

**Research Survey on the Demand Structure of the Education and Training Service Market
- From the Viewpoint of Vocational Ability Development Behavior of Individuals -**

Contributing Authors

Koichiro Imano	Senior Research Fellow, the Japan Institute for Labour Policy and Training (Professor, Faculty of Economics, Gakushuin University)
Kazuo Taguchi	Associate Professor, Faculty of Business Administration, Takachiho University
Eiichi Oki	Associate Professor, Human Resources Development Department, Polytechnic University
Chikako Yokoyama	Deputy Senior Researcher, the Japan Institute for Labour Policy and Training
Miho Fujinami	Temporary Research Assistant, the Japan Institute for Labour Policy and Training (Doctoral Course, Graduate School, Gakushuin University)

Members of the Study Group

Koichiro Imano	Senior Research Fellow, the Japan Institute for Labour Planning and Training (Professor, Faculty of Economics, Gakushuin University)
Kazuo Taguchi	Associate Professor, Faculty of Business Administration, Takachiho University
Eiichi Oki	Associate Professor, Human Resources Development Department, Polytechnic University
Fumio Inagawa	Director, Planning and Administration Department, the Institute of Research and Development, Polytechnic University
Koji Horibe	Deputy Division Director, Information Management Department, Administration Division, Lifelong Human Resources Development Center, Employment and Human Resource Development Organization of Japan
Miho Fujinami	Temporary Research Assistant, the Japan Institute for Labour Policy and Training (Doctoral Course, Graduate School, Gakushuin University)

Mari Okutsu	Research Director, Human Resource Management Group, the Japan Institute for Labour Policy and Training
Yoichi Kimura	Senior Researcher, Human Resource Management Group, the Japan Institute for Labour Policy and Training
Chikako Yokoyama	Deputy Senior Researcher, Human Resource Management Group, the Japan Institute for Labour Policy and Training

Observers

Akimichi Mikami	Director, Demand and Supply Coordination Division, Tokyo Labor Bureau (Formerly, Director, Office of Infrastructure Development, General Affairs Division, Human Resources Development Bureau, the Ministry of Health, Labour and Welfare)
Junichi Koizumi	Deputy Director, Office of Infrastructure Development, General Affairs Division, Human Resources Development Bureau, the Ministry of Health, Labour and Welfare

Research Period

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Research Objective

Establishing a high-value added management style is the basic strategy of businesses in Japan. It requires "developing and building up human resources of higher level" than before, which necessitates establishment of a strong education and training system. Facing this management issue, businesses strongly believe that "education and training is the type of investment that should be made for development of human resources," and they are moving forward by restructuring their education and training strategy.

One of the areas that businesses are putting an emphasis on is a policy to review their self-sustaining approach of "providing OJT-based in-house training" and make the best use of external education and training organizations in areas where the use of such organizations achieves higher investment efficiency. Another policy is to give employees self-responsibility in their ability development.

