processes, and at the same time enhancing counseling expertise and adding more value to services through training and development programs.

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[7] Japan Productivity Center for Socio-Economic Development, *Status and Issues of Japanese-Style Personnel Management 2002*.

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