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## **Trends in Corporate Hiring of Recent Graduates: Focus on Developments since the Global Financial Crisis\***

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What sort of trends can be seen in Japanese companies' hiring practices since the global financial crisis of 2008? The author sought to clarify this issue through quantitative analysis, employing a questionnaire survey, and qualitative analysis based on interviews conducted at 17 companies. The findings clearly showed stagnation in hiring of mid-career human resources and increased preference for hiring of new graduates. As the globalization of business progresses, Japanese companies are hiring a growing number of international students and personnel with high levels of language proficiency, but they still make recruitment of new graduates the mainstay of their hiring practices. As to why companies gravitate toward hiring young people fresh out of school, the so-called "white cloth" analogy holds that these new graduates are the equivalent of white cloth that can be dyed any color, and are thus preferred by companies seeking to imprint their in-house standards and corporate culture. The results of the author's analysis point to the validity of the "white cloth" analogy. While corporations are likely to hire more mid-career human resources as the economy improves, it appears that they will continue to rely primarily on hiring of new graduates to meet their human resource needs.

### **I. Introduction**

Solid human resources are indispensable for any company, but different companies have different needs in terms of quantity and quality of human resources. These needs vary depending on social conditions, technological advances, the business performance of the company itself, and other factors.

Several years ago, the author discussed predictions for hiring practices once Japan had recovered from its long-term economic stagnation following the early 1990s collapse of the asset bubble, based on data from interviews conducted at 12 companies (Nagano 2007). The findings showed that while the companies intended to continue prioritizing hiring of new graduates, there seemed likely to be, to a certain degree, an increasingly established practice of supplementing these human resources with more experienced candidates hired mid-career.

However, not long after this, there was enormous turmoil in the Japanese economy stemming from the bankruptcy of major US investment bank Lehman Brothers and the accompanying global financial meltdown. In March 2011, just when the after-effects of this crisis appeared to be wearing off somewhat, the Great East Japan Earthquake struck. When

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the author presented the findings upon which the current paper is based, at the Conference on Labour Policy Research held in June 2011, the nature and scope of the massive earthquake's impact on hiring had not yet become evident. However, in the aftermath of the earthquake it was abundantly clear that socioeconomic conditions had already changed dramatically in just the few years since the financial crisis.

This paper organizes and presents data on how corporate hiring practices have developed under these circumstances, and describes the outlook for the future. It should be noted that in terms of academic credentials, this paper focuses on graduates of four-year universities, the largest single category of "new graduates."

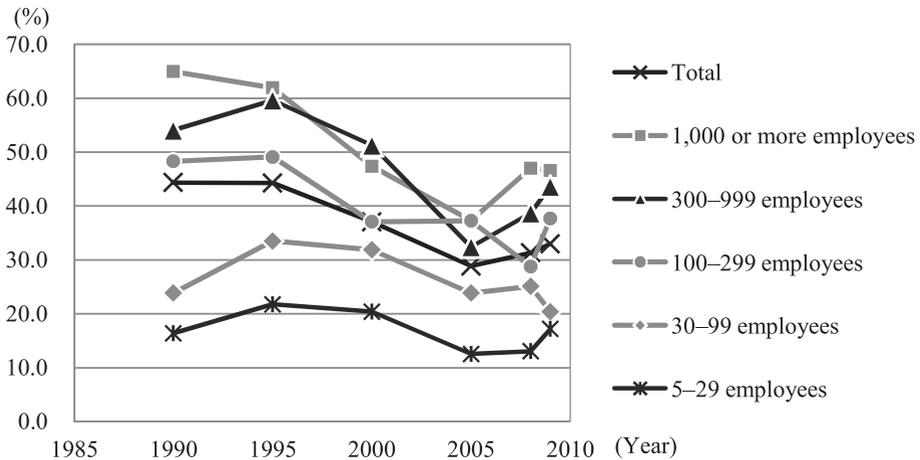
## **II. Existing Models and Trends in Hiring**

### **1. Simultaneous Hiring of New Graduates**

The prevalent hiring practice in Japan has thus far been simultaneous hiring of new graduates, with young people fresh out of university with no career experience being recruited en masse. Of course companies have also been hiring personnel that graduated less recently and have already gained professional experience, but this practice has been secondary, used to supplement companies' ranks when not enough new graduates could be hired and so forth. It is evident that companies have a strong preference for hiring new graduates as opposed to hiring personnel mid-career.