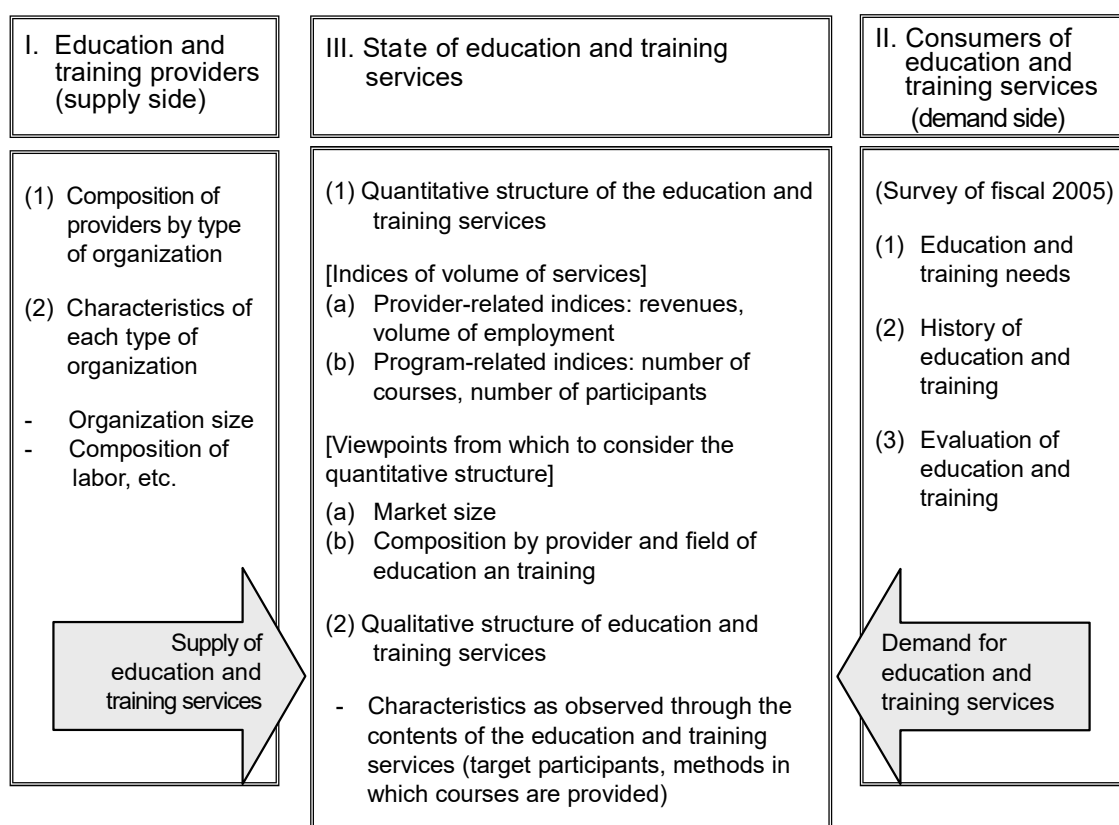
With such a change in the education and training strategy by businesses, who are the buyers of human resources, individuals will also have to change their behavior in developing their ability (ability development behavior) to enhance their own

employability.

Against the background of such a change made in both businesses' education and training strategy and individuals' ability development behavior, we need to examine the approach to education and training provided outside companies by schools, public training organizations, private training companies and others, in considering education and training in Japan. This research focuses on this issue.

To form an effective policy in this regard, the government needs to correctly understand the current practice of education and training in the external labor market. There is, however, little information available in this field. This research project is designed to identify the current situation of education and training in the external labor market in relation to the education and training service market. We have developed a framework for analyzing the education and training service market (see Figure 1).

Figure 1. Viewpoints from Which to Consider the Education and Training Service Market



In this research, the first and second surveys were conducted in the fiscal year 2004 to identify the supply structure of the education and training services, revealing

organizational characteristics of the education and training providers as well as the quantitative and qualitative structure of the supply. The findings were summarized in the JILPT Research Report, titled, "Survey on the Organization and Functions of Education and Training Providers" (the First Survey on the Education and Training Service Market) (Report No. 24, 2005) and another document with the same title for the Second Survey on the Education and Training Service Market (Report No. 43, 2005).

In the fiscal year 2005, the survey was conducted to identify characteristics of the education and training service market from the demand side, focusing on who needs the education and training services for what purpose (education and training needs), what types of education and training services are needed (history of education and training), and how the outcome is evaluated (evaluation of education and training) ((II) in Figure 1).

Outline of Survey Results

1. Method and period of survey and collection of results

(1) Method of survey and survey items

Respondents to the survey are classified into three categories: regular employees, non-regular employees (part-time workers), and self-employed/freelance workers. Respondents to the survey were randomly selected from among those registered with the survey companies and based on the percentage of workers in each age group, gender, and employment style indicated in the "Employment Status Survey" (FY2002), which is published by the Statistics Bureau, the Ministry of Internal Affairs and Communications.

