

## **Current State and Challenges of the Education and Training Services Market**

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### **Background and Purpose of this Research Project**

Becoming more aware of the fact that “education and training are investments in human resources,” companies have been rebuilding their education and training plans. In this process, they have reviewed their sole reliance on in-house education and training and started utilizing the services of outside education and training providers and promoting workers’ initiative in developing their professional capabilities. This change in companies has required each worker to be responsible for drawing his or her own career path and voluntarily make efforts to improve his/her knowledge and skills. These trends in corporate education and training strategies and in workers’ attitudes towards self-development have increased the importance of outside education and training providers, because these providers are the key to strengthening Japan’s ability to produce competent workers. The government is expected to play a major role in enhancing a social infrastructure to support the education and training initiatives of companies as well as workers.

In order for the government to devise effective policies, it is necessary to accurately understand the education and training services currently available in the external labor market. As a first step, we set up the following objectives for our research:

- (1) Reveal the volume and contents of education and training services;
- (2) Uncover the supply and demand structures of education and training services; and
- (3) Evaluate the current situation of the education and training services market and identify policy issues.

### **Outline of Research Projects and Reports**

#### **1. Outline**

In order to achieve the above-mentioned objectives, we have conducted the following research and publicized the research findings.

In fiscal 2003, we developed a framework to analyze the education and training services market and used this to analyze the market based on existing statistics and research materials. The research findings were compiled as a discussion paper.

In fiscal 2004, we conducted two sequential surveys targeting education and training providers in order to understand the characteristics of the education and training services market from the viewpoint of providers. The first survey, which revealed the organizational characteristics of education and training providers and the supply structure of the education and training services market, was followed by the second survey, which uncovered the qualitative supply structure of the market. The results of those surveys were publicized in a JILPT research report.

In fiscal 2005, we conducted another survey on workers (personal survey) in order to analyze workers' skill development initiative, consisting of the phases of planning, implementation and evaluation. There are two types of skill development, i.e., mandatory corporate training and voluntary self-development. In this analysis, the amounts of financial and time resources invested in each type of skill development were measured. The results of the analysis were publicized in a JILPT research report.

## **2. Purpose of This Report**

Based on the findings of the research projects described above, this report aims to reevaluate the data obtained through the surveys conducted in the past and identify policy issues. For this purpose, this report clarifies the details of the education and training services market, focusing on the following points:

1. The size and structure of the market
2. The functions of education and training providers, observed from two perspectives: (1) assessments by workers who have used the services of outside education and training providers; (2) the organization types, strategies and performance of providers
3. The characteristics and background of workers' self-development initiatives, observed from three perspectives: (1) the amount of financial and time resources invested in the initiative; (2) dynamic analysis of the initiative in relation to the career stages of workers; (3) self-development initiatives by the unemployed

## **Research Findings**

### **1. The Size and Structure of the Education and Training Services Market**

We estimated the size and structure of the overall education and training services market based on the data obtained in the first and second surveys of providers. The total number of providers is about 15,000, most of which (91.1%) provide education and training services in the form of workshops and seminars, and the ratio of correspondence education providers remains in only slightly less than 10% (8.9%). The breakdown of the total by type of organization shows that the most common

organizational types are employers' associations and private companies, which account for about 30%, followed by non-profit corporations, special technical schools and other schools. The least common types are vocational training corporations and universities, etc.

The market size is about 1,300,800 million yen on the basis of the earnings from education and training services, a total of 21.47 million people receiving those services, and a total of 630,000 education and training courses. Since the total number of workers in Japan is about 60 million, the market size of 21.47 million program participants suggests that about one in three workers takes part in a workshop, seminar or correspondence course each year. The breakdown by type of service shows that about 80% of the total participants take a workshop or seminar, whereas about 20% take a correspondence course. Similarly, slightly more than 80% of the total courses are offered in the form of workshops and seminars, whereas slightly more than 10% are offered in the form of correspondence courses. On the basis of the earnings from the education and training services, private companies have an overwhelmingly large share of 72.6%, followed by non-profit corporations, which account for only 10.8%. On the basis of the number of participants, private companies, followed by non-profit corporations, are major providers, whose combined market share exceeds 75% of the total. The second largest is employers' associations, which account for 10% or so.

