

II. Hiring Management

(JAPAN)

1. Planning for Required Personnel and Job Design

- Personnel divisions are in charge of all matters about hiring, ranging from personnel cost training and the management of clerical affairs.

There are mainly two planning functions for required personnel: One is the quality and quantity of human resources required for developing business. The other is promoting these plans on a daily basis. At Japanese companies, the personnel division is in charge of all these functions.

Concretely, personnel divisions are also responsible for a series of activities consisting of stationing, job rotation, temporary transfer to another workplace or company, employment transfer to another company, and retirement. Planning for required personnel is made considering the total mass of labor force that would be able to decide matters concerning not only about regular employees, but also the irregular ones and temporary workers and requests for workers from outside sources. It also requires making the most effective choices for business. Then the division promotes those activities following the plan.

Job Design

- Depending on the circumstances of the company, jobs are sometimes flexibly designed, and personally formed.

At Japanese companies, rather than the idea of applying the labor force to specific jobs, job definition tends to be vague. Even if the business environment changes, the company has to secure and maintain its staff. Therefore, a person's specific job is flexibly designed and might change depending on the business strategy and the circumstances.

Planning for Required Personnel

- While short-term consideration might be given to mid-career hiring for immediate use depending on the business situation, basically the planning for required personnel is mid- or long-term and focused on the periodic hiring of new graduates.

Japanese companies mainly conduct the periodic hiring of young people (new graduates) under the premise of long-term employment, having to adapt to occasional market and economic trends. However, planning for required personnel is often influenced by short-term considerations and the company's business situation. Therefore, many of them hire the flow-type personnel (peripheral employees) to secure a certain portion of labor required. Recently, companies are hiring mid-career persons, temporary workers, and contract workers to achieve its business strategy, reducing labor costs as much as possible.

[For reference]

<Standards for Hiring New graduates>

Rather than hiring new graduates for a specific job, the average Japanese company hires these people from the viewpoint of their potential and their future possibilities, under the premise that they will undergo OJT after being hired. (Importance is not often given to a person's major field of study at the school.)

Also, since people are hired under the premise of long-term employment, importance is also given to an individual's personality, from the viewpoint of whether or not he or she is a person with whom coworkers will be able to get along with over the long term.

[Standards for hiring(examples)]

“Enthusiasm,” “desire,” “ability to understand and judge things,” “ability to cooperate with others and sense of balance,” “common sense, culture,” etc.

2. Entry Process

- The periodic hiring of new graduates is common practice and is conducted different process from mid-career hiring.

When a company tries to hire employees, its recruiting activities are determined by regulations of the Employment Security Act. So, the entry process performed through fee-charging employment exchanges and public employment security offices (including human banks and those which place people seeking part-time jobs), recruitment based on applications, direct recruitment and consignment recruitment are all regulated by that act.

Japanese companies, where the periodic hiring of new graduates “en masse” is a common practice, employ different methods for recruiting new graduates and recruiting people who are hired at mid-career. When it comes to mid-career hiring, they often clarify the necessary requirements. However, the requirements of new graduates are sometimes unclear.

Since the personnel division handles all personnel management, it is rare public recruiting from within the company.

Main Methods of Entry Process

Type of Entry Process		Method	Main Target
School	Recommendation from school (through public employment security offices)	A job order is sent through the public employment security office, and a decision is made based on a school recommendation. Continuing relationships are often established. This takes place around fall.	New graduates (junior high/ high school)
	Recommendation from school (job placement office at school)	A job order is submitted to the job placement office at the desired school. The student might be recruited directly, or through the job placement office.	New graduates (college/university level or above)
	Recommendation from professor (laboratory)	A decision is made based on the professors’ recommendations at each company. Continuing relationships are often established.	New graduates (mainly in the field of science, and graduate school students)
	Company introduction meetings	These are held to conduct public relations among a wide sector of students. In many cases interviews are not conducted.	New graduates