The "white cloth" analogy is an apt expression of this preference on the part of companies. This analogy says that from companies' perspective, "white cloth (i.e. new graduates) can be dyed any color, but a piece of cloth that has already been dyed (i.e. already experienced workers) is difficult to re-dye another color." The analogy serves to validate the preference for hiring new graduates.

A more sophisticated model explaining these hiring practices can be found in the Job Competition Model postulated by Thurow (1975). Thurow refers to the model employed in traditional economics as the Wage Competition Model, in which it is assumed that job seekers already possess the vocational skills necessary to perform a job, and companies aiming for efficiency seek to hire job seekers at the lowest possible wages. On the other hand, in the Job Competition Model, vocational skills are cultivated through OJT (On-the-Job Training), as stated in the Theory of Internal Labor Markets. For this reason employers prioritize hiring of job seekers that seem likely to require minimal training costs, and hire the requisite number of employees in order, according to this priority. In other words, in the Job Competition Model, the important thing for companies is not what potential recruits can already do, but what they will become able to do. This means that job seekers are motivated to take any and all steps that will elevate their desirability to employers, by even a small amount, such as obtaining higher academic credentials or attending exclusive, prestigious schools. Academic credentials serve to indicate to employers that the job seeker is highly trainable, and need not necessarily demonstrate that the job seeker already



Source: Prepared on the basis of the MHLW Survey on Employment Trends.

Figure 1. The Share of New University Graduates among All of University Graduates: By Company Size (Employment Type: Regular Employee [Excluding Part-Time Workers])

has the vocational skills required for the job. Thurow's model is a very interesting exploration of the social role of education and academic credentials as a reflection of corporate hiring practices.

Nonetheless, as described above, Nagano (2007) found that mid-career hiring was becoming increasingly prevalent, albeit to a limited extent. Let us examine what became of this trend thereafter, amid turbulent economic conditions.

## 2. Examination Based on the Survey on Employment Trends

Among governmental statistics available in Japan, the Ministry of Health, Labour and Welfare (MHLW) Survey on Employment Trends is the richest in quantitative data on corporate hiring practices. Based on data in this survey, we will examine the share of new university graduates to all of university graduates hired as regular employees.<sup>1</sup> Figure 1 shows these percentages, broken down by company size, every five years from 1990 through 2005, and in 2008 and 2009.

This graph illustrates that from 1990 through 2005, new graduates more or less consistently declined as a percentage of overall hires. However, while available statistics provide a breakdown of newly hired employees by academic credentials, they do not provide their ages. Thus, we cannot deny the possibility that the decline in new graduates as a per-

<sup>1</sup> Statistics on hiring of human resources by employment format and by academic background are not publicly released, but they may be obtained from the Statistics and Information Department, Minister's Secretariat, MHLW upon request.

centage of total hires (i.e. the increase in hiring of mid-career employees) is the result of a drop in the actual number of new graduates due to a low birth rate and aging society, and conversely a rise in the number of career-changing middle-aged and elderly employees. On the other hand, if this were the case, the trend ought to continue after 2005, but the graph shows it being reversed. In recent years, from a quantitative perspective, hiring of new graduates appears to be increasing in importance.<sup>2</sup>

### **III. Examination Based on Questionnaire Surveys of Companies**

The Meiji University Career Research Group, to which the author belongs, conducted a survey concerning hiring of new graduates and mid-career human resources in February and March 2009 by mailing questionnaires to companies.<sup>3</sup> The survey findings were as follows.

#### **1. Hiring of Regular Employees**

Table 1 shows companies' hiring of regular employees over the one year prior to the survey. In terms of "Hiring of new university graduates," about which the questionnaire inquired for two consecutive years for reasons related to the hiring schedule, there was a slight decline, but nonetheless the percentage of companies hiring new graduates was over 80% both years. Among companies that hired new graduates the average number of people hired was approximately 25, the largest among the various hiring categories. These figures indicate that hiring of new graduates forms the core of regular-employee hiring. At the same time, 75% of companies surveyed also hired mid-career human resources, and among these the average number of people hired was high at approximately 13. Mid-career hiring can also be seen as a central hiring practice among Japanese companies. Meanwhile, 42% of companies recruited regular employees from the ranks of non-regular employees.

