

# *Japan* Labor Review

Volume 1, Number 3, Summer 2004

## Special Edition

### Changing Employment System and Its Implications for Human Resource Development

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The Autumn 2004 issue of the *Review* will be a special edition devoted to **Legal and Policy Issues Concerning Labor Market**.

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## INTRODUCTION

### Changing Employment System and Implications for Human Resource Development

Many white-collar employees in Japanese corporations have seen their lives undergo drastic changes in the 15 years since the bursting of the so-called “bubble economy.” During this period, many of the treasured principles of white-collar HRM practices have either been modified or replaced. Most notably, long-term employment protection in and regular advancement through the firm the worker entered when young is now the reserve of a privileged few. Many workers are told in the middle of their careers that they are being released from their current job. Others are unemployed because they opted for voluntary retirement schemes, a practice many employers use to shed labor. There are also a large number of workers who have lost their jobs as a result of corporate bankruptcy.

Thus, in addition to the structural changes in the labor market and government policies (described in the previous issue of the *Review*), measures that employers have taken in reaction to economic difficulties have introduced instability into white-collar workers’ careers. Consequently, white-collar workers are facing new challenges in their career development. Similarly, such instability has also created new concerns for Japanese policymakers charged with the task of regulating (and deregulating) the industry that serves as a labor market intermediary and assists displaced workers in searching for new work.

The first of the three articles in this issue, by Professor Tetsu Sano of Hosei University, deals with the current situation and future prospects of the so-called “human resource business.” According to Sano, a huge private business sector is emerging that encompasses reemployment assistance services for workers, services providing job advertisements and information, fee charging job placement businesses and worker dispatching services. The first three of these services may be classified as labor market intermediary businesses and their growth has been the result of changes in employment practices in Japan. Sano, however, argues that the future these businesses face is not very bright due to factors such as the proliferation in direct employer-job applicant contact through the Internet, costs associated with inevitable worker-job mismatching, entry of too many competitors (i.e., too much deregulation), and an unclear division of labor between the private sector and public job placement agencies.

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The second article by Professor Hiroyuki Fujimura, also of Hosei, deals with another aspect of career instability, namely the gradual shift of responsibility for career development from the employer to employee. In the age of long-term employment protection and internal career development, workers more or less accepted the direction given by their companies when it came to the development of their career. In this new era, it has often been argued that workers must take responsibility for the development of their careers and acquire skills that are transferable across employers, i.e. they must gain “employability.”

The findings in the Fujimura article, however, indicate that workers have been slow to adapt this new method and few have concrete plans for developing their career. All they seem to believe is that receiving training outside their company may help protect them against restructuring. Yet, companies do not allow employees to take long-term leave to develop marketable skills. All in all, Fujimura’s article shows that both employers and employees are in transition.

The final article in this issue, by Tomoaki Kobayashi, a practicing career counselor, deals with an even more micro yet important transition task faced by displaced workers. Kobayashi argues that when Japanese white-collar workers lose jobs that more or less made up their entire life, the psychological adjustment required to even apply for a new job is enormous and that career counseling should begin with assistance in self-understanding. The second stage involves clarifying what kind of job these people want (in terms of their values and interests), and the third stage is actual assistance in applying for a job. Kobayashi outlines actual cases where displaced worker, because of the way their careers had been “protected” by former employers, found it quite difficult to even begin the first stage.

Taken together, the three articles in this issue show that the tremors of corporate effort to introduce more flexibility into the employment practices for their white-collar workers are still continuing.

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**Professor, Hitotsubashi University**

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# The Role, Scale and Responsibilities of the Human Resource Industry

*Tetsu Sano*

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## 1. Job-searching and the ‘Human Resource Industry’

How does a typical Japanese businessperson react when his/her company declares bankruptcy, or when one is the recipient of labor shedding resulting from restructuring measures undertaken by the company? What does a worker do when he/she gives up a job he/she has become tired of? Whatever the situation, it is necessary to find a new job to earn a living.

If the person is well-known or notably competent in a certain field, he/she will be head-hunted and offered a job soon after leaving their old one, without slipping into the unemployment pool. In other cases, the previous employer makes arrangements to help their former employees find work, or family, relatives and friends help the person find new employment. If the worker is about to reach mandatory retirement age, the company may allow him/her to stay on if the firm is doing well. This may take the form of being dispatched on loan to a different company where, thanks to the extra wages paid by the latter, one can enjoy their remaining working life before retirement without worrying about a big drop in wages.

People fortunate enough to successfully switch jobs without becoming unemployed do not make use of services provided by so-called “human resource industry” or public agencies. In fact, according to the *Survey on Employment Trends* published by the Ministry of Health, Labour and Welfare, a surprisingly large number of people made the transition to different jobs in the manner described above, accounting for about 30 percent of hiring overall. However, this article will concentrate on those who fall outside this category and must rely on services, either private or public, in their search for re-employment. To explain the services provided by “human resource industry” and other relevant organizations involved in the various stages of job searching, the following section takes up the case of a businessperson who has been restructured and is looking for a new job.

### **1.1 Re-employment Services**

In recent years, an increasing number of firms — in particular, large ones — provide outplacement services (services assisting in re-employment) for their employees who are subject to labor shedding measures. Career advisors or consultants from a company providing advice or consultation concerning re-employment visit the firm and provide the workers in question with information on how to go about seeking re-employment, together with detailed advice on how to review their career to date. Although some outplacement services actively help the person find new jobs, quite a few simply provide the applicant with a desk to sit at (i.e., a place to go after being let go), and only provide guidance on how to write a curriculum vitae and prepare other documents, leaving the most important stage of the re-employment process — actually looking for a job — to the worker. In these cases, assistance is only provided for job searching activities, and does not include the actual offer of a new job. It is much more difficult to take the next steps, particularly for middle-aged and elderly job seekers.

### **1.2 Employment Insurance and Public Job Placement Services**

The first thing an unemployed worker can do to protect his/her livelihood is to apply for unemployment benefits. Most workers, excluding the self-employed and some others, pay into the employment insurance scheme, and thus are eligible to receive unemployment benefits after visiting Public Employment Security Offices (PESOs). To receive unemployment benefits, one must register as a job seeker, since only those who want to work can receive benefits. Having secured funds to cover immediate living expenses, the person embarks actively on job-searching activities.

Next, the job seeker must face another reality. If he/she can find an advertisement announcing a job that matches his/her preference, things are going well (much better if the person is actually offered the job). But under recession conditions, this rarely occurs. Usually PESOs are inundated with unemployed workers seeking benefits, so most of the time and energy of the PESOs workers are, inevitably, devoted to job seekers. In a tight labor market, PESOs are filled with firms looking for workers, whereas when

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the market is slack, it is job seekers that overwhelm the offices. PESOs managers understand that they need job vacancies in hand; they cannot ignore a crowd of jobless people. But, the recent series of administrative reforms makes it difficult to increase the number of workers in these offices, which in turn has led to a certain laxity in gathering job vacancy information.

If appropriate job vacancies are not available at PESOs, job seekers need to investigate different sources, since they are not likely to get a job offer if they do not apply to many companies.

### **1.3 Services Providing Job Advertisements and Information**

This subhead immediately calls to mind classified advertisements that appear in newspapers. It is common for a worker who is still employed and who cannot receive unemployment benefits to use newspaper classified advertisements first.

The Sunday editions of major newspapers carry many advertisements. A person can browse job ads, ascertain wage levels in the job category he/she is interested in, and compare the various working conditions of different companies. If there is a job which meets his/her preference, that person can contact the firm via telephone or other means. After sending a curriculum vitae and fulfilling other procedures, it is possible to be called in for an interview. In addition to newspapers, newspaper inserts and job information magazines are also useful. These publications are divided by industry or job type, and are important tools in learning what jobs are available in one's field. These must be checked consistently over the medium and long term. In recent years, many corporations are using the Internet to publicize their job openings. Using Internet search engines, one can freely access websites specializing in job advertisements, or search an individual company's website for recruitment information. The job seeker can pick and choose a number of companies which offer posts matching his/her preference, apply for them, and make appointments for interviews.

To some extent it is possible to look for work without ever leaving one's house. However, with the economy in a prolonged recession, which increases the number of unemployed people, such a job-searching strategy is unlikely to lead to successful appointments. Even if one finds an

appropriate job listing in the paper or on a website, in many cases the vacancy has already been filled, or the applicant is turned down during the documentary screening stage, and the potential applicant doesn't even have an opportunity to set up an interview. Under the current recession, a massive number of applications are flooding personnel management departments or other related departments of companies looking for new workers, though the responsible departments are themselves suffering labor shortages. It takes considerable time and effort to carefully examine the steady stream of CVs.

#### **1.4 Private Job Placement Businesses (Fee-charging)**

There are private fee-charging job placement companies (recruiting companies) that meet the needs of both job seekers and firms looking for new workers. Private job placement businesses are different from PESOs, and actively collect job information which is missing from or insufficient in the latter's offices. If job seeking workers visit the offices of such private firms that have consultants, register themselves on their list of job seekers, and receive their counseling services, they stand an extremely good chance of contacting possible future employers and obtaining interviews. For the companies recruiting new workers, considerable time and energy will be saved, since the consultants of the private job placement companies screen and make a list of potential candidates from a tremendous number of applicants. The successful matching rate becomes higher, in that placement agencies understand in advance the situation of both the companies looking for workers and the job-seeking workers. In addition, correct counseling often influences both the employers' and job seekers' opinions, resulting in a large number of unexpected successful matchings. This helps to fight against a tendency on the part of both the company and unemployed worker to unconsciously narrow the range of choice through bias and illusion, and thereby overlook unexpected sources of personnel (on the employer's end), and possible new fields or new work styles (on the employee's end).

As mentioned above, PESOs tend to place priority on handling job seekers, and spend less time on individual counseling due to the large number of people seeking their services. On the other hand, similar

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services in the private section rely on successful matches because this is where their money comes from. Therefore, counselors try particularly hard to find the right person for the right job. Consequently, the private sector is superior to the public sector in terms of organizing information about firms wanting new workers, a fact that job seekers should take full advantage of.

### **1.5 Manpower Supply Businesses (Worker Dispatching Businesses)**

Worker dispatching (manpower supply) businesses also provide similar services. The purpose of these businesses is the same as that of the job placement businesses in that they explore the labor market and register companies looking for workers, as well as job seekers, and aim at matching labor supply with demand. The difference is that, after matching, manpower supply companies hire the worker themselves and dispatch the worker to the firm which wish to use him/her.

However, since there are limits to the period that one can be dispatching for some categories (such as production lines in the manufacturing sector and sales operations), job seekers cannot expect stable employment in those sectors. In addition, even though recent deregulation measures have, in principle, increased the types of jobs at dispatched worker can take, an overwhelming majority of dispatching companies still deal mainly with clerical-type jobs involving knowledge of OA equipment and software engineering positions. This is because the current worker dispatching business has its roots in the contracting of workers who handled OA equipment and undertook other clerical jobs. Therefore, the working conditions that exist in the clerical and software fields affect to a certain extent the conditions of other types of work (e.g., the average wages of newly dispatched workers converge at the level of the largest group of workers, clerical workers). This suggests that dispatching will not become common among workers do not fall in this type of job category, in particular, middle-aged and elderly workers at the managerial level.

Nevertheless, the worker dispatching system provides a good opportunity for workers looking for jobs that correspond to their field. In addition, it is a perfect system for those who wish to minimize the period when they are unemployed and who want to begin working as soon as possible, rather than undergoing regular job hunting, which may lead to a

prolonged period of unemployment and a deterioration of their skills.

### **1.6 Vocational Training Programs in the Public and Private Sectors**

If, after using the services mentioned above, a worker still finds him/herself unemployed, they will need to improve their market value. Concrete solutions include acquiring new skills for new vocations via vocational training programs.

The government, municipal bodies and other entities in the public sector offer a wide range of training programs, most of which are free. At the same time, schools and private firms offer, on a commercial basis, professional training courses aimed at, for example, those wishing to obtain certifications. In recent years, moreover, universities have opened their graduate courses to “mature students,” or established institutions specializing in re-employment assistance. These services, of course, are available both to those seeking work, as well as to those currently employed who wish to prepare for an uncertain future.

## **2. Market Size and Profit Structure of the Human Resource Industry**

Among the businesses considered above, the employment insurance and public job placement services are public services. Similarly, a majority of the vocational training programs are conducted by the government and local public bodies, or carried out in the framework of the job allocation services of schools; relatively few private companies engage in this field. Thus, among the services mentioned above, there are four areas in which private firms engage: services assisting in re-employment; services providing job advertisements and information; fee-charging job placement businesses; and worker dispatching businesses.