## **2. The Functions, Business Strategies & Performance of Education and Training Providers**

We assessed each type of education and training provider and positioned it in the whole picture based on the data about the courses taken by workers in the past three years. The breakdown of the providers by organizational type shows that private education and training institutions and non-profit corporations account for overwhelming shares (30.2% and 24.9% of the total, respectively), followed by employers' associations such as equipment makers, etc. Public vocational training institutions, special technical schools and other schools, and universities and graduate schools, etc., account for slightly more than 3% each. According to an assessment of providers on a scale of 1 to 9, equipment makers, etc., stand at 7.1, non-profit corporations at 7.0, public vocational training institutions at 6.9, private education and training institutions at 6.8, employers' associations at 6.7, special technical schools and other schools at 6.7, and universities and graduate schools, etc., at 6.6.

Workers in different employment types and working styles show different tendencies in assessing providers. For example, regular employees tend to favorably assess

equipment makers, etc., while freelance/self-employed workers give high marks to private education and training institutions, special technical schools and other schools, and public vocational training institutions. Non-regular workers tend to give low marks to special technical schools and other schools, and universities and graduate schools, etc. Furthermore, workers in different job classifications also show different tendencies. The higher a worker's hierarchical position, the higher marks the worker gives to equipment makers, etc., and private education and training institutions. Non-profit corporations also receive high marks from workers regardless of their hierarchical position. In the case of employers' associations, the assessment shows a U-shaped pattern where new employees and senior executives/officers give high marks. In the case of universities and graduate schools, etc., the assessment shows an inverted U-shaped pattern where section chief and mid-level executives, excluding new employees, give high marks. Different job types also show different assessment patterns. For instance, specialists and engineers give high marks to non-profit corporations, universities and graduate schools, etc., and public vocational training institutions. Sales and marketing personnel assess employers' associations favorably. Customer service staff prefer private education and training institutions and non-profit corporations. Shop-floor workers find special technical schools and other schools most useful.

As far as private companies are concerned, the more diverse their training courses and customer types are, the lower the efficiency (enrollment ratio) of their business strategies is. In contrast, the larger the proportion of earnings from education and training services and the number of participants per course are, the higher the efficiency is. In the meantime, the larger the proportion of earnings from education and training services is, the lower the rate of growth is. On the other hand, the more diverse the training courses are, the higher the rate of growth is. Furthermore, the more diverse the training courses are, the smaller the scale of business (the total number of program participants) is. On the other hand, the higher the proportion of earnings from education and training services, the degree of customer diversity, and the number of participants per course are, the larger the scale of business is.

With regard to the efficiency that reflects the performance of providers, the performance of non-profit corporations is very high in relation to management characteristics. In relation to business strategies, the more focused on education and training services an overall corporate strategy is (i.e., the higher the proportion of the earnings from education and training services), the higher the performance is. Similarly, the more focused on particular business fields in terms of training courses

and customer types (i.e., limited diversification) a strategy for education and training services is, the higher the performance is. This indicates that providers specialized in offering education and training services with special emphasis on particular fields tend to enjoy high efficiency. With regard to the growth potential of providers, in relation to management characteristics, private companies and universities, etc., show high performance. In relation to business strategies, providers that focus on education and training services as an overall corporate strategy, as well as providers that specialize in particular fields as a strategy for education and training services, show low growth potential. On the other hand, providers that offer large-scale training courses (i.e., the number of participants per course is high) as well as providers that have a system of outsourcing the provision of training courses show high growth potential.

### **3. Workers' Initiative in Skill Development**

On average, each worker invests 50.9 hours per year in self-development. In the case of a worker who works 2,000 hours per year, he/she is estimated to spend about 2-3% of his/her work hours developing his/her skills. Cost-wise, he/she earmarks 2.7% of his/her annual income (114,900 yen) as a budget for self-development and actually spends 0.8% of the annual income (33,900 yen) for that purpose. The actual spending accounts for 29.5% of the budget (fund investment ratio). As is the case with the time investment ratio, a large part of the budget is left unused. Workers in different types of employment have different attitudes toward self-development at their own cost. For instance, freelance/self-employed workers, who have to develop their skills on their own initiative, are more willing to invest in themselves to develop skills, whereas regular employees are less willing to do so. A close look at employees reveals that regular employees invest more time and money in self-development than non-regular workers in absolute terms, while non-regular workers are more active in improving their skills than regular employees.

The major characteristics of investment behavior for skill development by workers (regular employees) are as follows. First, employees in higher positions, young employees, highly educated employees, and employees in their 50s are more likely to benefit from abundant resources invested by their employers and to show a strong interest in developing their skills at their own cost. Second, clerical workers and shop-floor workers receive smaller investments from their employers and invest less in self-development. In general, the larger the employer is, the more it invests in human resource development. However, there is no relation between the amount of voluntary investment in self-development by an employee and the size of the employer. Third,

employees take into consideration whether their initiative in self-development is likely to be counted as “training” prescribed or supported by their employers. Fourth, an analysis from the perspective of the ability to make investments (time constraints) reveals no significant correlation between the number of overtime hours and the amount of voluntary investment in self-development.