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<sup>2</sup> It goes without saying that the percentage of new university graduates, out of all university graduates hired, varies depending on a wide range of factors. In addition to the impact of an aging society mentioned here, there may be impact from fluctuations in the number of new university graduates itself. Here, however, the author only wishes to point out the fact that the rate of hiring of new graduates has increased over the past few years, and to make inferences based on this, so these other potential factors are not taken into account.

<sup>3</sup> This survey, the "Survey on Trends in Corporate Hiring Practices," was a questionnaire survey administered by mail, targeting 5,000 companies selected from the Japan Company Handbook and Japan Company Handbook of Unlisted Companies (published by Toyokeizai Inc.) and other sources. The valid response rate was low at 9.5% (475 companies), due in part to the fact that the survey was conducted shortly after the financial crisis struck, but the number of responses was sufficient for analysis. The affiliations of the responding companies were as follows: Manufacturing 38.5%, Non-manufacturing (60.8%) (no response 0.6%). By company size: 1,000 employees or more 15.4%, 300–999 employees 32.2%, 150–299 employees 23.8%, less than 150 employees 27.6% (no response 1.1%). An overview of the survey is given in Nagano, Kiya, and Ushio (2009).

Table 1. Hiring by Category

	Companies that hired regular employees (%) (n = 475)	⇒	Number of people hired among companies hiring in categories (a)-(f)
(a) Hiring of new university graduates (Already hired in Apr. 2008)	86.7		26.6 (n = 403, $\sigma$ = 66.9)
(b) Hiring of new university graduates (Informal offer of employment effective Apr. 2009)	82.9 (Finalized offers)		25.3 (n = 389, $\sigma$ = 59.0)
(c) Hiring of recent graduates (equivalent to new university graduates) (Hired over the course of past year)	16.2		5.4 (n = 72, $\sigma$ = 13.1)
(d) Hiring of mid-career human resources (Hired over the course of past year)	74.9		13.4 (n = 329, $\sigma$ = 29.2)
(e) Acceptance of transferred employees (Hired over the course of past year)	19.6		3.9 (n = 80, $\sigma$ = 7.3)
(f) Recruitment from among non-regular employees (Hired over the course of past year)	42.3		7.1 (n = 184, $\sigma$ = 23.9)

Source: Nagano, Kiya, and Ushio (2009).

Note: The questionnaire sent contained the following notes regarding terminology:

“Hiring of recent graduates” refers to hiring of younger employees who are not new graduates, but are treated in the same way as new graduates (except for remuneration).

“Transferred employees” refers to employees who transferred to your company from a parent company, etc., on a permanent basis (i.e. are no longer in an employer-employee relationship with the prior company).

## 2. Decisive Factors in Hiring of New Graduates and Mid-Career Human Resources

What sort of differences exist between companies hiring new graduates, and those hiring mid-career human resources? Based on the findings shown in Table 1, the companies responding to the survey were classified in four categories: (i) Those hiring both new graduates and mid-career human resources, (ii) Those hiring only mid-career human resources, (iii) Those hiring only new graduates, and (iv) Those hiring neither. Multinomial logistic analysis was employed to analyze conditions correlated with individual companies' classification in one of these categories. Explanatory variables consisted of number of regular employees, sales increase index, and dummy variable for manufacturing. Here, a higher sales increase index is directly correlated to better business performance, and thus is thought to have a positive (+) impact on hiring of mid-career human resources. On the other hand, some degree of recruiting capability, including name recognition, is necessary for hiring of

Table 2. Analysis of Decisive Factors in Hiring of New Graduates and Mid-Career Human Resources: Multinomial Logistic Analysis

Ref = Hired neither (n = 21)

	Hired only mid-career human resources (n= 42)			Hired only new graduates (n= 83)			Hired both (n=280)		
	B	SE	Exp (B)	B	SE	Exp (B)	B	SE	Exp (B)
Intercept	-1.624	1.136		-.624	1.087		-1.063	1.027	
No. of regular employees	.001	.002	1.001	.007 **	.002	1.007	.007 **	.002	1.007
Sales increase index	.019 *	.009	1.020	.004	.009	1.004	.018 *	.008	1.018
Manufacturing sector dummy	-.337	.547	.714	-.542	.510	.581	-.324	.473	.723
-2 log likelihood	741.053								
$\chi^2$	84.288 **								
Cox & Snell	.180								

\* Significant at the 5% level.