Until 1999 the government regulated private-sector human resource businesses. Establishing the Employment Security Law in accordance with International Labour Organization conventions, the government imposed restrictions on private businesses, and constructed a nationwide network of PESOs. However, with the number of unemployed increasing due to the prolonged recession, and the government’s worsening financial situation

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resulting from a drop in tax revenue, the administration was gradually impelled to push for reforms, and things have begun to change. People started to voice concern that PESOs were not sufficient to cope with the increasing number of unemployed workers, and called for utilization of the private sector. To deal with this, the government in 1999 made substantial revisions of relevant laws (the Employment Security Law and the Worker Dispatching Law), deregulating the entry of private firms into the personnel business, which had in principle been restricted.

The deregulating measures aroused great expectations that private firms would become active in the personnel business. The amount of attention paid to businesses related to human resources, a new industry in Japan, is undoubtedly related to the implementation of such deregulation measures.

Next we should take a look at the size of the human resource business market. Data concerning sales in each human resource company are available in official publications released by the Ministry of Health, Labour and Welfare which systematically checks the data; surveys and estimates conducted by industry organizations, and other sources. The following table provides a breakdown of sales for the industry as a whole, and for the type of service.

As shown in the table, the current worth of the “human resource industry” comes to approximately ¥2.3575 trillion. Of the major categories, the worker dispatching business is outstanding in market size, but this is attributable to the fact that its sales include wages paid to dispatched workers. Since the profit structures vary among the different services, it is difficult to evaluate their actual size. In this sense, too, it is necessary to take into account the different outlooks of the services, and systematically review the information.

Table 1. Market Size of the Human Resource Industry\*

All figures are approximate

Type of service	Market size	Major business fields
Classified advertisements	¥576 billion	①Job information magazines (¥360 billion) ②Newspaper insertss (¥150 billion) ③Classified ads in newspapers and magazines (¥36.5 billion)
Job placement	¥109.5 billion	①Placement service (¥50.5 billion) ②Short-term placement service (¥37 billion) ③Outplacement (¥22 billion)
Worker dispatching	¥1.6720 trillion	①Registration-type (¥1.2847 trillion) ②Special-type (¥387 billion)
Total	¥2.3575 trillion	

\* Based on Table 2-2 in “Proposals for Vitalizing the Service Industry Involved in the Labor Market” (March 2002) by a study group devoted to that purpose.

## 2.1 Classified Advertisements

The size of the classified advertisement market, approximately ¥576 billion, represents the sum of the results of surveys and estimates concerning industry associations and other organizations involved in the human resource business. The table shows that job advertisement magazines account for some 60 percent, approximately ¥360 billion (FY 2000), of the job advertisement market as a whole, followed by newspaper inserts, 25 percent or approximately ¥150 billion (the results of estimates concerning industry associations and other organizations). On the other hand, according to data released by Dentsu Inc. (“Advertising Cost in Japan in Fiscal 2000,” Dentsu Inc.), “classified advertisements in newspapers and magazines,” stood at approximately ¥36.5 billion (newspaper advertisements totalled some ¥35.5 billion, and magazine ads some ¥1 billion), accounting for less than 10 percent of the market as a whole.

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Despite these figures, it is actually extremely difficult to compute market size by adding together the revenues of companies in the job advertisement business.

One example concerns small and medium-sized printing companies that are engaged in printing inserts for newspapers. They seldom post this revenue — received as part of their “job advertisement business” — separately. On the other hand, where job advertisements in newspapers are concerned, it is quite common for outsourcing companies (service agencies) to be responsible for the entire process, from the collection of information, guidance (confirmation of supply and demand in the labor market, adjustment of supply and demand), to page design. Hence, a difficulty arises in gauging the sales accumulated by newspaper companies for job advertisements, much less sales which exclude outsourcing expenses. (For example, when a newspaper company entrusts the publishing of an advertisement to an agency there is the possibility of that income being counted twice: as sales for the section responsible, and as sales at the advertising agency.) On the other hand, job-advertising businesses on the Internet are still very new, and it is difficult also for companies to construct a billing system, making it impossible not only to monitor their sales, but to clarify the profit structure.

Thanks to surveys and estimates by industry associations and other organizations, a great deal of data concerning the job advertisement market is available. But it is still necessary to analyze and understand the structure of the industry.

## **2.2 Job Placement Services**

Table 1 shows that the market size of job placement services is approximately ¥109.5 billion. Looking at a breakdown, revenue for “placement services,” in which the agents arrange the recruitment of engineers, workers at the managerial level, and other types of white-collar workers, stood at approximately ¥50.5 billion, while “short-term placement service,” sales totalled about ¥37 billion. Short-term placement services refer to an arrangement whereby agents arrange the recruitment of workers who wish to have short-term, periodic jobs such as catering; sales at supermarkets and other retail shops; and housekeeping (also referred to as

“maids,” however, live-in housekeepers are not common in Japan). The figures are the actual values for FY2000 reported by business establishments to the responsible PESOs authorized by the government. On the other hand, the market size of the service assisting re-employment (outplacement service) was approximately ¥22 billion, according to an estimate for FY2000 made by industry organizations.

Although the figures for job placement service sales are somewhat low, the total profit margin is high, most of it being the gross margin (gross profit on sales) as costs for printing and book-binding in the classified advertisement service, or for wages to dispatched workers in the worker dispatching service, do not occur in this field. According to data concerning placement service agencies, a large proportion, about 60 percent (ratio of labor costs to sales), of sales is spent on personnel expenses. The other major expenses for these agencies include the cost of advertising for job seekers (about 15%), rental expenses (about 10%), and so on.

The profit structure of job placement services is slightly different depending on the service. There are three types of job placement services: (1) business establishments which search for personnel when requested to do so by a company looking for new workers (searching-type placement); (2) business establishments which collect a wide range of registered job seekers and job vacancies, and match both sides (registration-type placement); and (3) businesses which offer training to assist in job switching when requested to do so by job seekers, and then explore vacant posts to find jobs for the job seekers (outplacement-type placement). Most placement services and short-term placement services are of the registration-type. These firms utilize computer systems and therefore their ratio of labor costs to sales is low, which means their placement charges are also inexpensive. In the registration-type, the general “outplacement service” agencies deal largely with businesspeople at large companies, who do not frequently switch jobs. (That is, a Japanese employment practice still exists in that there are few who change their jobs dozens of times during their working lives. In other words, there are not many opportunities to reap payment from job switching individuals.) On the other hand, the “short-term placement service” agencies have more

frequent opportunities to receive payment because they make workers available each time labor demand arises (such as caterers for a party or a ceremony at a hotel). Since the number of requests for each worker is large (the same worker can be requested many times within a year), and the number of workers used at one time is also large, the placement charges are lower than those commonly demanded by general placement services. On the other hand, most search-type placement services are concerned with white-collar workers with high incomes. Since the service involves counseling at the request of the firm and is customized for individual cases, the ratio of labor costs to sales is inevitably high and placement charges accordingly are also somewhat high.

The search-type and registration-type service agencies, as they stand, receive payment from companies which hire workers introduced to them by the agency (most of the agencies charge the companies after a successful recruitment). On the other hand, the clients of outplacement-type agencies usually are companies which are shedding their workforce. The outplacement company is hired to find workers who have been restructured new employment. Thus service agencies in this category charge the client companies a fee for conducting re-employment assistance training programs for each worker who needs to find a job. In this business, the service directly involving job placement activities occurs after the training programs (i.e., contingent services). In many cases, because most of the job seeking workers are middle-aged and elderly and the labor market for such workers is tight, the agencies offer job placement services “in practice, free of charge.” In other words, while the outplacement-type businesses formally belong among job placement businesses, their sales profits rely substantially on the fees they receive for providing training courses. (In practice, this is identical to the “re-employment services” mentioned in Section 1-1.)

### **2.3 Worker Dispatching**

Worker dispatching businesses consist of two types: (1) the registration-type (temporary worker-type) whereby agencies, upon request, send out workers who wish to be dispatched and who are registered at the agency; and (2) the special-type (contract worker-type) whereby agencies dispatch

workers hired by the dispatching company to other companies. The former is quite common, particularly for office work ranging from clerical jobs to sales. The latter is frequently found in software development, cleaning and garbage collecting for particular clients, and other fields. Each business establishment engaged in dispatching workers markets itself to increase the number of host companies, encourages job seekers to register with them, trains the worker, and then directly hires them out. Trained workers are sent to host companies who pay fees based on hourly wages. In the case of the registration-type worker dispatching company, labor costs are not fixed because workers are employed only when they are dispatched, but the special-type of company maintains workers as regular employees, so their labor costs are fixed, essentially requiring their business to be stable.

As shown in Table 1, the registration type was overwhelmingly dominant in market size in FY2000, reaching approximately ¥1.2850 trillion, whereas that of the special type was not very large, about ¥387 billion.

The market size of the worker dispatching business is enormous compared to that of classified advertisements and job placement. This is attributable to the fact that the wages for dispatched workers and part of the social insurance premiums borne by the business establishments are included in the sales amount, as stated earlier. According to a survey conducted in January 2001, about 80 percent of the registration-type agencies picked up the labor costs for dispatched workers and part of the social insurance premiums, while that figure stood at some 75 percent for special-type agencies. The operating profit of the worker dispatching business is derived from sales minus these labor costs and premium payments for the dispatched worker together with the labor costs for administrators, sales staff and other company personnel, advertising costs, rental expenses, and so on.

### **3. Tasks Facing Management in the Human Resource Industry**

The human resource industry has been subjected to governmental deregulation measures that have freed it from various restrictions. And the

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market is expected to expand further, in part due to the trend towards flexibility and mobility in the employment market caused by the persistent economic recession. Looking at recent trends in time-series data concerning the worker dispatching business, it seems that deregulation has contributed to market expansion. The worker dispatching business market (total sales of the entire branches) moved consistently upward for three years in the latter half of the 1990s: ¥1.1827 trillion in 1996, ¥1.3335 trillion in 1997, ¥1.5706 trillion in 1998, but shrank to ¥1.4605 trillion in 1999. However, the revised Worker Dispatching Law came into effect in December 1999, opening the industry to deregulation and resulting in a conspicuous expansion of the market in 2000, to ¥1.6717 trillion, exceeding not just the previous year's figure but also that marked in 1998.

The question is whether the human resource industry will continue to expand in the future, as the worker dispatching business has.

The answer is somewhat negative, in that this industry harbors structural problems, as well as possibly brilliant prospects. Its future is not as secure; rather it will be fairly rocky. The next sections of this article deal with a number of key factors involved in any solution to the problems: the Internet, mismatching, excessive competition, and the mutually complementary relationship between the public and private sectors.

### **3.1 Diffusion of the Internet**

The Internet is fairly widespread in modern society. Nowadays, it is common for university students who are about to graduate to use the Net to gather employment information and register with the different company websites. Recruiting companies, in the same fashion, screen students who are applicants and choose those who will have final interviews. By now, the Net is the main tool that firms use to directly recruit job seekers. A free website called "*Shigoto Joho Net* (Job Information Net)," which incorporates job information gathered by the public and private sectors, was opened at the initiative of the government. As websites like this become more available and serve as an information infrastructure, people looking for jobs will be able to search for and examine job information at home without purchasing a newspaper or job advertising magazine, and without visiting PESOs or a private job placement agency.

Objectively this means that it will be difficult for the classified advertisement business to expand. At the same time, some free websites — because they are free — contain unreliable and/or badly organized information, and naturally the contents can not be guaranteed. In this sense, pay sites containing classified advertisements should do everything to ensure the reliability of the information they carry (for example, by reinforcing and expanding the relevant sections). In short, companies which simply collect job information and release it will not last long. It is the companies that know how to confirm the information they receive and have the ability to bear the costs that will survive in the industry.

Moreover, the proliferation of the Net also affects the job placement business. Direct communication through free websites and e-mail between recruiting companies and job seekers will undermine the *raison d'être* of job placement agencies, which have hitherto stood between the two parties. However, several agencies withhold contact and other personal information on both job seekers and recruiting companies, and users cannot specify people or companies, and thus are required to visit the agencies to establish contact. Undoubtedly, requests to visit an agency will ensure opportunities for face-to-face counseling, but this process also obliges those who do not need counseling services and who simply want direct contact with a company to make a trip to the agency. This will create unnecessary steps in the dispatching process. However, some job placement agencies have begun to disclose the name and contact information of registered companies that are looking for new workers. To that extent, the influence of users is becoming stronger, and it is likely that agencies that withhold specific information will find it more difficult to do so in the future. The disclosure of information concerning job vacancies on the Net will inevitably lead to free classified advertisements in the job placement business. Assuming that this actually happens, it will undoubtedly be difficult for job placement agencies to maintain their current sales and company size.