We prepared panel data on workers in their 50s and classified them into the following three groups in order to analyze the data: (1) regular employees throughout their work lives, (2) non-regular workers throughout their work lives, and (3) freelance/self-employed workers throughout their work lives. The average length of time that they spend on “training” per year in the age bracket is estimated to be 40.0 hours in their 20s, 32.7 hours in their 30s, 29.3 hours in their 40s, and 31.6 hours in their current 50s, showing that the training time peaks in their 20s and troughs in their 40s. If we classify them according to their career types, we would see that each career type has a unique training time pattern. For example, (1) those who have worked as regular employees throughout their work lives have spent a longer training time than those who have worked as non-regular workers throughout their work lives, regardless of their life stage, (2) all employees, whether regular or non-regular, peaked in their 20s and troughed in their 40s in terms of training time, and (3) those who have worked as freelance/self-employed workers throughout their work lives peaked in their 40s in term of training time. If we classify those who have worked as regular employees throughout their work lives according to their current positions in the corporate hierarchies, we would find that (1) section chief and above have spent more time on developing their skills throughout their life stages than those in lower hierarchical levels, and (2) section chief and above have generally remained active in investing in self-development throughout their life stages, whereas subsection chiefs, forepersons and clerical workers show a U-shaped pattern with the bottom in their 40s, indicating that those who are in managerial positions differ from those who are not in such positions in terms of investment in self-development in their 40s.

A close look at the budget of regular employees for self-development and the actual investment for that purpose reveals the following facts. First, with regard to the need for self-development, (1) both the budget and the actual investment of financial or time resources are larger among those who plan to “change jobs” or to “start a new business or enter into the family business” in comparison with those who plan to “continue the current job,” and (2) the greater the time for “training and self-development” and the need for participation in external long-term education and training courses a regular employee has, the larger the employee’s budget and actual investments are. Second,

from the perspective of spare time and money, the more disposable time and money a regular employee has to spend on self-development, the larger the budget and actual investment the employee makes. Moreover, the longer an employee works overtime, the smaller the investment budget the employee has in terms of time, while the budget increases in terms of money. The fact that the longer an employee works overtime, the larger the investment the employee actually makes in terms of both time and money indicates that regular employees are making efforts to voluntarily develop their skills despite severe time constraints. Third, from a viewpoint of the influence of corporate support measures, the self-development initiative of each regular employee is affected by the education and training policy of the employer and the degree of cooperation from their superiors.

In general, the self-development initiative of regular employees does not differ very much from that of non-regular workers and freelance/self-employed workers. However, the following two points should be noted as unique characteristics of non-regular workers. First, non-regular workers who hope to become regular employees have decreased their investment budget in terms of money, indicating that their purpose of self-development is not to become regular employees. Second, unlike the case with regular employees, a non-regular worker's self-development initiative is not significantly affected by the education and training policy of the employer and the degree of cooperation from their superiors, indicating that the education and training policy does not take non-regular workers into consideration to begin with. Furthermore, non-regular workers do not differ very much from regular employees in terms of actual investment. Regardless of the type of employment and job, a worker needs to have a sufficient budget for self-development in terms of money and time (disposable time) in order to be able to pursue self-development. The following points should be noted about non-regular workers. First, as is the case with regular employees, non-regular workers engaged in education and learning-support projects are more active in self-development. Regardless of the type of employment, the job characteristics seem to stimulate those employees to further develop their skills. Second, the larger need a non-regular worker has for training and self-development in "specialized knowledge, techniques and skills," the smaller investment the worker makes. Finally, the actual investments made by a non-regular worker in self-development are not significantly affected by the education and training policy of the employer and the degree of cooperation from their superiors.

### **Conclusion --- Policy Issues ---**

In the above sections, we have analyzed the size and structure of the education and

training services market, the relationships between the management strategies of education and training providers and the performance thereof, and the characteristics and backgrounds of workers' self-development initiatives. Based on the results of this analysis, we will discuss in the following sections what actions the government should take in order to promote the development of the education and training services market and workers' initiatives in self-development and strengthen the human resources of Japan.

### **1. Necessity of Conducting Surveys on the Education and Training Services Market**

The days when companies were mostly responsible for the development of their own human resources are coming to an end. As a result, it has become important to develop a labor market infrastructure to promote self-development. For successful creation of such an infrastructure, it is indispensable to accurately understand the current situation of the education and training services market. For this purpose, the government should conduct a series of surveys continuously in a systematic manner. Those who prepare such surveys with reference to this project should:

- (1) create a systematic database that allows long-term use of the collected data;
- (2) grasp the market including the public sector; and
- (3) take a look at the education and training services market from the demand-side viewpoint of companies and individual workers, who are consumers of the services of education and training providers.