\*\* Significant at the 1% level.

new graduates, and thus a larger number of regular employees is thought to have a positive (+) impact on hiring of new graduates.

Table 2 shows the results of the analysis. Sales increase index had a significant positive correlation to “Hiring of mid-career human resources only,” and number of employees had a significant positive correlation to “Hiring of new graduates only,” while both factors had a significant positive correlation to “Hiring of both new graduates and mid-career human resources.” These outcomes are as predicted.

The findings indicate that while a stagnant economy causes a decline in hiring of mid-career human resources, it has little impact on hiring of new graduates.

### 3. Differences in Priorities When Hiring

Regarding both new graduates and mid-career human resources, the survey inquired about priorities when selecting salespeople/staff and engineers respectively. Table 3 shows the three top responses given as top priority for each category and job classification.

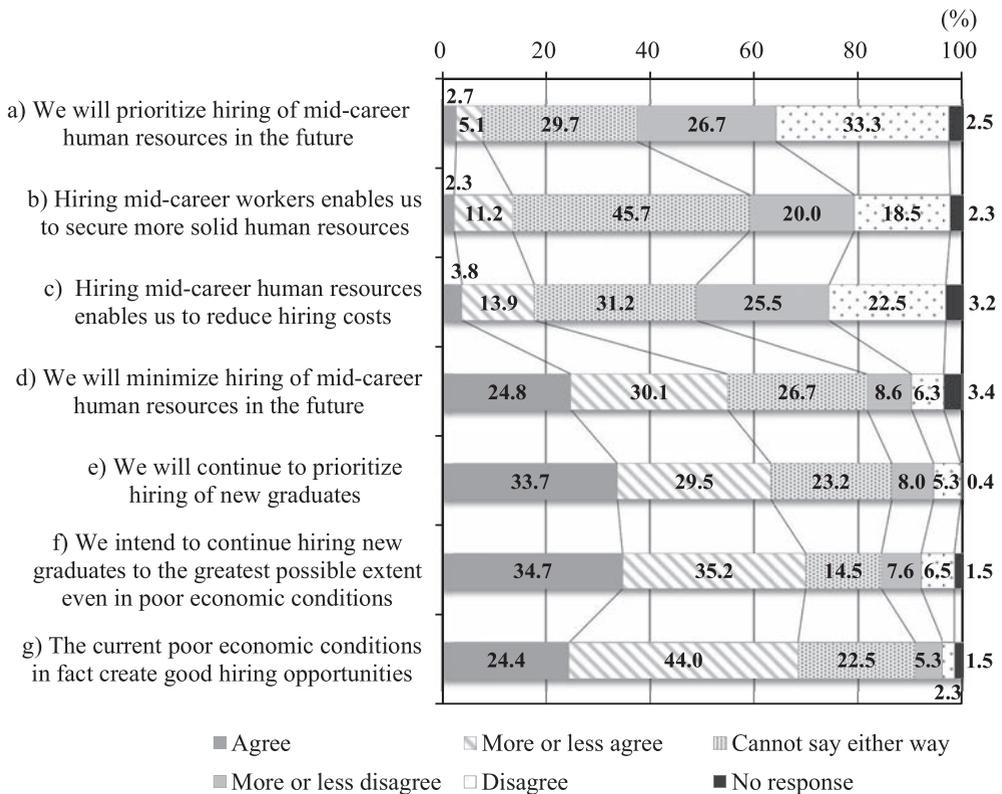
Regarding new graduates, top priority was placed on “Communicative ability” and “Drive and enthusiasm,” neither of which relate to specific vocational skills. As might be expected, “Specialized knowledge and skills” was a common response with regard to engineers (ranked third), and this constitutes a difference between the two vocational categories, but the difference in attitude toward new graduates and mid-career human resources is more pronounced than the difference between vocational categories. Notably, for mid-career human resources “Job experience” and “Specialized knowledge and skills” are more highly prioritized.