The survey included the following items:

- 1) Gender, age, educational background
- 2) Business category and size of the company, etc.
- 3) Length of service, job position, job title, overtime, experience of career change, etc.
- 4) Employer's education and training policy, etc.
- 5) Time, money and other resources presently available for training and self-development
- 6) Fields in which one underwent training and self-development sessions within the last one year and the provider of the training
- 7) Situation of training and self-development by age
- 8) Participation in seminars or exchange sessions outside/inside the company, correspondence courses, and e-learning in the last three years

(2) Period of survey

The questionnaires were sent at the beginning of September 2005 and collected at the end of the month.

(3) Collection

We sent 5,200 sets of questionnaire by mail, and 4,412 valid sets were returned, with the valid response rate of 84 percent.

2. Results of the survey

2-1. Confirming the current characteristics of ability development behavior

(1) Time and money invested in ability development

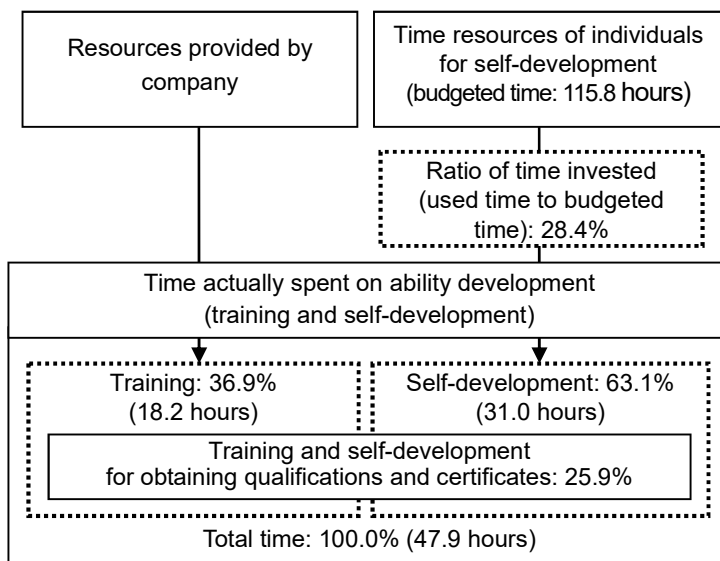
(a) General picture of ability development behavior

To identify the characteristics of ability development behavior of individuals, we observed the time and money invested in ability development.

First, Figure 2 shows the ability development behavior in terms of time spent. Employed individuals spend 47.9 hours a year for their ability development. Assuming they work 2,000 hours in total every year, they spend 2 to 3 percent of the working hours for their ability development. Their ability development activities can be broken down into time spent in training seminars provided by employers (36.9 percent), self-development (63.1 percent), and obtaining qualifications and certifications (25.9 percent).

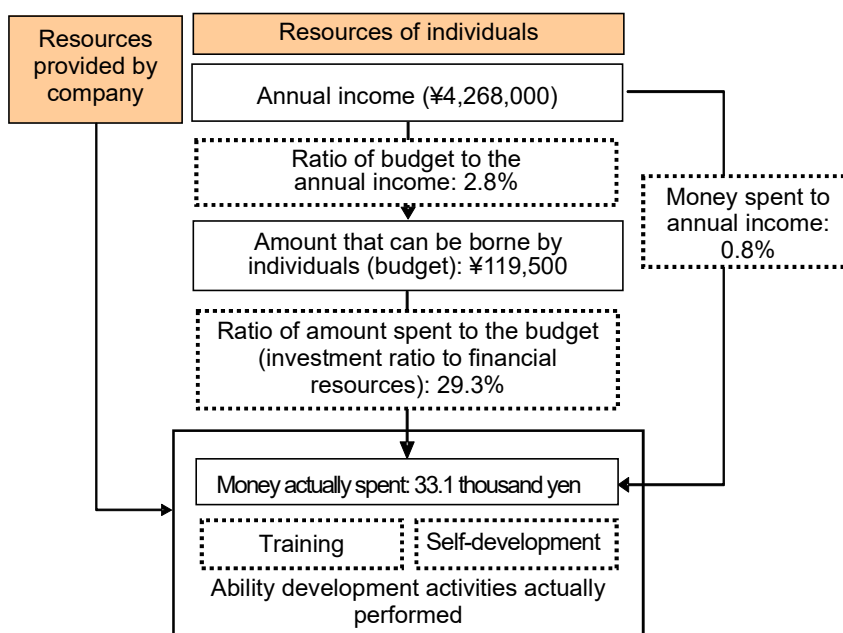
Individuals claim that they have 115.8 hours available for their self-development (budgeted time), and they spend some 30 percent (28.4 percent) of it for actual self-development activities, showing that they still have a large amount of time that they can allocate for self-development. According to the past developments of individuals' ability development behavior, they usually spend a large amount of time in training and self-development while they are young in their twenties but spend less time on such activities as they become older until they again begin, in their fifties, to spend more time for self-development, showing a U-shape curve.