### **3.2 Structured Mismatching**

The mismatching between labor supply and demand is structured. Although there are plenty of job seekers and job vacancies, mismatching of

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age, job type, location and other factors are increasing, leading to fewer employment agreements. Recruiting firms post job advertisements for “high-grade specialists” because they want workers who can contribute immediately. But as the economic downturn continues and employment mobility spreads, some firms keep applicants waiting because they know that the longer they wait, the chances that they can hire a more qualified person increases. At the same time, the labor market has a plethora of middle-aged and elderly workers who have lost their jobs as a result of restructuring.

The human resource business has primarily been considered an effective solution to mismatching. But since it is a commercial business, once mismatching has been structured, coordinating labor supply and demand will face increased costs. For example, even if many job seekers and companies with vacancies have registered with a job placement agency that offers consulting and counseling (advice and guidance) services, if the agency only receives its fee when recruitment activities have succeeded, failures due to mismatching yield no profit at all, and the agency may end up with unrecoverable costs accrued in the process of registration, counseling, and other business activities. As in other businesses, large inventories, in this case registered job seekers and job vacancies, only lead to profits if the items are sold (in this case, a successful employment agreement). Even if a worker dispatching agency has in its registered pool “highly recommended” workers, it has to promise a high wage when the person is employed, which eventually increases labor costs for the agency.

The efforts to reduce labor costs for consultants by replacing them with a computerized mediation system, or to increase sales by handling a massive amount of placement and dispatching will inadvertently result in the “hollowing-out” of accumulated knowledge about matching functions, with the end result being a faulty mechanism to adjust labor supply and demand. In other words, an increase in costs leads to poorer quality services, and subsequently the service no longer acts as a mechanism to alleviate mismatching.

On the other hand, the profit structure of the classified advertisement business is not vulnerable to structured mismatching, in that agencies in this business receive earnings when they agree to publish a job opening

advertisement. Nevertheless, as long as the mismatching between labor demand and supply prevails among the clients (companies looking for new workers), sooner or later they may begin to search for other avenues or they may put their recruitment information on their own websites. Job seekers who apply for jobs through classified advertisements may not get the job because they are not qualified (they may not even reach the interview stage). This will weaken the impulse to purchase job advertisement magazines. In fact, classified advertisements are beginning to lose the loyalty of middle-aged and elderly workers who are tired of unsuccessful interviews, and of young workers who lack confidence in their communication skills, which are required for interviews. In this situation, classified advertisement agencies are adding services that focus on the adjustment of labor supply and demand, and are embarking on job placement and worker dispatching businesses.

### **3.3 Intensified Competition**

Deregulation has resulted in a sharp increase in the number of new companies in the human resource industry. The increase is particularly conspicuous among companies offering services touching on labor supply and demand adjustment, such as job placement and worker dispatching services. The 1999 revision of the Employment Security Law did away with most of the restrictions regarding which businesses were eligible to charge fees for job placement services. The 1999 revision of the Worker Dispatching Law allowed for dispatched workers to become regular or contract employees in their host companies after completion of the dispatch period. Both of these revisions have resulted in an expansion of job placement businesses (either as new entries in the job placement business or companies already in the field expanding their business operations) among worker dispatching agencies. The number of authorized business establishments involved in charging fees for job placement has been increasing, from 3,375 in 1997 (an increase of 5.9% over the previous year); 3,498 in 1998 (an increase of 3.6%); and 3,727 in 1999 (an increase of 6.5%). That the figure jumped 25.4 percent in 2000, to 4,675. A similar upward trend can be observed in the number of authorized establishments involved in the worker dispatching business: the number of establishments

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engaged in general registration-type dispatching in FY2000, the year after revision of the Worker Dispatching Law, increased by 20 percent over the previous fiscal year, to 4,023.

A sharp increase in the number of new participants is likely to intensify competition, including the practice of dumping. According to a survey in December 2000 researching the situation affecting private job placement agencies, placement fees dropped substantially after 1997 as deregulation occurred, and the range of annual average sales per consultant began to shift downwards, to below ¥10 million. As stated earlier, this is partly, in fact to a large extent, due to the impact of outplacement-type placement services which introduce participants in their training courses to employers almost free of charge. If a free placement service is available, the job placement agencies will acquiesce to demands from their clients (companies looking for new workers) to lower their prices even though the workers the agency can offer are of high quality. In the same fashion, in the worker dispatching market, an increase in the number of newly participating agencies intensifies competition, strengthening the demand to reduce contract prices from companies which use their services. Needless to say, a fall in the unit price of a dispatch has a negative impact on the wage levels of dispatched workers.

What is more, persistent economic recessions accelerate excessive competition. As the slump continues, and as more regular employees are replaced with dispatched workers, liquidity of labor cost increases in companies. However, all the firms that are flocking to worker dispatching agencies are not necessarily “good clients” because firms with poorer business performances that requested a large number of dispatched workers may be more likely to fall behind in their payments. In other words, as the number of clients increases, agencies had to tighten their credit control to avoid amassing bad loans. This also increases costs. In the job placement business, on the other hand, placement fees are generated when introduced workers succeed in finding employment, so the risk of bad loans is not as great as in the worker dispatching business, where the agencies dispatch workers first and collect the fees later. Even so, since the agencies usually charge their clients after they have received a dispatched worker, their sales fluctuate greatly over time.

### **3.4 The Obscure Complementary Relation Between the Public and Private Sectors**

As is well-known, the new ILO Convention adopted in 1997 (C181, Private Employment Agencies Convention) calls for mutual cooperation between private “human resource businesses” and PESOs including other relevant public bodies. The convention sets up the complementary system as an ideal whereby the public and private sectors can demonstrate their respective advantages in dealing with unemployment and the mismatch of labor demand and supply.

It’s possible that in the future the public sector could be responsible for example for caring for the vulnerable, granting subsidies to companies in rural areas and to industries whose labor market is small and therefore should not fall in the realm of the private sector; whereas the private sector could be responsible for launching businesses targeting workers with high incomes, and overseeing the labor market in big cities which could generate various advantages due to the scale of the economy. However, although it is easy to envisage this, it is extremely difficult to discuss and sort out in concrete terms how the two sectors are to be separated. Similarly, is not desirable for the private sector to have both free services (PESOs, etc.) and fee-charging businesses (private services) coexist within the same market. In terms of the number of authorized business establishments involved in the job placement and worker dispatching business, a disproportionately large number of private “human resource businesses” are found in Tokyo, Osaka and other big cities. At the same time, PESOs in large cities are particularly inundated with job seekers, and consequently those offices in urban areas are better staffed. If the government reduces the workforce of public institutions in large cities on the ground that they are filled with private businesses (which can substitute for public offices), it would imply that the government was ignoring the needs of the people who flock to such public offices. One tends to assume that vulnerable workers and disadvantaged rural labor markets should be taken care of by the public sector, but judging from cases in the U.K., Australia, and other countries, it is in these spheres that the government can entrust such services to private firms, and save the expense. This

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vision should also be of significance in relation to administrative and financial reforms.

Even if there is agreement that, in the future, operations located in large cities with highly paid workers should be overseen by private companies, and those involving vulnerable workers and rural areas will become the responsibility of public entities, the problem of which body should be responsible for the sizable groups and areas between the two poles still remains. Even if an infrastructure on the Internet is created for the exchange of information for both job seekers and companies searching for employees, and even if an efficient computer matching program is developed, in the current labor market, where mismatching of labor supply and demand is institutionally deeply rooted, it is such groups and areas that need the counseling, advice and assistance the most. Serious doubt exists as to whether the the principle of self-responsibility will effectively contribute to the future of the national economy.

It is obvious that there is an understanding that in the future the public and private sectors will be completely separated, and a decision is made to effectively use the private sector for services related to the labor market. However, there is not enough detailed data concerning the actual state of both public and private services (including the degree of user satisfaction, costs, and the measurement of relationship between cost and effect) to permit the consideration and establishment of a clear line of responsibility between the private and public sectors.

# Managing the Development of One's Own Vocational Skills in Japanese Companies

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## 1. Introduction

The objective of this article is to explain why individual development of one's vocational skills has become so important in Japanese society, and to clarify how individuals try to enhance their ability to work.

During the high-growth period that spanned from the end of 1950s to the early 1990s, Japanese society placed great value on employment stability. It is widely known that in times of economic recession, the speed of employment adjustment in Japan was much slower than in the United States, and either the same or slower than in European countries. The collapse of the "bubble economy" and the prolonged deep recession that followed, however, forced even Japanese companies, which once cherished employment security to make significant cutbacks in their workforce. The growing awareness of the need for employees to develop their own vocational skills is somehow related to concern over employment stability.<sup>1</sup>

The ratio of regular employees to the entire workforce is dropping every year, declining from 76.8 percent in February 1997 to 69.5 percent in the October to December period of 2002.<sup>2</sup> Regular employees are defined as those with an indefinite employment contract. Thus, under Japan's labor laws, they are in little danger of being laid off, and in that sense their employment is stable. On the other hand, it is highly likely that employees with definite employment contracts will see their employment contracts terminated upon expiry of the contract period, so naturally their employment is unstable. In fact, according to the *Survey on Employment Trends*, 10.2 percent of those who responded noted that the reason for

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<sup>1</sup> According to a survey conducted by Works Institute of Recruit Co., Ltd. from August to October 2002 and released in 2003, 56.5 percent of all respondents were worried about keeping their jobs; the figure for regular employees was 55.4 percent for males and 46.8 percent for females. The institute received replies from 13,085 people.

<sup>2</sup> The 1997 figure is from the *Labor Force Survey Special Survey* (conducted in February 1997), and the figure for October to December 2002 is from the *Labor Force Survey*.

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leaving a job was expiry of their contract.

Employees with relatively stable employment could once safely assume that their vocational training would take place principally within the company which employed them. In most companies in Japan, it was the company that decided what work people were assigned to and when they would be assigned to this work. Employees would be internally transferred at the behest of the company, learning certain skills at each post. If they followed the company's request to move to another position, they were guaranteed employment until their mandatory retirement. Employees of large companies would often be seconded or transferred to subsidiaries or affiliated companies before they reached the retirement age of 60, but if the company group is viewed as a unit, it can be said that the employment security of these workers was practically guaranteed.

However, the recession afflicting the Japanese economy for the last decade has considerably weakened the employment security safeguards once offered by companies. The collapse of Hokkaido Takushoku Bank, the voluntary liquidation of Yamaichi Securities in 1997 and the effective dismantling of Snow Brand after a food poisoning scandal and subsidy fraud have fueled anxiety, with people questioning when their next large firm will fall into bankruptcy. When an employee's present company starts to look shaky, he/she must begin to look for another job. Even though an employee may have intended to extend his/her career in one company, his/her plans may suddenly become unrealizable. A worker needs to pay attention to his/her own vocational training on a daily basis to make sure that, if asked, they will be able to move to another company. I would assert that this strong awareness of the need for workers to manage their own vocational development was sparked by the tremendous changes in the Japanese economy.

## **2. Framework of Study — OJT, Off-JT and Employability**

### **2.1 How to Combine OJT and Off-JT**

In general, training begins at home. In a small society such as a family, one learns that there are rules that must be obeyed. School follows next, where one learns science and technology, social structure, history and

culture, as well as the ability to think, communication skills and how to place oneself as an individual within the group. When it is time to work, one obtains an education through on-the-job training (OJT). No one doubts the superiority of OJT as a form of developing skills. The ability to work is enhanced as one deals with daily changes and problems.<sup>3</sup>

However, one cannot assume that vocational development can only be obtained through OJT. To review one's work experience or to compete in a new line of work, off-the-job training (Off-JT) is more effective. The duration of Off-JT will depend on the objective, but if the goal is to review one's work experience, a period of between a few days to a week is more than adequate.<sup>4</sup> On the other hand, if the purpose is to obtain new knowledge or skills, a slightly longer period, including postgraduate study, is probably more effective. The question is whether it is possible to effectively combine OJT and Off-JT.

When considering OJT there are three points to keep in mind: whether it involves the same company, or a number of companies; whether the training is organized (whether the training follows a plan, to what extent superiors are involved, etc.); and personal motivation (whether the employee takes the initiative in developing his/her own career). Meanwhile, four points might be considered in an analysis of Off-JT: location (at his/her company or elsewhere); contents; awareness of goals, and duration.

## **2.2 Skills Applicable to Other Companies (Employability)**

The purpose of this article is to examine vocational training at a time when there is concern about the employment situation. What we are concerned about are skills that can be transferred to another company. Today, when long-term employment in one company cannot be guaranteed, it is inevitable that people will change jobs and companies.

Work skills that are applicable from one company to another have recently been termed "employability." The meaning of the word varies somewhat according to the user. Those who believe employability depends on the techniques and skills that a person possesses will propound the

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<sup>3</sup> For details, refer to Koike (1999): pp.25-29.