These findings demonstrate that when hiring new graduates, companies seek candidates who are highly trainable, on the assumption that their job skills will be cultivated in-house, whereas when hiring mid-career human resources they are more focused on the issues of specific experience, knowledge and skills.

**Table 3. Priorities When Selecting Human Resources**  
(Single Response, Top Three Responses Shown)

	Hiring of new graduates		Hiring of mid-career human resources	
	Salespeople/Staff n = 352	Engineers n = 285	Salespeople/Staff n = 308	Engineers n = 223
1st	Communicative ability	Drive and enthusiasm	Job experience	Job experience
2nd	Drive and enthusiasm	Communicative ability	Communicative ability	Specialized knowledge and skills
3rd	Acceptance of challenges and drive for self-improvement	Specialized knowledge and skills	Specialized knowledge and skills	Communicative ability

Source: Nagano, Kiya, and Ushio (2009).



Source: Nagano, Kiya, and Ushio (2009).

**Figure 2. Outlook for Future Hiring of Regular Employees (n = 475)**

#### 4. Views on Future Hiring Practices

What is the outlook for future hiring at the companies surveyed? Figure 2 shows the companies' degree of agreement or disagreement with various statements regarding hiring. As shown at the bottom of the figure, a large number of companies agree that, "The current poor economic conditions in fact create good hiring opportunities." With regard to hiring of new graduates versus hiring of mid-career human resources, few companies stated that they would "prioritize hiring of mid-career human resources in the future," while many stated they would "minimize hiring of mid-career human resources," "continue hiring new graduates to the greatest possible extent even in poor economic conditions," and "prioritize hiring of new graduates" in the future. The emphasis on hiring of new graduates is clear, and it seems safe to predict that hiring of mid-career human resources will remain sluggish for the foreseeable future.

### IV. Examination Based on Interviews with Companies

Do companies, in fact, prioritize hiring of new graduates, and if so why? Conversely, why do they refrain from hiring mid-career human resources? Are any new trends in hiring evident? To answer these questions, interviews with companies regarding hiring practices were conducted between December 2009 and May 2011. The 17 companies surveyed are shown in Table 4. On this table the letter "L" indicates large companies with approximately 5,000 employees or more, "M" indicates medium-to-large companies between 500 and several thousand employees, and "S" indicates small to mid-sized companies with employees numbering less than 500. "F" refers to foreign-affiliated companies. Companies were categorized according to size because it was predicted that they would adopt different hiring practices in line with their greatly differing positions in the employment market. Foreign-affiliated companies were included so as to compare their practices with those of Japanese companies.

The interviews were in semi-structured format and lasted approximately an hour each. It should be noted that among the 17 companies, some were asked primarily about hiring of new graduates while others were asked primarily about hiring of mid-career human resources, and the same comprehensive set of information was not necessarily obtained from all companies.

#### 1. Hiring and Training of New Graduates

Of the 17 companies interviewed, 15 hired new university graduates, with the two exceptions being those indicated as S<sub>2</sub> and F<sub>2</sub> on the table. In addition to representatives of large companies such as L<sub>2</sub>, who stated that "the company will continue hiring new graduates on an ongoing basis, even if the economy is poor, so as to maintain consistent age distribution in the future and ensure skills and techniques are handed down," interviewees from small and mid-sized companies (S<sub>4</sub>, S<sub>6</sub>) also stated that their "basic hiring policy is to recruit