Type of Entry process		Method	Main Target
Outside the Company	Referral Connections	Applicants are recruited through business connections.	Mid-career hiring (managerial positions, engineers)
	Want ads	Want ads are placed in newspapers (including trade newspapers) and magazines.	New graduates Mid-career hiring
	Direct mail	Information about the company is sent out via direct mail to new graduates.	New graduates (Mainly university graduates)
	Private Human Bank (employment agencies, outplacement agencies, etc.) including private employment agencies and worker dispatch)	Referrals of workers	Mid-career hiring (Managerial positions, engineers) *Transfer of employees might include new graduates.
	Employment exchange service	Public employment agencies (including human banks and part-timer banks) Employment exchange by labor unions	Mid-career hiring
	Job fair	Company introduction meetings are held and several companies under the sponsorship of the Chamber of Commerce and Industry and employment agencies hold interviews.	New graduates Mid-career hiring

[Points for consideration]

Some companies do not hire people who have blood relatives in the company or in the same division.

~~ Coffee Break ~~

Topic 1: Period of Recruitment of New graduates

When Japanese companies hire employees, they most commonly hire new graduates. In the past, there were gentlemen's agreements ("employment arrangements") made for job conventions between industry and university representatives, and arrangements were made regarding the time schedules of company introduction meetings, contact with recruiters, screening and informal hiring. However, this practice was greatly abused, with these agreements not being sufficiently observed, and with people jumping the gun to grab the best students and binding means being employed to do so. Then, this practice was discontinued in 1997. Since then, the hiring period has differed from company to company and industry to industry, but companies informally decide with their own free will which people they will formally hire on October 1. (The Ethics Charter)

Since the discontinuance of the practice of employment arrangements, there has been a trend for companies to hire sooner and to spend longer periods of time in their hiring activities. It used to be common for companies to begin their hiring activities for the hiring of new graduates around March or April, for students who plan to graduate in March of the following year. These students were usually hired "en masse". Presently, however, due to the participation of foreign-owned companies in the hiring arena, companies are doing their hiring early.

Topic 2: Transfer of Jobs to Other Companies Among People Who Have Been Hired at Mid-career

While recently there has been a trend among companies for an increase in the number of mid-career hiring, many of these employees are transferring their jobs to other companies in the same industry. In fact, it is difficult to hire talented people from other companies in the same industry. In order to prevent the leaking of company secrets, there are some companies that prevent employees from working at a competitor company after leaving the company. (They have contracts with their employees that do not allow them going to work at a company in the same industry for a certain period of time after they have left it.)

[Judicial precedent]

Employees are restricted from working at a competitor company "for a reasonable period of time" after leaving. It is generally determined by the following factors:

- Prohibited period
- Sphere of location
- Type of occupation the person in question has left
- Whether or not the person in question receives compensation

[Trends during recent years]

<Increase in transfer of jobs to other companies among younger age groups>

With an increase in the activities of human banks and private employment agencies, in recent years it has become easier to secure employees among younger age groups. There is particularly a great deal of hiring through private employment agencies for managerial positions at foreign-owned companies in Japan. Recently, people are hired at mid-career through human banks and executive search companies.

<Recruiting through the Internet>

As the Internet has become more and more widespread, there has been an increase in the number of companies that put recruiting information on their web site. Since there are companies that accept applications directly through their web site, the Internet is now becoming a main method of public recruiting. However, since it has now become easy for applicants to access these web sites, during the recruiting period for new graduates there has been a radical increase in the number of applicants when compared to the past, and popular companies now face the task of making the processes of document screening and hiring more efficient.

<Recruiting by Individual Job Type>

It used to be common practice for companies to hire new graduates “en masse”, without making an issue of job type. However, people of the younger age groups are now changing from having a sense of going to work for a “company,” to going to work at a “job.” In the past, it used to be a policy among Japanese companies to train new graduates by letting them experience a variety of different jobs after being hired. However, with the introduction of business division system, and the increased necessity for fostering expertise, there are now companies which are hiring new graduates by individual job type, including financial affairs, accounting, personnel affairs, international business, product planning and system development, just as they do for people who are hired at mid-career.