Figure 2. Ability Development Behavior Based on Time Spent



Similarly, Figure 3 shows the structure of ability development behavior based on money spent. Individuals allocate 2.8 percent (¥119,500) of their annual income for their ability development and actually spend ¥33,100 (0.8 percent of annual income). They spend 29.3 percent of their budget (ratio of the expense to their financial resources), which is at a very similar level as the ratio of investment in time described above, and they still have a large amount of financial resources that can still be spent on ability development.

Figure 3. Ability Development Behavior Based on Money Spent



(b) Characteristics based on type of employment

Let us see how ability development behavior differs by type of employment. From the viewpoint of time, for all of the items including budgeted time, time spent and ratio of time invested, self-employed/freelance workers show larger values than employees (regular and non-regular). Among employees, regular employees show larger values than non-regular employees. Some differences are shown for the structure of time spent on training at the instruction of the employers and on self-development (rate of time spent on self-development). There is a tendency where non-regular employees spend their own time for their ability development (that is for self-development), regular employees rely on their employers (that is to receive training), and self-employed/freelance workers are found somewhere between the two.

From the viewpoint of finance, self-employed/freelance workers are, as in the time spent, more active in their ability development than employees in all of the items, including budget, money actually spent, ratio of investment, and ratio of money spent to annual income. Among employees, regular employees show higher values for money actually spent and ratio of money spent to the financial resources than non-regular employees, indicating that regular employees invest more money in their ability development. However, these relations are reversed for the ratio of budget and money spent to annual income. It can be said that non-regular employees invest more actively in their ability development than regular employees in terms of the amount spent relative to income.

Therefore, self-employed/freelance workers are active in investing in themselves for ability development, since they have to develop their ability on their own. In comparison, regular employees are not active in self-investment for ability development, since they can rely on education and training provided by the companies they work for. Among employees, regular employees invest more in themselves than non-regular employees in terms of the absolute amount of both time and money spent. From the viewpoint of the proportion of their income allocated to ability development, however, non-regular employees are more active in their ability development than regular employees.

(c) Characteristics based on job attributes

Among employees (in this section, regular employees), those who are in service-related jobs are actively investing both time and money in ability development, while those working in the field and those with sales-related jobs are not actively doing so. Those with professional, technical and clerical jobs are found in between the two.

With respect to self-employed/freelance workers, those engaged in educational and study-support businesses are noticeably active in ability development. In comparison, those engaged in the restaurant and hotel industries are noticeably inactive.

(2) Distribution of resources for ability development

(a) Distribution by field of training

Here, let us see how individuals distribute or use their ability development resources described above into different training courses. The distribution structure of the time spent in different fields of training is as follows; specialized training, 50 percent; hierarchy-based training, 20 percent; subject-based training (language, computer, etc.), 20 percent; and others, 10 percent.