Table 4. Companies Interviewed

Company code	Sector	Hiring (no. of employees hired, when available)			Month of survey
		New university graduates	New high school, etc. graduates	Mid-career personnel	
L <sub>1</sub>	Manufacturing	400	20	10	Mar-11
L <sub>2</sub>	Manufacturing	250	Yes	100	Apr-11
L <sub>3</sub>	Manufacturing	750	Yes	20	Dec-10
L <sub>4</sub>	Manufacturing	540			Jul-10
L <sub>5</sub>	Financial	600	0	Almost none	Apr-11
M <sub>1</sub>	Manufacturing	50	10	50	Mar-11
M <sub>2</sub>	Manufacturing	38	6	100	Mar-11
M <sub>3</sub>	Information services	60	0	0	Feb-11
M <sub>4</sub>	Financial	60	Yes	0	Apr-11
S <sub>1</sub>	Construction	10	10	14	Dec-09
S <sub>2</sub>	Manufacturing	0	9	1	Dec-10
S <sub>3</sub>	Manufacturing	3	1	2	Mar-10
S <sub>4</sub>	Manufacturing	8	10	4	Dec-09
S <sub>5</sub>	Manufacturing	20		Yes	Feb-10
S <sub>6</sub>	Trading	12	0	4	Jan-10
F <sub>1</sub>	Manufacturing	80		100	Mar-11
F <sub>2</sub>	Manufacturing	0	0	50	May-11

*Notes:* 1. Company codes: L = large companies with approx. 5,000 employees or more, M = medium-to-large companies between 500–5,000 employees, S = small to mid-sized companies with less than 500 employees, F = foreign-affiliated companies.

2. Foreign-affiliated (F) companies are in the M (500–5,000 employees) range.

3. Numbers of employees hired are estimates.

and train new graduates.” There is evidently a strong desire to train human resources from the ground up, in-house.

Regarding reasons for preferring to hire and train new graduates, there were views such as those of M<sub>1</sub>, “We place a priority on instilling our corporate values in employees, and new graduates more smoothly and readily absorb these values,” and S<sub>1</sub>: “Experienced employees are able to carry out tasks competently, but it creates problems when their criteria for decision-making on the job differ from our own. With new graduates, we can have senior employees or supervisors convey the company’s point of view to them as needed,

and they naturally get a sense of the decision-making criteria we employ.” These observations reflect precisely the mindset described in the “white cloth” analogy. Another company ( $F_1$ ) emphasized the benefits of training employees in-house, noting that “sustainable growth depends on maintaining the proper environment and atmosphere for cultivation of human resources.”

However, in-house training of human resources entails costs. Company  $F_2$ , which did not hire new graduates, said that “new graduates constitute a pool of human resources with great potential, but we do not hire them, as training them from scratch is too great a challenge.” Nagano (2007) points out that “when hiring new graduates, they must be hired constantly in more or less consistent numbers in order to secure an excellent pool of human resources,” but it is apparent that post-hiring training costs are also a factor in determining whether or not companies hire new graduates. The other company that did not hire new graduates,  $S_2$ , claimed that they “are unable to hire new graduates when the economic outlook is so dim, and what’s more, our existing workforce does not particularly want them as they are not easy to train and cultivate.”

## 2. Trends in Hiring of Mid-Career Human Resources

By contrast, hiring of mid-career human resources has sharply declined since the global financial crisis of 2008. Company  $L_1$  stated that “Until around 2009, we recruited mid-career human resources on the Internet on an ongoing basis so as to even out age distribution and secure employees with immediately applicable skills, hiring about 200 to 300 people a year. However, we revised this policy amid a drastic worsening of the business climate. This year we originally intended to hire no mid-career staff whatsoever, but ended up hiring 10 people to meet pressing human resource needs. This is a far cry from where we were prior to the financial meltdown. Next year, we intend once again to hire a minimal number of mid-career candidates in certain key fields only.” Other large companies ( $L_2$ ,  $L_3$ ) also expressed their intention to limit hiring of mid-career human resources to areas where needs could not be met in-house, such as new fields.

On the other hand, not all companies are seeing their business performance slump. Company  $M_1$  stated that while their basic policy was to focus on hiring new graduates, they also intended to “hire mid-career human resources so as to expand our business.” Meanwhile, small and mid-sized companies made many observations such as “We hire mid-career human resources as we have a large volume of work, are short of hands, and have difficulty attracting new graduates due to our low level of name recognition” ( $S_3$ ), or “We hire mid-career human resources when unable to secure the necessary number of new graduates” ( $S_5$ ). While it is undoubtedly true that business performance has a strong impact on hiring of mid-career human resources, it is also evident that many companies, small and mid-sized ones in particular, are compelled to rely on mid-career human resources due to inability to recruit new graduates.