<sup>4</sup> The effectiveness of incorporating short-term Off-JT into OJT is described in Koike (1999): pp.43-46.

importance of gaining public certifications and undergoing vocational training. On the other hand, the Education Special Committee of the Japan Federation of Employers' Association has proposed that "employability" refer to both "skills that enable worker mobility" and "skills that are demonstrated in a company and that enable a worker to be employed on a continuous basis."<sup>5</sup> Both definitions stress that enhancing the value of human resources improves employability.

Matsumoto et al. (2001) have attempted to construct an employability checklist, establishing eight criteria under which there are nine or 10 categories for self-diagnosis. The criteria are: i) communication skills; ii) inter-personal skills; iii) organizing and running an organization; iv) cognitive ability/concept-making ability; v) self-learning ability; vi) mental toughness; vii) response to changes; and viii) self-sufficiency and self-enhancement. An employability rating is created by deciding where one fits on a scale of one to five. Such an attempt to arrive at one's employability is very important, however, there still are many aspects that need to be discussed, such as the reciprocity among the different criteria and the validity of the categories within each criteria.

In this article, I will avoid tackling the concept of employability directly. Instead, this article will analyze employability from the perspective of the skills people need to be successfully recruited midway through their career. If we examine the questions that are asked during interviews, the criteria of employability should become obvious. If that is the case, it is possible to devise a combination of OJT and Off-JT that enables enhanced skill development.

The following section is devoted to contemporary OJT and Off-JT. Section 4 analyzes how to enhance employability.

### **3. How Companies and Employees View Skills Development**

#### **3.1 Two Surveys**

Let's take a look at how OJT and Off-JT are viewed by both companies and individual workers. The two main surveys I will refer to are the *Basic*

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<sup>5</sup> The Japan Federation of Employers' Associations (1999): pp.7-8.

*Survey on Vocational Ability Development* (hereafter referred to as *Vocational Ability Development Survey*) commissioned by the Ministry of Health, Labour and Welfare and carried out by the Japan Institute of Labour in November and December 2001, and the *Survey Research Aimed at Promoting the Introduction of a Long-term Leave System for Vocational Ability Development and Other Activities* (hereafter referred to as the *Fuji Research Survey*) commissioned by the Ministry of Health, Labour and Welfare and carried out by the Fuji Research Institute Corporation in March 2000. Both surveys contain a company survey and one directed toward employees. The former surveyed 10,000 companies with 30 or more employees, garnering responses from 2,176 companies (a valid response rate of 21.8%) and 5,658 employees (a valid response rate of 18.9%). The latter study surveyed 5,500 companies with 100 or more employees, gaining responses from 1,099 companies (a valid response rate of 20.0%) and 3,103 employees (a valid response rate of 20.7%).

Since the companies surveyed differ in size, the results differ slightly as well. Of the companies which responded to the *Vocational Ability Development Survey*, 89.6 percent were small and medium-sized enterprises with less than 300 employees, while the respondents to the *Fuji Research Survey* were principally large companies, 29.7 percent being companies with over 1,000 employees. It would be appropriate, then, to turn to the *Vocational Ability Development Survey* for capturing the situation of small companies and to the *Fuji Research Survey* to obtain an idea of the conditions in large companies.

### **3.2 Views on Who Is Responsible for Vocational Training?**

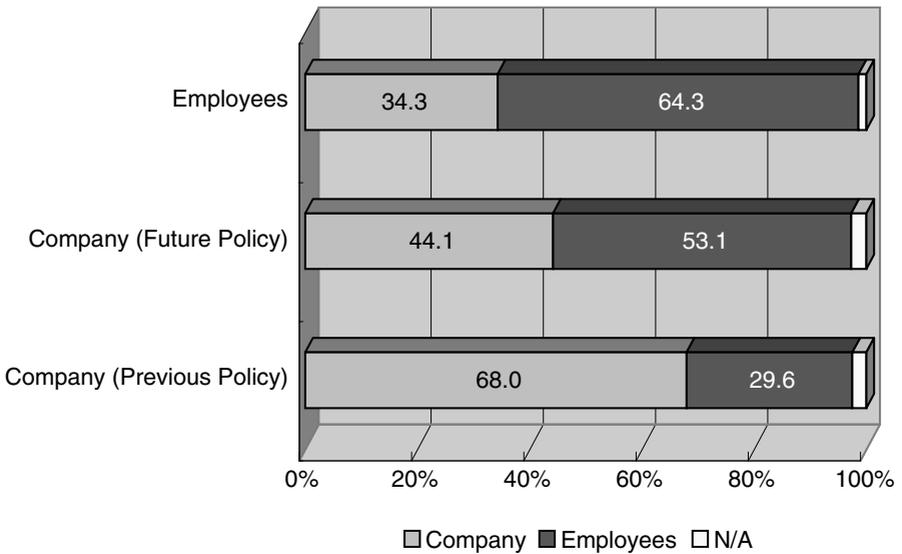
First, let's take up the question of who is responsible for vocational training. Referring to the *Fuji Research Survey* (Figure 1), almost 70 percent of the companies that responded believed that the company had been responsible for this, while over half answered that in the future this would be the responsibility of employees.

The bigger the company, the more obvious this tendency becomes. For companies with more than 2,000 regular employees (133 of the respondents), 78.2 percent said that the company had been responsible, but just 30.8 percent said they would continue to be so. On the other hand, for

companies with less than 300 employees (242 of respondent companies), these figures dropped from 65.3 percent to 56.2 percent, a very small difference. The same trend is evident in the *Vocational Ability Development Survey*: the bigger the company, the wider the shift on who is responsible for vocational training.

What do employees think? As seen in Figure 1, a higher proportion believe that vocational training is their responsibility. Around two-thirds of employees are taking initiatives to develop skills. Furthermore, the results of this survey show little difference among age groups. While it is important for employees to have a positive attitude toward taking the initiative on vocational training, whether they are taking appropriate action is another issue. Later we will examine the specific steps being taken to develop skills.

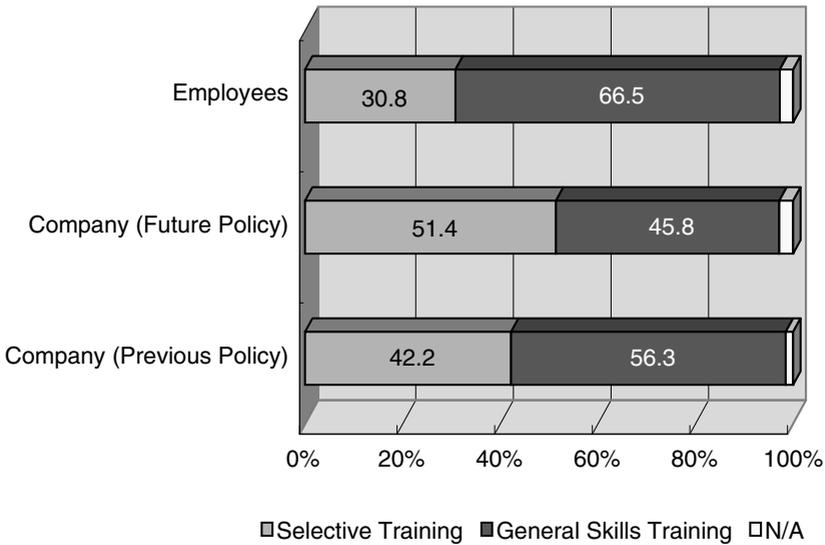
Figure 1. Who is Responsible for Vocational Training  
(Fuji Research Survey)



### Selective vs. General Training

Another aspect to be considered is employee training policy. Figure 2 shows the opinions on whether training should target a select band of employees or all employees. On this point, we can see a gap between employees and companies. Over half of the companies have emphasized general training to date, but are trying to move to selective training.<sup>6</sup> On the other hand, two-thirds of employees placed importance on general training for all staff.

Figure 2. Employee Training Policies  
(Fuji Research Survey)



<sup>6</sup> There are big differences on this issue depending on the size of the company. Looking at the replies of companies with 2,000 or more employees, only 18.8 percent had previously placed importance on selective training, but this figure jumped to 78.2 percent of those that will place importance on it for the future. By contrast, for companies with less than 300 employees, 36.8 percent previously placed importance on selective training but there was only a slight increase to 39.7 percent for those planning to do so for the future. The *Vocational Ability Development Survey* asked the same question but the percentage of companies planning to place importance on selective training in the future was smaller (34.1%) than the percentage of companies that had placed importance on selective training (40.1%). This shows that small companies are going to continue to place importance on “general skills training” in the future.

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If we compare the responses to this question with those concerning responsibility for vocational training, we will notice a contradiction in the views of employees. While they believe that the individual employees should be responsible for developing their own skills in the future, they expect to obtain general vocational training from their companies. However, if looked at from another perspective, they may be hoping that companies will provide them basic vocational training so they can determine their own path for additional training. Unfortunately, it is impossible to know which perspective is more likely, because these two surveys do not provide concerning data.

### **3.3 Effective Ways to Conduct OJT**

In the previous section, I noted there were three aspects to analyze when discussing OJT: whether the same company or a number of companies are involved, organized training, and motivation in developing one's own career. A fair bit of research has been conducted concerning the practical aspects of OJT. I myself have conducted several interview-type surveys. These surveys have indicated that organized training is important for effective OJT, but these surveys are not based on sufficient wide-ranging observations. Therefore, I propose to examine on-the-job training methods using the two surveys referred to previously and one conducted by the Japanese Trade Union Confederation Research Institute for Advancement of Living Standards (*RENGO-RIALS*) in 1999 (hereafter referred to as *Rengo Survey*.)<sup>7</sup>

#### **The Effectiveness of Experience at Other Companies**

Firstly, to what extent is experience gained at one company effective in acquiring training? The *Rengo Survey* asked whether the experience gained at one company was useful in one's present job. Among the 3,194 employees who replied that they had work experience at other companies, 13.5 percent said their previous experience was "very useful" for their

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<sup>7</sup> This survey was conducted by the Japanese Trade Union Confederation Research Institute for Advancement of Living Standards (*RENGO-RIALS*) (2000) through industrial trade unions affiliated to the confederation. A total of 19,000 people were surveyed and 6,573 responded (a valid response rate of 34.1%).

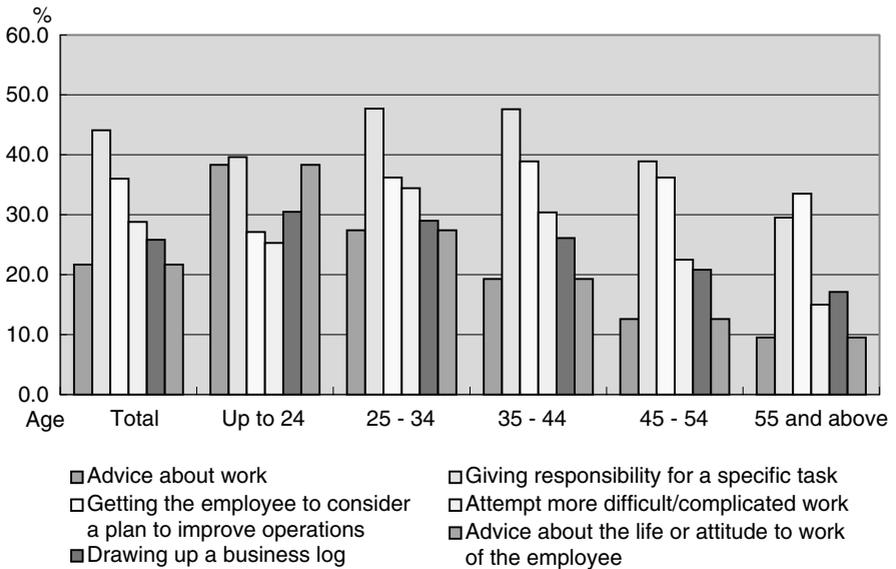
present job, 36.0 percent said it was “useful to some extent,” and 23.7 percent said it was “not useful.” Among the 4,230 employees who experienced inter-departmental transfers at their current company, 14.1 percent said “very useful,” 52.4 percent said “useful to some extent,” and 19.0 percent said “not useful.” Among the 3,860 employees with inter-departmental transfer experience at their current company, the figures were 11.2 percent, 48.8 percent and 21.8 percent, respectively. Although it seems natural that more people answered that transferring within a department was useful to their current job, it is notable that experience gained at other companies is rated almost the same. However, these figures reflect only the impressions of the respondents, and of course individual case study surveys are essential to know how useful each kind of experience is to the current job of employees.