(b) Distribution by education and training provider

The distribution by education and training provider shows difference between training and self-development (see Figure 4). For training, the resources are distributed in equal part to companies and external providers (education and training organizations outside the company, equipment manufacturers, etc., hereafter collectively called the "external providers"), which means that a large portion of the resources go to the external organizations. Self-development is mainly done through self-learning, but about 30 percent of the time spent for self-development is also distributed to the external organizations.

The figure also shows the breakdown of the external training providers used for training and self-development. The figure indicates that private education and training organizations and public-interest corporations (or non-profit private organizations established by combining a public-interest corporation and employers' organization, hereafter collectively called the "private public-interest organizations") are the two main external providers, while schools (vocational schools and universities) and public vocational training organizations do not have large shares.

This structure also varies depending on the type of employment. Firstly, regular employees tend to rely heavily on private companies (equipment manufacturers, etc. and private education and training organizations), and non-regular employees and self-employed/freelance workers rely on non-profit organizations (public-interest corporations, employers' associations, vocational schools, universities, public vocational training organizations, and other organizations combining these). Secondly, if we look at non-profit organizations, regular employees tend to rely on public-interest corporations, non-regular employees rely on schools and public vocational training organizations, and self-employed/freelance workers rely on employers' associations.

Figure 4. Distribution of Ability Development by Education and Training Provider

	Allocated time for training	Allocated time for self-development
Companies	45.8	15.0
External education and training organizations	30.9	20.8
Equipment manufacturers, etc.	14.6	8.0
Self-learning	-	50.9
Others	8.6	5.4

Composition of external providers (number of main external training courses received in the last three years)

	Total (%)	Type of employment		
		Regular employees	Non-regular employees	Self-employed, etc.
Equipment manufacturers, etc.	10.7	11.7	4.2	9.4
Private education and training organizations	30.2	31.4	28.1	25.0
Public-interest corporations	24.9	27.1	18.6	16.7
Employers' associations	9.2	8.7	4.8	14.6
Vocational schools	3.4	3.1	9.0	2.1
Universities, etc.	3.0	2.7	5.4	3.1
Public vocational training organizations	3.6	2.9	9.6	3.8

2-2. Confirming the structure of needs for ability development

(1) How much is it needed?

Now, let us examine the needs there are behind the ability development behavior described above. As for the needs in relation to time spent, about half of all individuals (49.8%) want to increase the time they spend on training and self-development. These needs are felt most among regular employees, followed by self-employed/freelance workers and non-regular employees.

In relation to the job characteristics, regular employees in sales-related jobs have the abovementioned needs more than those working in the field. Among self-employed/freelance workers, it is felt most by those in the education and study-support businesses.

(2) Structure of needs by training field

If we look at the structure of the above needs in terms of the training fields, the majority of individuals want to increase specialized training to improve their professional ability, followed by subject-based training (language and particularly OA

and computer), and hierarchy-based training. Also there are considerable needs for training for obtaining qualifications and certificates, with 52.5 percent of the individuals replying that they "want to increase" the amount of such training.

(3) Structure of needs by education and training provider

If we break down the structure of needs by education and training provider (see Figure 5), the preferred mode of education and training is self-learning. For other methods, external providers (education and training organizations outside the company, equipment manufacturers, etc.) are more preferred than training provided by the companies they work for.

As for the details of external organizations described in the figure, there are much needs for education and training provided by public-interest corporations, followed by private education and training organizations and public vocational training organizations. This group of external providers are further followed by equipment manufacturers and employers' associations and finally by schools (vocational schools and universities) in the order of preference. The above observations indicate that needs of individuals for training courses provided by private companies (private education and training organizations, equipment manufacturers, etc.) is only a part of the whole, and that there are as much or more needs for training courses provided by nonprofit organizations, including, in particular, private public-interest organizations (public-interest corporations and employers' associations) and public vocational training organizations. In relation to the type of employment, regular employees generally have greater needs for the training provided by external organizations. It should also be noted that non-regular employees and regular employees working in the field, in particular, have greater needs for the training courses provided by public vocational training organizations.