Incidentally, many workers hired mid-career are unable to handle their new tasks us-

ing only the experience they have amassed thus far. For this reason some companies ( $S_3$ ,  $F_2$ ) have such employees undergo three months of training at a plant after hiring. Even so, according to  $F_2$ , “training costs are lower than those for new graduates.” On the other hand  $M_3$ , which elected not to hire mid-career human resources this year, said their reason for doing so was that “many of these employees did not develop their skills to the degree we expected.” The same viewpoint is often phrased in opposite terms, i.e. “New graduates have more potential to develop their skills than already experienced workers.” In the view of company  $F_2$ , “Mid-career human resources are hired in order to perform specific tasks, and when recruiting them, we prefer people who are already capable of completing these tasks or will soon become capable of completing them. This means it can be difficult to get everybody working together as a team, or to assign the employees new or more challenging tasks when the assigned ones are completed.” This observation illustrates some of the issues surrounding hiring of mid-career human resources.

Also, the possibility that many mid-career human resources in the labor market are those who have an innate tendency to change jobs cannot be denied. For this reason the majority of companies are concerned with job candidates’ reasons for leaving their former place of employment, and say that they approach mid-career job seekers with caution, especially when they have changed employers numerous times.

### 3. New Trends in Hiring of New Graduates

The practice of hiring new graduates is often thought of as a way to ensure consistent quality of human resources and facilitate efficient training thereafter. However, perhaps to compensate for the above-described drastic decline in hiring of mid-career human resources, some companies appear to be intentionally hiring new graduates that differ qualitatively from their current workforce and bring unprecedented assets to the company. For example, company  $M_3$  mentioned hiring adventurous employees ready to accept challenges in addition to the serious, diligent types that have heretofore made up the majority of their workforce, while  $L_5$  described “hiring people with strong individual character or sharp perceptions, even if they may not be so well-rounded, to avoid selecting nothing but ‘whiz-kid’ types, as tends to occur when hiring criteria are raised due to a large number of applicants.”

Meanwhile, with regard to hiring of engineering (science-oriented) human resources, some large companies ( $L_2$ ,  $L_3$ ) have introduced a job-matching system that determines in advance which division a job seeker applies for. This means the interviewing and selection process is centered on the division itself, and has advantages in that supervisors can select their future subordinates and students can select their future jobs, reducing instances of newly hired employees being ill-suited to their tasks or workplaces. On the other hand, while it is generally thought that academic achievements and specialization are not emphasized in hiring of office (humanities-oriented) human resources,<sup>4</sup> some companies ( $L_1$ ) are

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<sup>4</sup> In the survey by the author mentioned in the previous section, as well, “Specialized knowledge”

now providing a space on job applications for “key areas of academic achievement,” and inquiring about areas of expertise. This emerging trend toward considering existing expertise stands in contrast to the status quo, where hiring of new graduates has meant focusing on latent potential.

Incidentally, the above-described trend toward seeking out diverse human resources is contributing to a rise in hiring of international students. In line with the increasing globalization of business, international students attending Japanese universities accounted for close to 10% of new hires at a number of the large companies surveyed. International students are generally thought of as acting as a bridge between Japan and their home countries, but in recent years, companies have also been hiring them for the express purpose of boosting diversity within their own ranks. In such cases, Japanese language proficiency is usually a prerequisite for hiring. For example, at company L<sub>4</sub>, “in the past we believed that speakers of foreign languages would diversify and internationalize the company, and so we hired promising candidates even if their Japanese ability was low. However, in the end these employees were unable to produce results, as they could not deal with customers. For this reason, we now have non-Japanese job seekers take the same tests as Japanese applicants.” With regard to international students, a large number of respondents praised their highly professional attitudes and willingness to take the initiative and take on challenges.

Another effect of globalization has been an increase in the number of companies seeking Japanese university students who are willing and able to work overseas. Particularly in the already highly internationalized manufacturing sector, a considerable number of companies (L<sub>1</sub>, L<sub>2</sub>, L<sub>3</sub>, M<sub>1</sub>) required office staff to “assume that they may be dispatched overseas, and not view this as something to avoid.” However, among the companies surveyed, there were none that used scores on language proficiency tests such as TOEIC as criteria for hiring.

