

**Procrastinators and hyperbolic discounters:  
Transition probabilities of moving from temporary into full-time employment**

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Abstract

A temporary help services (THS) is thought to help facilitate the matching between firms and on-the-job searchers. This leads to shortening unemployment spell and job search duration, but on the other hand, the firms that hire THS workers lose the incentives to train them, which makes the THS workers difficult to find a better job afterwards. As it has not been established whether the THS system improves the welfare of either of or both the employers and employees, this paper examines the effect of the THS experience in the Japanese labor market on the later employment transition with particular attention to agents' time preferences. We found that the long-time dispatched tend to have high discount rates and/or high hyperbolic discounting. In addition, those who have ever held THS works are less likely to move into full-time job positions and tend to earn less than permanent employees, although differences in wages are not statistically significant. The strength of the negative effects on the transition probabilities declines over time but the significant effects remain for the next few years. Our results indicate that the THS works in Japan are more likely to function as a "dead-end" rather than "stepping stone" towards stable full-time employment.