### **Guidance and Skill Cultivation by Superiors**

The *Fuji Research Survey* provides indirect information about organized training as part of OJT. The survey asks companies the following question: “Do you think that immediate superiors fulfill the role of advisor when an employee is considering career development?” Four replies were provided, ranging from “Yes, the immediate superior fulfills an advisory role in such cases” (to which 6.8 percent of companies answered in the affirmative), to “No, the immediate superior does not fulfill an advisory role in such cases.” Of the companies which responded, 37.8 percent replied that “It is more accurate to say the immediate superior is fulfilling such a role than to say that he/she is not,” raising the total percent of companies that replied that superiors are fulfilling career advisory roles to 44.6 percent. This percentage increases in tandem with company size. For example, 51.1 percent of companies with 2,000 or more employees answered this was the case, while only 41.8 percent of companies with less than 300 employees did so. That less than half of all superiors are considered to be fulfilling advisory roles raises concerns that OJT may not be functioning well.

The *Fuji Research Survey* does not explore what kind of guidance superiors give, but the individual section of the *Vocational Ability Development Survey* asks what kind of guidance or instruction the employee has received from superiors and what was the most useful. As seen in Figure 3, the most common guidance or instruction was “giving responsibility for a specific task” (44.1%) followed by “get the employee to consider a plan to improve operations” (36.0%). Looking at the figures by age group, the most common guidance and instruction for employees 24 years old and younger was “advice about work” and “advice about one’s life or attitude to work” (both 38.3%), while for people in their late 30s or older the most common response was to “get the employee to consider a plan to improve operations.”

Figure 3. Guidance and Instruction Employees Have Received from Their Superiors  
(Multiple answers allowed; Vocational Ability Development Survey)



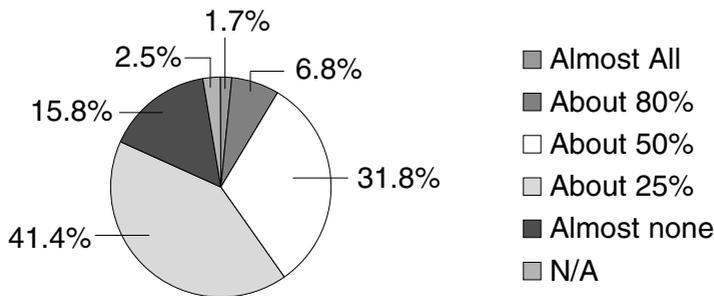
The most useful guidance and instruction for skills cultivation was “giving responsibility for a specific task” (20.0%), “advice about work” (16.7%), followed by “getting the employee to attempt more difficult/complicated work” (14.5%). Only 8.5 percent of supervisors attempted to “get the employee to consider a plan to improve operations.” It is natural to think that considering ways to improve operations is an effective tool in enhancing vocational skills, but if sufficient explanation of the goals and benefits is not given when implementing this approach, the first reaction of employees will be to feel that their amount of work has increased and that they are too busy, and the inherent benefits of this approach will be reduced. It seems necessary for superiors to thoughtfully assign work to staff.

### The Motivation of Employees

In the company section of the *Fuji Research Survey* firms are asked what percentage of their employees are considering career development on their initiative, and then asks employees to what extent they have a concrete vision of the future. Figure 4 shows the results of the company

Figure 4. The Percentage of Employees Who Take the Initiative to Develop Their Own Careers

(*Fuji Research Survey: Company Survey*)



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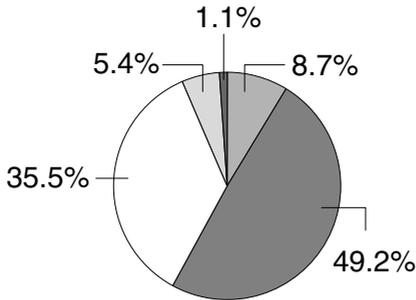
survey. Just 8.5 percent of companies replied that 80 percent or more of their employees intends to take the initiative regarding their own career development (the sum of “almost all” and “80%”). On the other hand, the survey reports that 15.8 percent of companies replied that they had few employees who were considering their own career development on their initiative. Of the responding companies, 73.2 percent replied that between one-quarter and one-half of their employees had taken the initiative in developing their own careers. This result implies that companies do not think employees are aggressive in developing their careers.

Then, to what extent do employees take their careers seriously? Figure 5 shows that just 8.7 percent of employees have concrete plans about the future, saying that “In  $x$  years I will be doing this.” On the other hand, as many as 40.9 percent of employees do not have a vision about their future working lives. It is difficult to evaluate the employees who replied, “I have not decided exact target year for doing this or that, but I am vaguely thinking about my future.” A total of 49.2 percent, nearly half, of the employees chose this answer. In many cases, the answer, “I am vaguely thinking about my future” is essentially the same as not considering it at all. Taking this into consideration, the percentage of those who have concrete thoughts about their working lives is less than 10 percent.

As I mentioned previously, while 66.5 percent of the employees answered that it is their responsibility to develop skills, only a tiny number of employees are concretely considering how to do this. It is highly likely that independent development of one’s own skills has ended up being nothing more than a slogan.

Figure 5. The Extent to Which Employees Are Considering Their Future Work Lives

(Fuji Research Survey: Employee Survey)



- I have concrete plans about the future, saying, "In x years I will be doing this."
- I have not decided exact target year, but I am considering my future work life vaguely.
- I am motivated to consider my future work life, but actually I am not considering it.
- I am not considering my future work life at all.
- N/A

### 3.4 Effective Ways to Conduct Off-JT

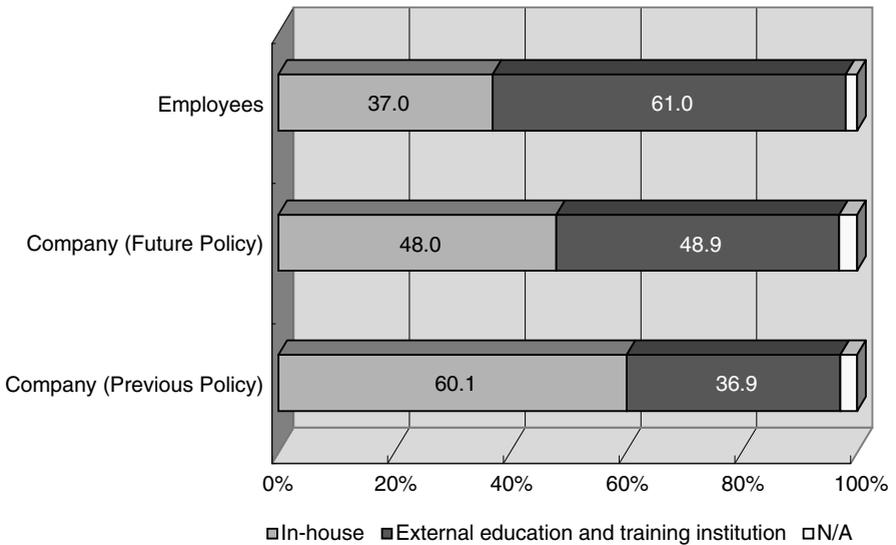
Earlier I stated that there are four important aspects to conducting Off-JT: location, contents, awareness of goals and duration. These four are closely interrelated. Ideally, the discussion should incorporate data that gives an overview of these four items taken together, but unfortunately such data is not available. Therefore, I intend to have a closer look by examining the four items separately. First, let us look at how companies and employees view the location of training.

## Merits and Demerits of In-house Training and Training by External Organizations

The *Fuji Research Survey* targeted both companies and individuals. Figure 6 shows their responses on appropriate places to receive training. As can be seen, there is an obvious gap in perception between companies and employees concerning the location for training carried out by the company, with 60 percent of the companies placing importance on in-house training, but planning to use external education and training organizations more in future. However, they do not plan to abandon in-house training entirely. On the other hand, 60 percent of employees responded that outside training should be considered important.

It seems that employees prefer utilization of external education and training institutions because they consider such training as “generally applicable in society.” They believe that training received within one company is not useful when they move to a different company, but that

Figure 6. Preference of Training Location  
(*Fuji Research Survey*)



training received from an external institution can be utilized generally. The survey could not confirm if this supposition is correct or not. However, there seems to be no doubt that the instability of employment affected employee responses.

The *Rengo Survey* examined methods of training that are useful at work. The survey followed up on 4,581 respondents who answered that they had received useful training by asking what methods were used to carry out that training. Employees found the most useful training was to be dispatched outside the company (37.5%); those who responded that in-house training was most effective came to 23.3 percent; and 7.2 percent thought classes within their company best suited their needs. Looking at the results by company size, the percentage of those who responded that “being dispatched outside the company for training was useful” was higher for small companies, while for large companies with 5,000 or more employees, 47.6 percent chose “in-house training.” It seems that because large companies have their own education department and their own training facilities, participation in in-house training can fulfill employee needs. Whether such training is always useful depends on whether the contents of the training and the skill level of the trainee are well matched.

### **Contents of Education and Training**

The effectiveness of training depends on each employee. For this reason, it is not necessarily useful to discuss whether one minor detail of the training program is useful or not. Instead, I will introduce “the most useful training” section of the individual portion of the survey conducted by *RENGO-RIALS*.

The 4,581 employees who said they had received training that was useful to their work were asked to specify what kind of training had helped them. They were given a choice of answers, including “Other.” The most common reply was “Training to master basic skills related to work” (30.6%), followed by “Training to deepen special knowledge related to work” (23.8%), “Training to master general knowledge, such as leadership training” (18.1%), and “Training to obtain a certification related to work” (9.8%). What is notable is that training to enhance employees’ basic skills was appreciated more than training to master specific skills.

## Goal Awareness

Information about the goals of the employees who participate in Off-JT is currently not available. However, the employee portion of the *Vocational Ability Development Survey* examines why employees seek self-enhancement. Self-enhancement is one form of Off-JT, and many companies provide support for employees in the form of subsidiaries or adjusting working hours to make allowances for class attendance. In fact, 81.1 percent of the companies that replied to the *Vocational Ability Development Survey* are providing some kind support.

The most common reasons for employees to try and better themselves were: “to obtain the knowledge and skills necessary for my current job” (79.5%), “to prepare for future work and career advancement” (38.8%), and “to obtain a certification” (34.1%). Considering the figures by company size, 51.2 percent of employees who worked for companies with 300 or more employees answered “for future work and career development.” It seems their goal is very specific, therefore they can expect to get more benefits from their training. However, there are still problems. According to the *Vocational Ability Development Survey*, these are: “the employee is too busy for self-enhancement” (43.0%), “too many expenses are incurred” (25.9%), “due to the requirements of the company he/she is not allowed to take leave or go home early” (18.3%), “it is difficult to get information about seminars and other similar information” (15.3%), and “the results of self-enhancement are not evaluated enough in the company” (15.2%). It is obvious from this survey that time constraints and expenses are obstacles to self-enhancement.<sup>8</sup>

## Duration of Training

For the purposes of reviewing one’s work experience, Off-JT does not necessarily have to take a long time. However, as I stated earlier, it is more effective if this training occurs over a longer period of time, particularly

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<sup>8</sup> Systems to subsidize expenses for self-enhancement include those specific to individual companies, the national education and training benefit system, and programs managed by labor unions. The national education and training benefit system was established in 1998 and is being used by many people. Of the respondents to the *Vocational Ability Development Survey*, 5.6 percent replied that they had received benefits under this system. While this system quickly became widespread, its usefulness has not yet been sufficiently verified.

when learning new information and new skills that are difficult to acquire directly from one's own work experience. The *Fuji Research Survey* targeted companies and employees to find out their ideas about taking leave for vocational training. When confronted with a request to take a long leave to develop one's skills, more than half the companies replied that they "do nothing," and about a third said that they "instruct the employee to use existing holiday time." Only 3.1 percent of companies provide special leaves for vocational training, while six percent of the companies treated such leave as unpaid leave. This shows that less than 10 percent of the companies surveyed take measures to help employees take long-term leave for vocational training. In fact, the majority are negative about such leave.

Recently, the number of companies systematizing support for volunteer activities has been increasing. These companies provide volunteer leave in addition to regular annual leave to employees participating in volunteer activities. Generally this volunteer leave is only a few days a year, however, if the employee is participating in the Japan Overseas Cooperation Volunteers, a maximum of two and a half years is allowed. There are two reasons why companies allow this kind of long-term leave. First, it helps fulfill the company's social responsibility, and also because they feel that having a system to respond to the diverse needs of employees helps attract outstanding employees. Unpaid leave for vocational training and long-term volunteer leave probably cannot be lumped together for our discussion, but if we focus on the issue of responding to the diverse needs of employees there is not that much difference between them. The *Fuji Research Survey* reveals that about 40 percent of employees would like to take long-term leave to study, and it appears that companies also are reaching the stage of preparing some kind of systematized support for long-term learning activities of their employees.<sup>9</sup>

In this section, I have analyzed the strong and weak points of OJT and Off-JT by examining the results of the three surveys. This has led me to the following nine conclusions:

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<sup>9</sup> European countries are creating systems that would allow employees to take long-term leave to develop their vocational skills. Denmark, where an employee can take a one-year long paid leave for education and training, has progressed on this the most. For details, refer to *Arbeit und Leben*.(1999)

- (a) Both companies and employees are getting to believe that employees should be responsible for developing their own skills;
- (b) Companies tend to place importance on selective training, while employees prefer more general skills training;
- (c) Nearly half of the respondents think that acquiring experience at other companies is useful for their present job;
- (d) Only about half of superiors engage in career advisory roles;
- (e) Only a small number of employees have concrete plans of their career development, which runs against the belief that employees should be responsible for their own vocational training;
- (f) There is a strong tendency for employees to prefer to receive education and training outside the company;
- (g) It is thought that training to master basic vocational skills is more useful than studying a specific topic;
- (h) Employees do make efforts to improve themselves, with concrete goals in mind. However, time and cost restrictions prevent them from carrying this out sufficiently;
- (i) Employees look favorably on using long-term leave to develop their skills, but companies are negative about such efforts.