### **2. Nurturing of Education and Training Services Providers Needed in the Market**

The government should adopt a policy to enhance the ability of education and training services providers to educate and train workers in order to promote the development of the education and training services market. The analysis of the size and structure of the education and training services market revealed that private education and training institutions and non-profit corporations are the two major providers of education and training services, followed by employers' associations. The analysis also illustrated the characteristics of each type of provider. Based on these findings, the government should devise a policy to encourage education and training providers to strengthen their functions. In particular, it would be useful to review the roles played by public organizations (i.e., non-profit corporations and employers' associations) which have not attracted much attention so far, to formulate a policy to take advantage of their services to promote the education and training of workers.

An analysis of the relationships between the management strategies of education

and training providers and their performance disclosed how to improve the efficiency of their services and the growth potential of the business. These analysis results are insufficient in providing education and training providers with enough information to devise effective strategies and in providing the government with enough information to develop a policy to help providers enhance their management and ability to educate and train workers. However, the analysis findings could be the first step to figuring out the most effective business models for providers. The government should take measures to compile information on those models based on these findings and make the information widely available.

### **3. Policy to Promote Workers' Initiative in Self-Development**

#### **(1) Necessity of developing a policy targeted at freelance/self-employed workers**

In order to revitalize the economy and create employment opportunities and new working styles, workers are encouraged to start new businesses and work independently from organizations such as companies. In fact, such independent workers have been increasing in number. Therefore, the government should take into consideration not only employees but also freelance/self-employed workers and expand the coverage of the education and training policy, which used to be targeted solely at employees, to cover freelance/self-employed workers as well. As a first step, the government should review the existing education and training policy with priority on freelance/self-employed workers, on the precondition that the policy will be expanded to cover not only employees but also freelance/self-employed workers. It is especially important for freelance/self-employed workers to use the services of employers' associations. The government is expected to play a major role in strengthening the function of employers' associations as education and training providers by taking measures to support the development of the skills of those who provide education and training services, and the development of effective curriculums and teaching materials.

#### **(2) Policy targeted at employees**

##### **a. Policy to promote workers' self-development initiatives**

The government is expected to take some measures targeted at employees as well. The most important of all is a policy to revitalize workers' self-development initiatives as a whole.

Some people are concerned that the trend among companies to adopt a policy of promoting "self-responsibility for skill development" would deprive workers of opportunities for education and training. However, the results of this analysis show

that the adoption of such a policy would not lead decreases in workers' investment in self-development. The analysis results have revealed that the more money and time a worker has for self-development, the more the worker actually invests in self-development. Therefore, the most important measure that the government could take is to improve the "working conditions" of workers.

The analysis results have also showed that the working environment is the key to increase the "support from superiors" for the revitalizing of workers' self-development. Companies, especially personnel departments, should devise and improve strategies for this purpose. For example, companies may educate managers about the importance of "support from superiors" or take into account the amount of support managers have given to their subordinates when making personnel evaluations of those managers. It is similarly important for companies to clearly announce the basic principles of the management and establish a system to supervise superiors' provision of support to subordinates. One of the important managerial goals is to employ competent workers and keep them as long as possible. To achieve this goal, it is important for each company to make it a sales point that "the company provides its employees with many opportunities for self-development." Workers would not be able to make full use of those opportunities without generous support from their superiors.

#### **b. Policy to fill a "midlife void"**

It has been known that there is a "void of education and training opportunities." Such a void exists for non-regular workers from the perspective of working style, and also for clerical workers, shop-floor workers and sales personnel from the perspective of job type. In addition to these groups, a "void of training opportunities" also exists for middle-aged workers.

Most employees, who usually pursue a career in a chosen field of expertise, do not have opportunities to receive education and training to hone their expertise when they are in a "midlife void." Extending working lives have made it almost impossible for workers to remain competent until the end of their working lives only with the expert knowledge and skills taught in their 20s through inattentive education and training programs. In order to prepare for later working lives in their 40s and thereafter, middle-aged workers need to update their expertise. There are many hurdles to clear before middle-aged workers can receive sufficient education and training. Both middle-aged workers themselves and their employers find it difficult to invest more in self-development because those workers are the busiest in the companies, being in a position to lead frontline operations. Despite the time constraints, middle-aged workers

should refurbish their expertise in the face of long working lives that will last until their 60s. To promote such refurbishing, the government should devise a policy to establish a recurrent training system to keep updating workers in their expertise.