

KEY TOPIC

Human Resources Development according to Diversified Working Styles

MHLW's White Paper on the Labor Economy 2018

The Ministry of Health, Labour and Welfare (MHLW) issued its white paper, *Analysis of the Labour Economy 2018*, on September 28, 2018. The topic of this 70th white paper is “Human Resources Development according to Diversified Working Styles.”

The white paper states that promoting investment in human resources, as well as in capital, is important for Japan, a nation grappling with labor supply restrictions brought by a declining birthrate and aging society. It suggests that promoting “work style reform” that allows diverse human resources to select flexible working styles in accordance with their individual circumstances and raising the labor productivity of each individual will be essential for the nation’s sustainable economic growth.

Japan’s low labor productivity

Japan ranked the lowest among the G7 nations in both nominal and real labor productivity in average of five years from 2012 to 2016. Its real labor productivity was less than 45 dollars per labor input, or 70% of the figures of France, Germany, and the United States, which were at high levels. However, the white paper points out that real labor productivity is sluggish among all of the G7 nations. As for the rates of increase from 1996 to 2000, those for Germany, the US, France, and the United Kingdom were around 2%, while that for Japan was also above 1.5%. Thereafter, real labor productivity showed a lower increase internationally from 2006 to 2010, a period that included the financial crisis sparked by Lehman Brothers’ bankruptcy. From 2011 to 2016, the rates of increase for Germany, the US, France, and the UK stood at under 1%, while that for Japan was also just above 0.5%. The white

paper suggested that investment in people as well as in IT capital should be promoted in order to improve labor productivity.

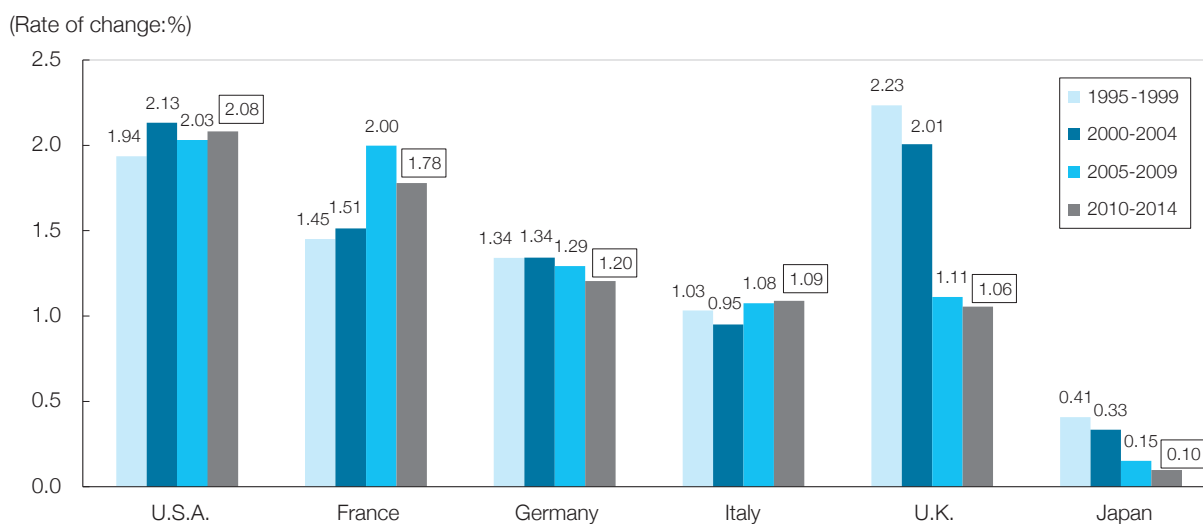
Declining investment in skills development