<System of Public Recruiting within the Company, and the FA System>

There are some companies that have introduced systems by which employees are able to undergo job rotation within the same company after applying for that. In the past, although the personnel division would consider an employee’s desire for job rotation, which was expressed by such means as periodic applications filled by an employee on for this purpose, job rotation was decided by the initiative of the personnel division. This was to activate and promote the balance of demand and supply of labor force in the company and prevent motivated employees with superior skills from leaving the company as a result of the diversification and specialization of business, the diversification of worker’s job consciousness, and increasing mid-career hiring.

<Hiring Throughout the Year>

In Japan, it was common practice for companies to hire new graduates “en masse” in April. Now, they introduced systems for “hiring throughout the year” (several times). These companies hope that hiring throughout the year will have the effect of enabling them to actively hire an increasing number of university students who attend undergraduate and graduate schools overseas, as well as people of superior talent.

<Recruiting Secondary New graduates>

Now, there are companies that, in addition to recruiting new graduates for a given year, recruit secondary new graduates (people who have transferred their employment to another company within several years after graduating from school). A secondary new graduate is a person who, after actually starting to work at a company, leaves that job within several years after starting there as a new graduate, and tries to find employment elsewhere, because he/she was unable to utilize his/her skills, or because that person was not assigned to a position which he/she wanted, or for some other reason. Companies expect that a secondary new graduate will have the basic common knowledge of a full-fledged member of society and will be a young employee who actively works. Companies often do not make experience an issue for secondary new graduates. They often distinguish secondary new graduates from people who are hired at mid-career and for whom the required specifications have been clarified. Besides, they often treat secondary new graduates as they do with new graduates.

3. Screening Process

- The personnel division has the authority to hire and generally handles the entire hiring process.

It is common practice for the personnel division at Japanese companies to handle the entire hiring process, taking into accounts the surpluses or shortages in various workplaces. Line managers are simply involved in the interviewing process rather than determining if the candidate is suitable for a specific job. It is a distinguishing feature of Japanese companies to place more importance on assessing a probable new employee, to determine if that person would be able to act in a suitable manner as a member of the company.

Detailed Screening Process

- The process of hiring is basically different for new graduates and people who are hired at mid-career.
- Generally, application documents include date of birth, date of completion of last educational course, and a photograph.

- Screening for Hiring New graduates

Generally, this process often entails (1) resume screening, (2) screening by written examination and (3) screening by interview. After the resume screening to eliminate inappropriateness from the recruiting conditions, the job candidates are narrowed down through a written examination to test intelligence, aptitude and character. After this, the students are interviewed. Everything will be assessed, from self-introduction and motivation for applying for the job, his/her general character and how that student will be able to display his/her skills at the company. Importance is seldom placed on a student's major field of study at school.

- Screening of People Who Are Hired at Mid-career

Generally, this process entails (1) resume screening and (2) screening by interview. Instead of a written examination, in the process of screening the applicants based on resume and an interview, it is common practice to have the applicants submit resumes indicating their work experience, with some aspects as their careers and job performance; thus, allowing such data to be closely scrutinized.

[For reference]

<Reference Check>

It is common for Japanese companies to consider applicants who have changed jobs many times as problematic people. In order to check if the applicant is not in the habit to repeatedly change jobs, or has not committed any mistakes on the job at his/her previous company, nor leaved that company as a result of some kind of trouble, sometimes companies check the number of times the person in question has changed jobs and the reason why the applicant left his/her previous company.

<Personal Reference>

When hiring a new employee, many Japanese companies exchange contracts (“personal references”) between “a guarantor and an employer” by which the guarantor agrees to compensate for any damages the company may incur as a result of the behavior of the person being hired, if the person hired is not able to settle the matter of his/her own accord.

[Related laws and systems]

A personal status guarantee contract is usually valid for a period of 3 years. A 5-year period is also possible. (Articles 1, 2, 3 and 5 of the Personal Status Guarantee Law).