Figure 5. Structure of Training and Self-Development Needs by Education and Training Provider

(Ratio of "want to increase" and "want to increase slightly" in %)

Companies and group companies	27.9
External education and training organizations	35.7
Equipment manufacturers, etc.	30.7
Self-learning	52.2



[Preference on the use of external organizations]
(Ratio of "want to use" and "want to use to some extent" in %)

Equipment manufacturers, etc.	48.6
Private education and training organizations	53.6
Public-interest corporations	57.7
Employers' associations	49.1
Vocational schools	45.3
Universities, etc.	42.5
Public vocational training organizations	53.3

2-3. Evaluation of ability development behavior

(1) Evaluating human resource development measures in general

Our survey has focused on training and self-development. Before we evaluate training and self-development, we must examine how they are positioned in the general picture of human resource development measures. With respect to the rate of contribution made by each of the human resource development measures to ability development, employees say OJT contributed at the rate of 43.8 percent, self-development at 28.1 percent, and Off-JT (training) at 28.1 percent. Therefore, individuals highly rate past contribution made by training and self-development activities to ability development, saying these make up about 60 percent of the all contribution made. This indicates that training and self-development activities play an important role in ability development. Of Off-JT (training) activities, in-house training (14.7 percent) contributes almost as much as external training (13.4 percent), confirming the importance of external training. In terms of contribution categorized by type of employment, regular employees evaluate OJT's contribution at 40 percent, Off-JT's at 30 percent, and self-development at 30 percent, while non-regular employees evaluate the contribution of OJT, Off-JT, and self-development at 50 percent, 20 percent and 30 percent, respectively, indicating that non-regular employees do not have as many opportunities for training as regular employees.

(2) Comprehensive evaluation of training and self-development

Let us now see how individuals evaluate training and self-development courses that they have participated in. On the question of "To what extent have training and self-development helped in your current job?" as much as 79.6 percent of the answers are positive, indicating a very high rating overall. By type of employment, the most positive answers are from self-employed/freelance workers, followed by regular employees and then non-regular employees.

In relation to the method of training, the respondents give positive evaluation to voluntary study/exchange groups, in-house seminars and external seminars. The rating of voluntary study/exchange groups is particularly high. In comparison, correspondence course is not evaluated highly. Furthermore, as for the overall rating of training and self-development in relation to job characteristics, regular employees in service-related jobs generally give positive ratings, while regular employees in the field give negative ratings. Among self-employed/freelance workers, those in the service industry generally give positive ratings, whereas those in the finance, insurance, and real estate industries as well as those in the restaurant and hotel industries give negative ratings.

(3) What was training useful for?

Let us see how exactly the training is useful. Looking at the evaluation of the main courses the respondents received in the last three years, we find that all training courses are found generally useful for giving greater breadth to one's job and for deciding in which fields to specialize. In relation to the method of training, firstly, in-house seminars, external seminars and voluntary study groups are highly evaluated as helping in the selection of field of specialization, giving greater breadth to one's job, taking on jobs that entail greater responsibility, and otherwise contributing to sophistication of work, while correspondence courses are rated lowly for these purposes. Secondly, in relation to considering future careers, training courses provided by external organizations rather than in-house seminars are highly evaluated. This is particularly the case regarding correspondence courses. Thirdly, in relation to networking, which is one of the important aspects of participating in a training course, voluntary study groups and exchange sessions play an important role.

2-4. Considering policy issues

(1) Recognizing the importance of the education and training service market

The ability development behavior of individuals that was clarified in this survey once again points to the need of reorganizing the education and training service market.

Based on the findings on the use of the education and training services distributed outside one's own companies, it is evident that reorganization of the education and

training service market is important. Furthermore, findings of the survey indicate that the education and training service market plays an important role in ability development, more than what is perceived by common knowledge that highly evaluated in-house ability development which is OJT-centered. In particular, for non-employed workers, such as self-employed/freelance workers who, unlike employees, have difficulties relying on companies' in-house ability development programs, the education and training service market presents significant opportunities. Reinforcement of the education and training service market is an important policy issue.