The next section, the conclusion, analyzes what combination of OJT and Off-JT is necessary to cultivate skills that can be utilized in other companies.

## **4. Cultivating Inter-Company Skills**

### **4.1 Mid-career Employment Interviews**

One easy way to know what skills are needed by employees who change jobs is to study what companies focus on during mid-career employment interviews. When interviewing people applying for a mid-career position, interviewers ask questions similar to the following:

- 1) What type of companies have you worked for previously?
- 2) Specifically, what work were you in charge of at each company?
- 3) What was your role in the projects that you have participated in

recently?

- 4) In what respect were those projects successful or unsuccessful?
- 5) How did you benefit from taking charge of those projects?

Most interviews focus on the applicant's work experience. Questions concerning projects the applicant was involved in are emphasized because it is the only way an interviewer can obtain a clear view of the applicants' skills.

The department to which a mid-career applicant will be assigned is usually involved in the screening, skills assessment, and decision-making process as to whether or not to hire the applicant. An interviewer in the same field as the applicant can usually grasp the skills and ability of the applicant is even if they are meeting for the first time. It is important to be able to objectively discuss one's previous work experience during the mid-career employment interview.

#### **4.2 Enhancing the Value of One's Current Job**

Considering the questions that are asked during mid-career employment interviews, it is important that one perform one's current work well in order to enhance skills that can be utilized by other companies. Often, one can find aspects specific to certain company. The products handled, the composition of personnel, the customers, and so on, are different from company to company. *Nemawashi* (internal negotiations before the decision-making process) and customer relations are specific to each company, and usually these skills are not transferable. However, if examined closely, work that appears to differ from company to company does have some common threads. For example, in some organizations decision-making occurs smoothly through normal channels, while in another organization a key person must be consulted before any decision is made. If someone with experience in the latter method of functioning moves to another company, the network of contacts the person had built up will certainly be useless. Nevertheless it should be possible for him/her to sufficiently utilize what he/she knows about organization management and *nemawashi* in the new workplace. After changing jobs, the person will initially be confused because he/she does not know who the key member of

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the organization is. However, within a few months after getting a feel for the structure of the new organization, he/she will know who they need to talk to.

It is thought that doing work which is specific to one company is not useful in developing skills that can be utilized at other companies. However, the actual situation is contradictory. Engaging in work specific to one's company is itself a shortcut to enhancing the transferability of one's skills.

Then how can we enhance the value of work? Companies should arrange conditions so superiors are able to help improve the ability of their staff. Employees should try and obtain an overview of the entire work process. If the employee understands the role he/she must fulfill within the entire organization, he/she will become able to efficiently develop appropriate methods of work. If there is no organized training conducted by a superior, OJT will not yield fruitful results.

### **4.3 Managing One's Own Vocational Training**

To enhance the value of their work, employees develop their own training and skills. This means they must know their own strengths, decide what skills need to be improved, and figure out how to carry out their work in a way which is useful to developing new skills.

Previously Japanese employees had delegated the leading role in skills cultivation to companies. Although skills are developed through day-to-day work, it was the company that decided what kind of work the employee was to be assigned and when. Employees generally accepted personnel transfers determined by companies because they understood that a transfer would contribute to the development of their work skills, and because they believed that if they followed the company's request when they were young, it would benefit them in the future. Large-scale personnel transfers were conducted on the basis of this tacit relationship of trust between companies and employees.

However, that relationship of trust is about to collapse. It is naturally unacceptable for an employee who has been following a company's requests for more than 20 years to be told, "Your skills are no longer useful to this company so we want you to leave." This situation might be

acceptable if re-employment was arranged, however, it often happens that he/she is abandoned without any job arrangement. Young employees are well aware of the outrageous treatment given to middle-aged and elderly employees and wonder, “Will I be treated the same way in the future?,” resulting in a decline in their work.

Previously Japanese companies guaranteed employment instead of taking the initiative in developing vocational skills. However, companies are no longer able to take responsibility for an employee until that person retires. Recently, many Japanese companies have highlighted the importance of “the principle of self-selection and self-responsibility” in skills cultivation. This is a reflection that companies hesitate to take the strong initiative in developing human resources. Employees have been responsible for managing their daily works and stimulating themselves with new challenges. In the future, in addition to these responsibilities, they will be required to conduct their daily works on their own responsibility.

To do this, sufficient information and good judgment are necessary. If daily OJT is made more systematic, and Off-JT is appropriately incorporated into the program — allowing employees to increase their information gathering skills, their ability to analyze information, and produce higher quality work— employees will develop skills that can be utilized at other companies as well. This would lead to the employee being assigned more important work at his/her present company and his/her employment situation will become more secure. The Education Special Committee of the Japan Federation of Employer's Association has stated that there are two types of skills that are essential to employability: “skills that enable worker mobility” and “skills that are specific to certain company and enable the worker to be employed on a continuous basis.” These in fact are not separate skills at all, but overlap. Here is a new form of employment security in Japanese companies.

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## The Reality of Career Counseling in Outplacement and Related Issues

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In the 1980s, “outplacement” services, which had originated in the U.S., were imported into Japan. However, only in the last several years have they been recognized and accepted in practice as a service supporting reemployment. With the bursting of the bubble economy and the subsequent changes in the industrial structure, the traditional, stereotyped human resource management policies — the seniority and the life-long employment systems — began to crumble, the chief sufferers being middle-aged and elderly employees, who are relatively expensive to keep on. A succession of employment adjustments called “restructuring” were carried out, resulting in a large number of workers leaving their companies. For the first time many became aware of the existence of services that offer assistance in finding reemployment.

Japanese workers unfortunately (or perhaps fortunately in one sense) have hitherto left their own career formation to their employer, whereas companies have sought to frame certain working styles, encouraging individuals to develop loyalty to their company. However, nowadays companies find it difficult to keep all their employees, and have shifted their policies, which have shocked workers. The biggest risk for workers who move out of their companies is undoubtedly employment insecurity. If this meant simply that they are taking the price for leaving their own career-making to their companies, the matter would end there, but now “assistance services for reemployment” are being provided to cope with this risk. Japanese workers who previously had not seriously thought about their careers are now aware of these services, at least the fact that such services exist to help them find a job and alleviate their insecurity after retirement. In other words, the personnel mobility attributable to structural changes and subsequent employment adjustment has helped change commonly accepted beliefs among ordinary people, who now regard job-switching and reemployment as normal, everyday occurrences, and has

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built a basis for social acceptance of reemployment in a quite natural manner. Nevertheless, it seems that workers, as seen above, have little idea about how to adapt themselves to a sudden change in the environment, and jump desperately at the chance offered by outplacement services, without properly understanding their nature. There is a wide spread misunderstanding that these assistance services to help find reemployment are actually job placement services.

The above describes the current situation facing outplacement services in Japan. Put differently, the current situation suggests that one aspect of the service, the job matching function, is excessively highlighted, and that career counseling, which should be the chief function, does not always work properly. On the other hand, however, this contradiction may be inevitable if the essential nature of outplacement is taken into account. Although the term, “assistance service for reemployment,” is used in Japanese, the basic idea behind outplacement is to support firms which encourage their employees to move out of their company, rather than to support individuals who are looking for a job after having left their company. That is, the services are mainly geared toward supporting personnel measures taken by the companies, and the swift settlement of new jobs for the workers concerned satisfies corporate needs. In this sense, the emphasis tends to be on finding new jobs, while the process of increasing awareness of one’s past career record, self-understanding, and decision-making is unduly neglected. At the same time, if individuals decide to use these assistance services in the hope they will be offered a job without having developed adequate career awareness, it means that they have simply gone from their company to outplacement services, always relying on someone else to develop their career. Here lies the contradiction and problem of career counseling within the framework of the outplacement services. How to assist individual workers within the framework of services that were developed to assist firms is viewed as the biggest problem by career counselors involved in outplacement services.

It is undoubtedly effective for workers who have reached such a turning point in their careers to undergo career counseling services that provide a development and growth model. However, if individual workers do not have a strong sense of how to form their own career and, in order to find

another job have simply thrown themselves into a course provided by their firms, it is somewhat dubious that they will find the services effective. In this article, I would like to throw some light on the actual situation surrounding career counseling for outplacement in Japan, introducing a number of case studies. At the same time, by raising some of the problems inherent in counseling, the article aims to explore ideal, meaningful forms and the future direction of career counseling, while highlighting the qualifications that the individuals need.

First of all, let us look at the nature of the services provided by outplacement. Some people seem to think that outplacement is identical to career counseling. However, outplacement is a comprehensive service that facilitates a business which is shedding workers, whereas career counseling is merely one of many activities towards being outplaced. Outplacement services fulfil, for example, the following other functions:

- Vocational ability development
- Provision of facilities
- Exploration of job vacancies

Vocational ability development provides seminars and learning opportunities through correspondence courses for computers and other skills essential to becoming reemployed, allowing job seekers to accumulate special knowledge and upgrade their qualifications. Outplacement services provide facilities in which job seekers can look for work without being stuck inside their home and isolated from society. Providing these workers with a base that is equipped with the information files and tools necessary to undertake job searching activities gives them incentives to continue their search. It is also an opportunity for job seekers to come together and share a common goal. Another main pillar of outplacement services is the exploration of job vacancies. In reality, the biggest reason job seeking workers use these services is precisely summed up in the term, “job vacancies;” it is this point that has sparked the most interest. Most people do not show any particular interest in ability development, facilities, or career counseling, but are very keen on “being provided with information about job vacancies.” Of course, they need this

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information to become reemployed, but, put differently, for job seekers the presence of job vacancies means first and foremost the existence of a possible goal. This gives them a sense of security. But reality is harsher than they think. They might have thought that the job vacancy was a goal, but before reaching the goal, they have to clear at least two hurdles — documentary screening and interviews. And unfortunately, quite a few job seekers are not aware of the unexpected height of the hurdles. In this sense, too, they eventually come to the conclusion that career counseling is the most important service clearing the hurdles and reaching the goal.

Then, how does career counseling proceed? Let us examine it in outline form, taking *JMAM Change Consulting* as the example:

- (1) Constructing a relationship between job seeking workers and the supporting group; enhancing their motivations
- (2) Assisting workers to understand themselves
- (3) Establishing their goals
- (4) Specifying tasks to achieve the goals
- (5) Drawing up activities plans
- (6) Assisting their activities
- (7) Achieving the goals (including review of results and follow-up activities)

This consulting service guides job seekers, through the stages shown above, to the immediate goal, reemployment (achieving the goal). To reach the goal, workers must understand and recognize that they must follow these stages. With this understanding, career counseling, as a part of outplacement services overall, can in fact prove effective as a bridge to a second career for job seekers. But at the same time, there are still more hurdles to overcome if the career counseling services are to function efficiently in the real world. Before shedding light on such tasks, let us first highlight some actual cases.

### **Case 1**

A, aged 55, worked for a large manufacturer of electronic parts for about 35 years. After designing, developing and analyzing product

prototypes as an engineer early in his career, he spent 15 years in the sales section, working to strengthen channels between sales agencies and in management. After retiring from the company through its early retirement scheme, he decided to use a supporting service to seek reemployment. But he was not very keen on actively searching for work partly because, as his life revolved around his job, he felt he had lost his own identity. Going to career counseling sessions at least once a week, looking back on his career, and analyzing his own characteristics, he only became more confused about what he should do. By the time he left his company, he had decided he would not work in sales because he felt hard pressed when faced with target figures, and he was hoping to do something less stressful even if his income dropped substantially. Despite this, his career analysis testing showed that his strength lay in his energy, vitality and experience in sales management, while the result of character analysis testing also showed high potential in business negotiations. There are a surprisingly large number of people who do not wish to do something although they are aware that it is certainly to their advantage. Since A came to a roadblock when he reached the stage of having to set up his target, he was advised to spend some time thinking. It was suggested that he take a training course in computers which would give him an opportunity to improve his skills, as well as provide him with a refreshing change. A was gradually attracted to the idea of learning computer skills, and held off job searching activities, using the computer course as an excuse.