The white paper points out that the percentages of skills development expenditure of enterprises that make up GDP (an estimate of the amount spent for off-the-job training [OFF-JT], not including that for on-the-job training [OJT]) are falling in each country; however, Japan’s percentage is at a conspicuously low level (Figure 1). In fact, from 2010 to 2014, the percentages were 2.08% for the US, 1.78% for France, 1.20% for Germany, 1.09% for Italy, 1.06% for the UK, and 0.10% for Japan. In the cases of Germany, the UK, and Japan, the percentages have continued to decrease since the period from 1995 to 1999. Compared to the period from 1995 to 1999, the period from 2010 to 2014 shows decreases of 0.14 percentage points for Germany, 1.17 percentage points for the UK, and 0.31 percentage points for Japan. The white paper states that there are concerns that human capital is not being sufficiently accumulated among Japanese workers and, as a result, this will be a factor that hinders improvements in labor productivity in the long term.

Skills development raises sales and productivity

Regarding the effects that expenditure for skills development have on enterprises’ performance, the white paper points out that expenditures for Off-JT and support for employees’ self-development (*jiko keihatsu*)¹ have a positive effect on statistical significance vis-à-vis enterprises’ performance

1. “Corporate In-house Education and Training and Career Formation in Japan (Part I): In-house Skills Development,” *Japan Labor Issues* vol. 2, no. 10, contains a detailed explanation of skills development and career formation in Japanese enterprises.



Source: Prepared based on data estimated by Professor Tsutomu Miyakawa (Gakushuin University) using the Cabinet Office's *National Accounts of Japan*, JIP Database, and INTAN-Invest database.

Note: The figure shows changes in the five-year averages of skills development expenditure's share to real GDP. Skills development expenditure in the figure refers to the amount for OFF-JT, which indicates training and other expenditures both inside and outside the company, and does not include expenditures needed for OJT.

Figure 1. International comparison of the skills development expenditure share to GDP (gross domestic product)

in terms of the following year's sales and labor productivity. It further points out that support for self-development is likely to be more effective than Off-JT when the impact of effects are compared.

Additionally, noting the results of a JILPT analysis, *Survey of the current state and challenges of human resources development and skills development (2017)*, the white paper indicated that enterprises with relatively more OJT-related initiatives² have among them a higher percentage of enterprises that recognize that human resources development leads to better productivity.