(2) Reorganizing the environment for desired ability development

The question, then, is what needs to be improved to strengthen the market's functions. For this purpose, we need to examine individuals' "current" ability development behavior and find out whether their behavior is sufficient from the viewpoint of the resources (time and money) invested in ability development.

Individuals only spend about 30 percent of their resources (time and money) available for investment (budget), and it is natural to assume that this low level of budget spending is conditioned by some constraints. While the background needs to be analyzed in detail, one of the main reasons is the difference in the discretion people have over their working hours. Regular employees essentially have limited discretion over their working time compared with self-employed/freelance workers, and, in addition, they very often have to accept unscheduled overtime. This makes it difficult for regular employees to predict their working hours and limits their discretion over their working hours. This inhibits effective use of their resources for their ability development.

This thinking is backed by the fact that self-employed/freelance workers give more positive ratings on their "current" activities for ability development than regular employees. The difference in the evaluation is probably caused by difference in the discretion they have over the distribution of their resources for their ability development. Consequently, for the effective ability development of employees and in particular regular employees, improvements must be made in the management of their working hours to enable them to use their own resources effectively at their own discretion. In this regard, the government can play an important role in promoting this change.

(3) Addressing disparity in ability development

If we look at the present situation of the "current" ability development behavior from the perspective of resources (time and money) invested in ability development, disparity is observed among workers.

As for type of employees, non-regular employees have more resources than regular employees in terms of the ratio to annual income, budget and money spent. Non-regular employees are engaged in their ability development as actively as regular employees, but observations reveal that they need to rely on their own resources.

Self-employed/freelance workers are engaged in their ability development more actively than employees but must also use their own resources to do so. Consequently, non-regular employees and self-employed/freelance workers rely heavily on employers' associations, schools and other public organizations, and public vocational training organizations that offer education and training services at low cost.

Disparity of ability development also exists among regular employees. Although regular employees working in the field are expected to play an important role in reinforcing the so-called a company's competitiveness in the field, which is one of the current issues that have surfaced, they are not active in their ability development activities. To reinforce the ability development system for these people, an important policy issue will be to enhance the education and training services provided by public training organizations.

(4) Division of work by education and training providers

Lastly, we describe a remaining issue for reorganizing the education and training service market. This is related to the reinforcement and promotion of public organizations' functions for providing education and training. In the past, one of the questions about education and training was whether the education and training services would be provided by private or public education and training providers. But today there are other public-interest organizations, which are found somewhere between public and private, that are playing an important role in the education and training service market. This has been repeatedly revealed in the survey. Public organizations include schools and a wide range of other entities such as public-interest corporations and employers' associations, which are particularly important. Having public characteristics, these organizations provide education and training services at low cost and at the same time they have advantages as education and training providers as shown below.

In-house education of companies is the most effective in providing the education and training service that is directly related to needs of each company. On the other hand, to

meet the common needs covering the area beyond corporate or industrial boundaries, private education and training organizations, schools and public vocational training organizations are more effective. To fulfill the intermediate needs that are common within a certain industry or job types, meanwhile, public organizations such as public-interest corporations and employers' associations hold an advantageous position as education and training providers, because they are organized for each specialized job type or industry.

Based on the above observation, active utilization of public organizations should be considered when reviewing the division of work between the public and private sectors on education and training. Public organizations should become more specialized as the ability development organizations and reinforce their functions. The government should give priority to policies to support them in such efforts. This is an important viewpoint in strengthening the education and training service market.

The policy issues discussed above are based on the results of interim analysis of the survey. In this project, we plan to further conduct analyses in more detail. Based on the results of such analyses, we will present more concrete policy challenges and proposals on the future directions.

Composition of the Report

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Attached document

Questionnaire (for regular employees)

Questionnaire (for part-time workers)

Questionnaire (for self-employed/freelance workers)