Six months after retirement, he saw a job vacancy notice for a caretaker of a public facility near home, for which he applied. Many others also applied, and A failed to show enough zeal, and did not get the job. However, this failure triggered a slight change in him: he began to wonder if he would be able to last long in a job that was not connected with figures and that might be less stressful. He began to suspect that he actually liked sales and the business front, and that such work gave meaning to his life, even though it was in fact stressful. And he also began to think that he would not regret it if he chose a job he really liked. He suddenly began to look for work more energetically, which he had been doing half-heartedly. He soon applied for a job as a sales representative at a machine trading

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company, and succeeded in getting the post. The key factor in his success was “enthusiasm.”

## **Case 2**

After graduation from university, B, aged 48, worked for a medium-sized trading company in sales for 10 years. At the age of 32 he moved to a distribution company where he initially stood on the frontlines as a store salesman. In the latter half of his career, he worked on the management of inventories and products at a logistical center. When the company decided to cut its labor force due to the merger of logistical centers, he left the company using their voluntary retirement plan.

Since he was in the prime of his working life, in his late 40s and because he needed to pay for his children’s education, he wished to find a new job immediately, and started searching for another job before leaving the company, receiving assistance. Although he had previously switched jobs, he had not drawn up a proper curriculum vitae, so he tackled the steps from career analysis to the writing of applications together with a counselor. Thinking that distribution of goods will always be needed, he started job-searching activities, targeting those related to transportation, in which he could take advantage of his experience.

Immediately after he embarked on job searching, he realized that wage levels in the industry were fairly low. He had worked overtime and earned quite a lot in his previous job, but he thought that he would not get a job if he insisted on a similar salary. He discussed this with his family, and decided to cut back on household expenses, lowering his minimum wage target. Although he found some job vacancies that matched what he was looking for, he ran into problems. For some jobs he lacked practical work experience, and sometimes the descriptions in the job vacancy listings turned out to be different than the actual job, so he failed many times during the documentary screening stage. In order to carefully reassess his advantages and disadvantages, he thoroughly reviewed his career background, and was stunned to find he had nothing particularly convincing in his career.

It occurred to him that he had physical strength which he had used to accomplish hard work in his previous post. He then began to incorporate

this selling point in his curriculum vitae, made a strong appeal, and finally received an offer as a sales driver from a large transport company. The offer was unexpectedly attributable to his career in sales in his first job, but his success in job seeking was ultimately due to his own meticulous review of his career.

### **Case 3**

After graduating from high school, C, aged 52, joined a local long-established wholesale company where he engaged in general affairs and accounting for more than 30 years. Obligated to leave the company due to a substantial reduction in company size, he decided to ask for assistance in seeking reemployment. Because of his strong sense of pride, he was reluctant to accept the fact that he was unemployed, urging his counselor to help him find a new job as soon as possible. But, contrary to his demand for finding a new job, he did not take any action himself, and was clearly beginning to leave everything to the assisting company. Turning a deaf ear to their advice, which emphasized the importance of career analysis and setting a target, in the end he demanded a new job be arranged immediately. The counselor patiently spent a lot of time helping him create a curriculum vitae, with which he applied for several jobs. But he was rejected, mostly because he lacked management experience and because of his age. He didn't even have the opportunity to go on interviews, and he became increasingly frustrated and dependent on the assisting company. He wasted nine months without doing a proper review of his career.

These three men are, roughly speaking, typical job seekers who received assistance in seeking reemployment through outplacement services. Their characteristics may perhaps be defined as a "loss of goals," "difficulty in finding a job that matched their talents" and "dependence." What paralyzes individuals most when seeking reemployment is establishing "targets." This seems to be attributable to the way they left their previous jobs. The sense of a loss of identity is tremendous. These individuals saw the company as the nucleus of their lives, and without the company they felt lost. Some people may say that they need time to affect a turn-about and set their own goals. At the same time, however, the time required can be shortened if career counselors can be taken advantage of in

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an effective manner.

It is fashionable to attribute economic trends or a change in the times to the severe employment situation among middle-aged and elderly workers and the increase in long-term unemployment. But the biggest responsibility still lies with the individual. “I have no idea how to approach the question,” “I cannot attract the attention of recruiting companies,” “I cannot make up my mind what to do...” People with these problems can be led to solutions with a few hints and pieces of advice. Some job seekers randomly apply for job vacancies whatever they are, claiming that they will get something if only they keep applying. Such energy may in some ways be admirable, and in fact they may succeed in getting a job. However, jobs obtained this way may not be satisfying in the long run. In other words, the difficulty lies not necessarily in becoming reemployed, but in how much the new job provides a focus in their lives in the long term. Unless one deliberates over what one wants to do, what one can do, and what his/her advantages are, it is likely that they will end up repeating the same mistake. In this sense, reemployment is not effortless. Other typical job seekers are those who confuse their goal with their situation. The goal means the type of work one wishes to engage in. But, prior to this, some people place priority on how much they wish to earn and how many holidays they want, and then complain about the absence of suitable job vacancies. This attitude will not, unfortunately, result in successful reemployment.

Then what should be done in order to decide on a goal? The answer is, simply, to thoroughly review all previous work experience. Through sorting out one’s own experiences and reviewing the fundamentals of one’s career, one can for the first time detect a future course. Nevertheless, many workers are seeking jobs without a thoughtful career analysis. Understanding oneself enables one to observe oneself from an objective point of view. The source of self-understanding is to understand that there is a difference between the way one sees oneself and the way others see you. Unless one can perceive how he or she looks from another person’s perspective, it will be difficult to navigate the road to reemployment.

No one would object to the statement that the decisive factor in finding reemployment is an accurate match between the person and the job. Successful reemployment depends on accurately matching the person with

the right job. The question is what should be matched. The basic point in matching is to bring together the selling points of job seekers and the needs of the companies that are looking for workers. In reality, however, there are some job seekers who do not pay attention to corporate needs and talk one-sidedly about what they have done. One will not succeed without taking into account the intentions of the buyers, that is, firms looking for workers. Thus the essential factor is how to display one's strengths in a way that can satisfy the needs of companies which wish to hire new workers. If a worker intends to go for a job that is different from the ones he/she previously held, he/she will not be able to take direct advantage of previous work experience as such. Even so, it is possible to adjust previous experiences to fit new opportunities and apply an individual's character that has been cultivated through past jobs to the job he/she wishes to tackle now. The number of trump cards an individual has can be a vital indicator of success in career counseling.

At the same time, there are quite a few job seekers who, while seeking assistance in finding another job, remain mentally dependent on their companies concerning their own career formation. In this case, it is necessary to provide such workers with psychological counseling in order to remove that sense of dependency and other factors which might inhibit them from taking action. The counselor will need tremendous perseverance in order to make people like this understand that what they believe to be common sense is not actually so. It is people like this who have the fewest prospects for successful reemployment.

In this situation, how effective is career counseling in seeking reemployment? Possible functions of counseling can be broken down into three aspects. The first is assistance in self-understanding. After facing up to oneself via self-analysis with the help of career analysis, counseling and other tools, one can view oneself candidly, which leads to the task of setting up goals. Once basic questions concerning career formation — “what do I want to do,” “what am I interested in,” and “what do I place a high value on” — are answered, everything falls into place. This is the second stage of assistance, assistance in decision-making. Following self-understanding and decision-making, reemployment assistance steps into the final stage, assistance for action. At this stage, the assistance bears the

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nature of coaching, rather than counseling.

If career counseling services can essentially follow the steps described above, they should be able to provide powerful leads for job seekers in finding reemployment. The important thing is to “follow the steps;” one cannot expect to be successfully matched by omitting the required steps. I would like to emphasize once more that a successful matching depends essentially on how far job seekers, as individuals, can present their career paths in a form likely to satisfy the needs of companies looking for workers. Breaking down one’s career into its component parts, and then putting the pieces together to find where one’s true worth lies will be particularly important tasks.

To review the main points: the point of career counseling for those seeking reemployment is to help job seekers understand themselves, make decisions, and take action, whereas the skills required of career counselors at various stages are to analyze the careers of job seekers, to motivate them, and to match them with the right companies. It would be accurate to say that the biggest task in ensuring an accurate match, the decisive factor in reemployment, is to provide the worker with a thorough understanding of him/herself; at the same time, he/she must realize that this self-understanding is the whole point of career counseling.

Since outplacement involves various prerequisites and constraints, career counseling services right now do not necessarily function efficiently. However, in a future Japanese society, it will most likely be normal for people to fashion their own careers as they choose. This is due mainly to the arrival of an “IT society,” bringing an entirely different dimension to society than previously experienced, and giving people a chance to rethink the way they live and the way they work. The way one lives is itself a career, and the career counseling that exists today as part of outplacement services may perhaps be a magnificent laboratory in which we can reconsider the way we live.

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# Problems Surrounding the Collection and Disclosure of Workers' Personal Data

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## Introduction

Generally speaking, the protection of employees' personal data has not received much attention in Japanese labor relations. Under the system of long-term employment, the idea that employers needed to obtain as much personal data of their employees as possible for personnel management purposes has been accepted by both management and labor. However, individual workers seem to be changing their attitude on this question, and fewer workers entertain the prospect that they will be able to work for the same company until retirement. Consequently, the usual attitude of entirely depending on a company is declining. In addition, as more women enter the labor market, the number of workers who feel uncomfortable about providing their employers with extensive personal data is increasing.

In today's highly information-oriented society, moreover, various violations of privacy are increasingly seen as a problem, and there has been growing recognition about the importance of protecting personal data. The Personal Data Protection Law, which deals with the protection of personal data in general, was enacted on May 23, 2003, and the former Ministry of Labour issued the "Code of Practice on the Protection of Workers' Personal Data" on December 20, 2000 to protect personal data in the workplace. The contents of this code are in line with international trends.

Thus, substantial measures have been taken to protect employees' personal data. However, the importance of employees having access to their own files has yet to receive the attention it deserves. In Japan, the collection of employees' personal data has never been conducted on the basis of equality between employees and employers; while employees are required to submit personal data, employers do not have to disclose that data to employees. For the past several years, many companies have implemented performance-based wage systems, and in this context, the extent to which employees should be allowed to access personnel

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management data held by employers is becoming an important issue.

Another emerging issue is e-mail monitoring in the workplace. The need for such monitoring cannot be completely dismissed as it is a means to maintain corporate security, but constraints should be placed on such monitoring to protect the privacy of employees. Moreover, employees should be informed about the purpose and method of monitoring before it occurs.

The first part of this article discusses certain characteristics of Japanese labor relations, and the second outlines the basic legal and administrative framework for protecting the personal data of prospective and current employees. The third part examines the present situation using actual cases. The fourth part discusses problems that arise when personnel data held by employers is disclosed, and the fifth and last part discusses the problem of e-mail monitoring in the workplace.

## **1. Characteristics of Japanese Labor Relations**

Until recently, employment in Japan was based on a system of long-term employment — the so-called life-time employment system. Hence, companies hired new graduates during set recruiting periods without expecting them to possess specific occupational skills. When hiring, companies valued the future potential of an applicant rather than any occupational skill that person may have. For this reason, it was argued that companies must holistically evaluate an applicant's personality from various angles, and, consequently, collecting wide-ranging personal data on prospective employees, including information about their personal lives, during the hiring process has been justified as necessary.

In Japanese corporate culture, moreover, human relations in the workplace are based on communal, rather than contractual, bonds. Therefore, supervisors are expected to be aware of personal details of their subordinates. Consequently, they try to obtain as much information as possible, including aspects that are of private nature.

Furthermore, while employers have various labor contractual obligations toward their employees, more often than or not, employees have no choice but to disclose information on their private lives. The

Japanese wage and welfare (pension and medical insurance) systems are premised on such submission of personal data.

Finally, since most labor unions are enterprise unions, they too are keen to acquire personal data on their union members. To have the upper hand in labor negotiations, it is also necessary for unions to be knowledgeable about their members private lives. Therefore, labor unions, like companies, are eager to collect personal data from union members, but they are not very careful about protecting this information.

## **2. Basic Framework to Protect the Personal Data of Prospective and Current Employees**

Previously, there were few legal restrictions placed on the collection of personal data by employers. The Supreme Court ruling in the *Mitsubishi Jushi* (Mitsubishi Plastic, Inc.) Case of December 12, 1973 was a de facto recognition of the collection of extensive personal data from job applicants by companies during the hiring process.<sup>1</sup>

However, since then there have been changes in both the legislative and administrative fronts concerning the collection of extensive personal data during the recruiting and hiring processes. In this sense, it appears that the right of employers to collect personal data embodied in the 1973 ruling is being restricted.