#### 4. Innovations in Hiring Practices

As a matter of Japanese national policy to improve hiring of young people, companies are now encouraged to view young people who graduated in the past three years as “new graduates.” However, from the companies’ perspective, this policy has had little impact. This is because the vast majority of them state that while they are happy to accept applications from such job seekers, they will not actually hire them unless the applicant has been doing something “worthwhile” since graduating. This is a positive development for young people who are seeking jobs a couple of years after graduating, rather than while still in university, because they have been studying abroad or doing some other activity aimed at self-improvement. However, if this policy is aimed at helping university students who were simply unable to find jobs while in university, the companies’ statements indicate that the

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was negligible as a criterion for hiring of humanities-oriented human resources. In Nagano (2004), however, it was found that university students with high levels of academic achievement had higher rates of success in job seeking than their counterparts with low levels of achievement.

policy has little promise.

Another development is the introduction by some companies of internships that lead directly to employment, in contrast to the current status of internships as not directly related to job seeking. One company offers internships in summer and in spring, with the spring internship (in February) acting as a route potentially leading directly to employment. Internship hopefuls apply in January and are selected, work as interns, and if their performance is evaluated positively, are given informal offers of employment. While it is still early in the hiring process and an informal offer is not guaranteed to lead to actual hiring, the company believes the program is an effective way of avoiding mismatching of employees and jobs. Incidentally, during the normal hiring process, the same company gives candidates coming for second interviews the opportunity to walk freely around company premises on the morning of the day the second interview is conducted, and talk freely with employees. This is also aimed at eliminating mismatches. There has been an overwhelmingly positive response from students, who say they were “happy to be able to gain a clear image of what the job would be like.” It should be noted here that under current circumstances it is difficult for large corporations to offer internships leading directly to employment, due in part to the stipulations of the Keidanren (Japan Business Federation) charter of corporate ethics on recruitment and employment of new college graduates.

In one foreign-affiliated company’s case ( $F_2$ ), internships do not lead directly to employment, but students that completed internships at the company have gone on to apply for jobs there, and been hired. The parent company is a well-known one in its home country (Germany), and some students come from Germany to Japan to intern at the Japanese arm of the company. Thus far, two have gone on to seek employment at the company and are currently working there.

Internships require expenditures of time and money, and for large corporations that hire large numbers of employees it is impossible to meet all human resource needs through internships. However, it seems necessary to consider internships as one route to employment so as to reduce mismatching of employees and jobs.

## **V. Summary**

This paper has examined trends in corporate hiring practices since the global financial crisis, based on the results of surveys. The most notable finding was that the preference for hiring new graduates has grown stronger, especially at large corporations. This paper’s quantitative analysis showed that companies do not hire mid-career human resources when their business performance is poor, so the trend toward hiring new graduates makes perfect sense in light of economic conditions since the financial crisis.

What should be explored are companies’ reasons for preferring to hire new graduates. As the “white cloth” analogy points out, one factor is new graduates’ perceived ability to absorb the mindsets of their employers. Also, there is a disadvantage to hiring mid-career

human resources, in that the immediate criteria and prerequisites for hiring are so clearly stated that it is difficult to look at the “big picture” and take these candidates’ future career development into account when hiring them. It is clear that companies perceive hiring and in-house training of new graduates as the most effective way to secure solid human resources.

At the same time, some companies surveyed were continuing to hire mid-career human resources, and some indeed depended on them. Also, it is perhaps obvious that if the economy improves, even large corporations that are currently paring down their hiring numbers will once again show increased willingness to hire mid-career human resources. In such cases there is a need to examine not only mid-career candidates’ ability to perform the tasks immediately at hand, but also at their long-term career potential. It should be noted that during times of economic stagnation, the number of university graduates forced into unsuitable jobs out of necessity increases. If the economy improves they may have the opportunity to change employers, and at last, as mid-career human resources, get jobs that suit them. For this reason, it is necessary for them to prepare and boost their skills before this time arrives.

The practice of hiring large numbers of new graduates at one time is partially aimed at reducing costs and as such may be effective. However, when the importance of hiring solid human resources is considered, it seems clear that the selection process should take time and produce results acceptable to both the company and the employee. For this reason the author believes that internships should be adopted as one approach to securing human resources.

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