<Orientation Period>

Since there are no legal stipulations, companies are free to institute an orientation period or not to do so. However, in order to determine whether or not a worker is suited for the company, companies often institute an “orientation period.” The orientation period is considered to be a kind of employment agreement by which the right to dismiss an employee is retained by the employer, and refusing to formally hire an employee after the orientation period is over is equivalent to dismissing that employee.

[Judicial precedent]

The exercising of the right to dismiss an employee is only permitted if there appears to be a rational reason, and it would be generally accepted by society.

[Points for consideration]

<Dismissal during orientation period>

If a person is to be dismissed after his/her fourteenth day working at the company, the company must either notify the dismissal 30 days in advance or pay that person an amount which is equivalent to 30 days’ salary as a dismissal allowance, even if this dismissal takes place during the orientation period. (Article 21, Labor Standards Law)

~~Coffee Break~~

Topic 3: Clear Statement of Working Conditions

Formerly in Japan it was not generally a custom for both employers and employees to make a written contract at the time of hiring. Accordingly, there could be a situation in which the employee would work without knowing the details of his/her working conditions. In order to prevent the occurrence of such troubles, the Labor Standards Law obligates the employer to clarify to the employee all working conditions when concluding a contract of employment with that employee (Clear Statement of Working Conditions).

Working conditions are often indicated in the work rules. So, the portions involving directly the employee are often validated after they have been clarified.

Topic 4: Informal Hiring

It is a custom among many Japanese companies to periodically hire new graduates on April 1, which is around the time they graduate.

Although the company and the student will still consider the matter conditional at the time that a notification of informal hiring reaches the later, the labor agreement between them is considered to be in effect at that time. However, the company can cancel this labor agreement if it has a rational reason to do so by or before the date the employee has been actually installed in the company (employment contract with the reservation of the right to cancel by or before the date the employee is to be installed in the company).

-Conditions for Canceling an Informal Hiring Agreement

The conditions under which a company can cancel an informal hiring agreement are restricted as follows: “There was something that the company had no way of knowing about when it informally agreed to hire the person in question, or there was something it would have been impossible for the company to be expected to know about in advance. And it has been clearly, objectively and rationally acknowledged that this is the reason for the company’s purport and/or objective in reserving the right to cancel the agreement, and that in doing so is recognized to be in line with generally accepted ideas in society.” Based on general judgment, including a judicial precedent that (generally speaking, it is not acceptable for a company to cancel an informal hiring agreement due to poor business showings at that company), the judgment pertaining to a company’s exercising of the right to cancel the agreement tends to be strict.

[Related laws and systems]

According to the provision titled “Guidance on Employment Methods” (Article 54) of the Employment Security Act, based on the “system of advance notification regarding the cancellation of the hiring of new graduates,” “in order to cancel an informal hiring agreement by or before the date that the person being hired is to be installed in the company, or in order to extend that date, the company must make this matter known in advance to the chief of the public employment security office which has jurisdiction over that company. Also, after receiving this notification, the chief of the public employment security office might give the guidance to the company regarding this evasion.” (Article 526, Civil Law; based on No. 134 issued on June 24, 1993)

[Points for consideration]

<Extending the Orientation Period>

Long orientation periods are considered invalid for being in violation of public order and good customs. The maximum rational period allotted for making judgment is around 6 months, and the normal period is around 3 months. A company cannot extend an orientation period unless there is an exceptional provision in the existing work rules for extending it. Also, generally speaking, it is prohibited to establish an orientation period for an employee while that one is employed.

[Related laws and systems]: Articles 14, 19, and 20, Labor Standards Law

[Trends during recent years]

At an interview, making an applicant answer questions or present documents which are unrelated to the applicant’s aptitude or skills is a violation of basic human rights under the constitution, and it is linked to job discrimination.

[Non-appropriate questions at an interview]

- Questions about birthplace, foreign nationality, disability, a fatherless home, a motherless home, part-time course (educational background), correspondence course (educational background), specific thoughts, and questions which exclude a person of faith
- Questions which are unrelated to the applicant’s skills