On the legislative front such changes include revisions of the Equal Employment Opportunity Law, the Employment Security Law, and the Worker Dispatch Law. Due to these revisions, companies can no longer specify a particular gender (“Male Applicants Only” “Female Applicants Only”), and the range of personal data that may be collected is limited to information that is necessary to execute the work.

On the administrative front, the guidelines published by the Ministry of Health, Welfare, and Labour prohibits the collection of personal data that is not related to work — in particular information that may cause discrimination. Moreover, the Public Employment Security Offices require a business establishment with 100 or more employees to appoint an officer

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<sup>1</sup> *Mitsubishi Jushi K.K. v. Takano*, Saiko Saibansho Daihotei (Supreme Court, Grand Bench), 12 December 1973, 27 *Minshu* 1536.

in charge of promoting fair hiring practices and human rights, and instructs each business establishment to conduct fair hiring practices under the leadership of such an officer. Other indications on the administrative side point to a trend toward stricter regulations on the collection of employees' personal data.

### **3. Actual Cases Involving Collection of Personal Data**

#### **1) Health-related information**

Protection of personal data is rarely taken into consideration when it comes to information on employees' health. One explanation is that employers manage the health insurance programs of their employees, a central feature of the Japanese approach to industrial safety and health management. The Industrial Safety and Health Law provides a typical example: it requires employers to provide regular health examinations for employees. Moreover, because the responsibility of employers regarding occupational hazards is high, they are naturally interested in obtaining information about their employees' health. Since the management of employee health is seen as the employer's responsibility, information about the health of employees is regarded as necessary in fulfilling such responsibility.

According to the Industrial Safety and Health Law, employees must undergo medical examinations for items specified in the law. There have been disputes as to whether or not employees have to be examined for items that are not specified in the law. An example is the refusal of an employee to be examined at a hospital specified by the employer in accordance with office regulations and labor agreements. In this case, the Supreme Court set a judicial precedent by ruling that if an employer issues such orders, an employee must comply.<sup>2</sup> Concerning this ruling, it has been noted that a medical examination administered by a doctor — in theory — comprises a bodily invasion and that the ruling is problematic as it potentially undermines the privacy of an employee and his/her right to make their own decisions.

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<sup>2</sup> *Denshin Denwa Kosha Obihiro Kyoku v. Kaneko*, "Saiko Saibansho Dai 1 Shohotei" (Supreme Court, First Petty Bench), 13 March 1986, 470 *Rohan* 6.

Also problematic is collection of so-called sensitive health information such as information about HIV and hepatitis which might lead to discrimination, and presents the possibility of invading the privacy of an employee if handled in the same manner as regular medical examinations.

In its guidelines for how to handle HIV-positive cases in the workplace, the former Ministry of Labour wrote that employers cannot conduct HIV screening tests during the hiring process.<sup>3</sup>

More recently, there have been several court cases over HIV and hepatitis screening tests conducted by employers.<sup>4</sup> In each case, the court has ruled that collecting information about an employee's HIV status or hepatitis infection without his or her consent constitutes a violation of that employee's privacy and is illegal. The court has also made clear that even when an employer inadvertently obtains information about an employee's HIV status or hepatitis infection, the employer is not allowed to divulge such information to a third party. Moreover, according to the rulings, dismissing an employee because he/she is HIV-positive is an illegal act deviating from social decency.

## 2) Information about private life

To determine wage, welfare and pension systems in many companies, employees' families are factored into the payment of benefits. Consequently, companies gather extensive information about their employees' families. As families are becoming more diverse, however, some employees are beginning to feel uneasy — albeit gradually — about disclosing such information, which previously had been a matter of course. This is a noteworthy development. A good number of employees have refused to divulge information about their family even though this may put them at a disadvantage in the wage system. This seems to be an indication that the basic premise behind the corporate wage, welfare and pension

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<sup>3</sup> *Kihatsu* No.75, 20 February 1995.

<sup>4</sup> *Roe V. A K.K. et al.*, "Tokyo Chiho Saibansho" (District Court), 30 March 1995, 667 *Rohan* 14, *Ichiro Kono v.T Kogyo K.K. et al.*, "Chiba Chiho Saibansho" (District Court), 12 June 2000, 785 *Rohan* 10, *Tokyo Chiho Saibansho* (District Court), *Ichiro Kono v. City of Tokyo et al.*, "Tokyo Chiho Saibansho" (District Court), 28 May 2003, 852 *Rohan* 11, *A v. B*, "Tokyo Chiho Saibansho" (District Court), 20 June 2003, 854 *Rohan* 5.

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systems — the disclosure of information about the family by employees — might be fundamentally called into question in the future.

Frequently employees rotate jobs within the same firm (*haiten*), requiring relocation. Since such personnel changes significantly impact an employee's family, companies are expected to take the employee's individual circumstances into consideration when deciding personnel questions. Showing such consideration is regarded as the employers' responsibility, and consequently, they must energetically obtain information about the personal life of their employees. Employees must disclose personal data when asking for special consideration related to personnel management matters such as an exemption from working overtime, a request for paid holidays, as well as job rotation.

To date, few have questioned the practice of disclosing personal data to employers to obtain necessary time off. In fact, under the present system, employees cannot receive any special treatment they may be entitled to unless they present personal data to employer. Therefore, it can be argued that the system indirectly coerces employees to disclose personal data. It is necessary to question the appropriateness of such a system in relation to the goal of protecting employees' personal data in the future.

#### **4. Disclosure of Personnel Files**

To date, the most distinctive feature of the Japanese wage system has been the so-called seniority-based treatment for regular employees. However, a system which determines wages according to an employee's ability as measured by work performance is being introduced, albeit slowly. This is the so-called performance-based wage system.

In the performance-based wage system, wages are determined by the level of an employee's work performance, and therefore personnel evaluations play a larger role in the determination of wages. Personnel evaluation in Japan is more problematic than its counterparts in other advanced industrial nations in terms of fairness for employees. In some companies, personnel evaluations have openly been used as a tool for discrimination. For evaluations to be fair, it is essential that employees have access to their evaluation results and the reasons behind them, as well

as the objective standards used for evaluation.

To this end, an understanding should be developed that employers have a responsibility, as part of their labor contract obligations, to allow employees to view personal data on themselves. Moreover, a mechanism should be established so that employees can dispute their evaluation and demand a correction if an error has been made in either the results or the evaluation process.

Following revision of the Civil Procedural Law, the list of documents which are required to be submitted has been expanded. Consequently, there have been several lawsuits requesting documents concerning personnel data held by companies.<sup>5</sup> The majority of these cases were over wage discrepancies between male and female employees, and the plaintiffs demanded that employers open their files on wages to determine the difference between male and female employees. In such gender-based wage discrimination cases, disclosure of personnel management data is indispensable to the plaintiffs in proving that wage discrimination exists. Therefore, the expansion of the list of documents required to be submitted is extremely significant.

According to legal precedent, the court has ordered employers to present documents when they plan to disclose personnel evaluation results to employees or submit them to government agencies, which means that the court can demand that employers present documents only when they have been produced for public release or will be submitted to external groups or institutions.

## 5. PC Monitoring in the Workplace

Concerning e-mail monitoring in the workplace, the “Code of Practice on the Protection of Workers’ Personal Data” notes that employees’ privacy must be respected and protected. However, Japan is lagging behind Western nations in addressing this when it comes to e-mail monitoring.

Recently, the first two court rulings involving personal e-mail were

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<sup>5</sup> *Yokota v. Shoko Kumiai Chuo Kinko*, “Osaka Chiho Saibansho” (District Court), 24 December 1998, 760 *Rohan*, 35, *Shoko Kumiai Chuo Kinko v. Yokota*, “Osaka Koto Saibansho” (High Court), 31 March 1999, 784 *Rohan*, 86, etc.

issued.

The first case involved a female employee, the plaintiff, who had been annoyed by repeated invitations to go eating and drinking with her supervisor, the defendant. She mistakenly sent an e-mail with disparaging remarks about the supervisor, which had been meant for her husband, to the supervisor himself. This incident resulted in the defendant monitoring her e-mails.<sup>6</sup> The issue was whether or not the defendant's action constituted an invasion of the plaintiff's privacy. In its ruling, the court acknowledged that e-mail monitoring by an employer can potentially constitute an invasion of privacy if there are no office regulations against the use of e-mail for private purposes. The court indicated that it has to take into consideration the reason and method of monitoring and balance that against any losses that the employee may suffer when determining if an employer's action constitutes an invasion of privacy. The court also noted that it can only rule that such monitoring is an invasion of privacy when it is deemed to have deviated from appropriate social norms. Regarding this specific case, however, the court ruled that the defendant's actions were appropriate as he was the supervisor of an entire department, and thereby dismissed the plaintiff's case arguing that her use of company e-mail for private purposes was excessive.

The second case involved a company, the defendant, which conducted an internal investigation over anonymous slanders made against a group of employees.<sup>7</sup> The defendant suspected one employee, the plaintiff, but had no evidence. During the investigation, however, the defendant discovered a number of personal e-mails in the plaintiff's mail server and reprimanded him. In this case, the issue was whether the investigation by the defendant constituted an invasion of the employee's privacy. The court ruled that the employee's private e-mail was an act of negligence of his responsibility to devote himself to his professional duties and a violation of corporate regulations. Hence, such action, it ruled, can be subject to disciplinary measures, and an investigation to decide disciplinary measures is not illegal. The court did not deal with the aspect of an employee's privacy.

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<sup>6</sup> *Kono v. Otsukawa*, "Tokyo Chiho Saibansho" (District Court), 3 December 2002, 826 Rohan 76.

<sup>7</sup> *Kono v. Nikkei Quick Jyouthou K.K. et al.*, "Tokyo Chiho Saibansho" (District Court) 26 February 2002, 825 Rohan 50.

On a philosophical level, it is easy to accept the argument that employees should not be allowed to use office PCs for private purposes. However, work PCs are based on individual use — each employee has a password, exclusive access to his or her account, and wide room for personal discretion regarding its use. For this reason, in reality, private e-mailing does take place to a certain extent, and employers normally give implied consent as long as it does not interfere with their business operations. Especially in countries like Japan where employees tend to spend long periods at work, a total ban on private e-mails would be impractical. Private e-mailing should be regarded as negligence of devotion to one's professional duties only when it clearly interferes with work (such as when it becomes excessive). This seems to be a realistic approach.

Employers may have a right to monitor the workplace and thereby to limit the privacy of employees to a certain extent, but this should not allow them to completely disregard an employee's privacy. Depending on the method, workplace monitoring can potentially violate the privacy of employees. Clear protocols should be established regarding monitoring employees' e-mails, and monitoring should take place with prior notice. Recently software designed to find key words that represent a danger have been developed, and monitoring should be conducted primarily through the use of such software. The actual contents of an employee's e-mail should be examined only under exceptional circumstances. The aforementioned "Code of Practice on the Protection of Workers' Personal Data" stipulates that employers should examine only e-mail titles and avoid examining the contents of employees' e-mails except when absolutely necessary.

Both cases were rather unusual, and they involved situations in which the court did not allow an employee's right to privacy to play a role in the rulings (for example, the excessiveness of an employee's PC use.). Consequently, it was perhaps difficult for the court to give primacy to employees' rights in a clear-cut fashion.

## Conclusion

In Japan, legal precedent set by the aforementioned Supreme Court decision in the *Mitsubishi Jushi* Case (1973) has allowed employers to obtain a wide range of personal data from their employees. With the

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advance of the information age, however, there has been growing awareness about the need to protect personal data, and legal and administrative measures which limit the amount of personal data employers can collect have been implemented. Our society is expected to move in the direction of protecting personal data more so in the future in line with growing interest in how personal data should be collected and managed.

Among the various types of personal data, handling of health-related information raises a number of privacy protection issues. While the highly private and sensitive nature of health-related information is recognized internationally, this rarely extends to the handling of employees' health-related information because employers have certain responsibilities in the management of their employees' health, a central feature of industrial safety and health management. An important issue to be resolved in the future is striking a balance between employers' management of health programs and the newly emerging need to protect employees' personal data.

Generally speaking, an employee's right to view his/her personnel files has received little attention in Japan even though the information contained in those files might be very important for them. In Japanese labor relations, the reality is that employees must present a great amount of personal data, while it is not easy for them to view that information. The issue of access to personnel management/evaluation data is going to be especially controversial in the future as the performance-based wage system becomes more widely accepted in Japan, however, has been slow in developing mechanisms to deal with this issue. Disclosure of employees' personal data is desirable for good employee-employer relations as well, and the issue needs to be discussed further.

The problem of e-mail monitoring in the workplace is also being discussed. There have been court rulings that have recognized elements of privacy in employees' personal e-mails in the workplace, albeit in a limited fashion. In the future, a number of disputes over this issue are expected to emerge, and, in order to prevent such disputes from occurring, it is extremely important to establish a clear set of workplace rules which take employees' privacy into consideration.

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