Systematic OJT is effective for improving productivity

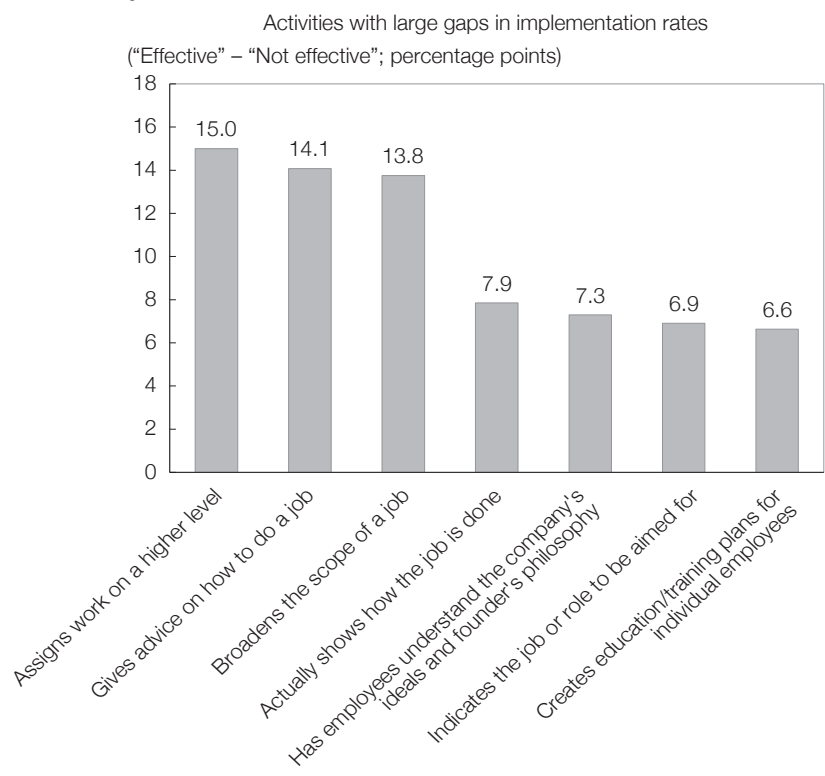
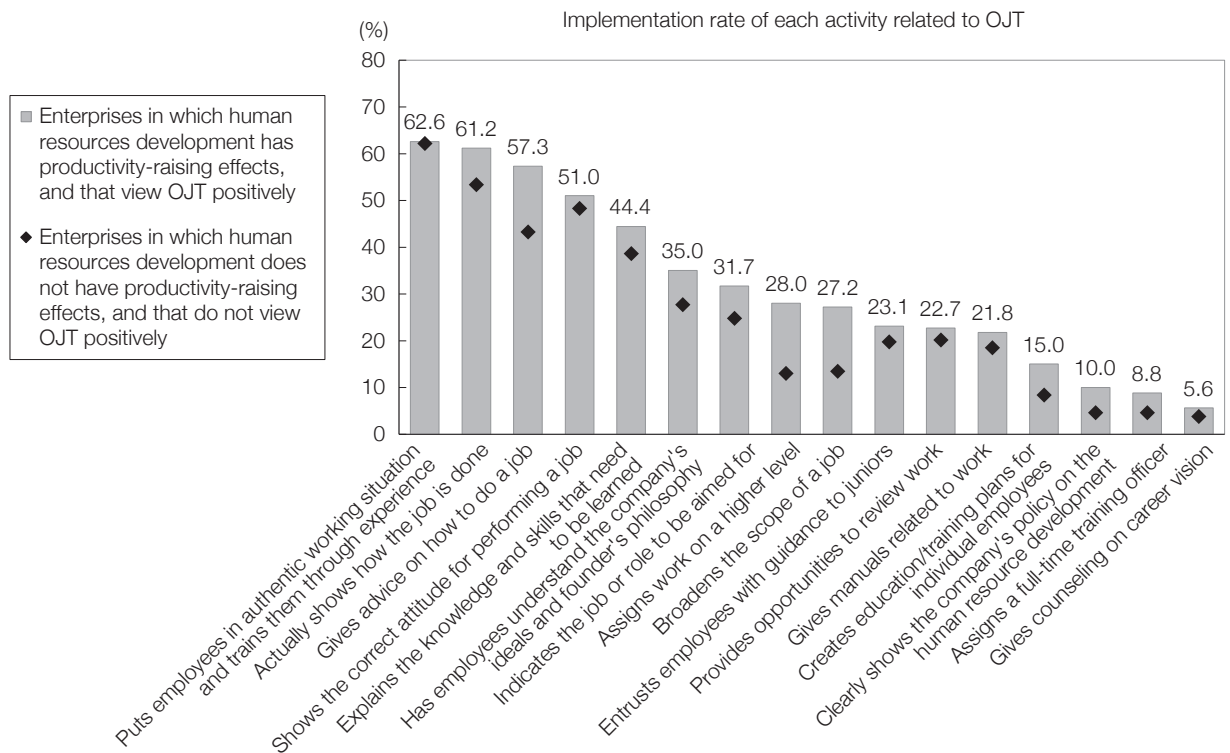
Furthermore, the white paper classified enterprises into two types according to specific OJT activities—"enterprises in which OJT is proceeding well and workplace productivity is improving" (Type A) and "enterprises in which OJT is not proceeding well and workplace productivity is not improving" (Type B)—and compared the implementation rates

for individual OJT activities (the top part of Figure 2).

With regard to specific implementation rates, Type A has higher rates compared to Type B for most of the activities. This is particularly conspicuous in the rate for "assigns work on a higher level" to employees, which is 15.0 percentage points higher for Type A. Following are "gives advice on how to do a job," whose rate is 14.1 percentage points higher, and "broadens the scope of a job" of employees, whose rate is 13.8 percentage points higher. Of the options, the exception was the percentages of enterprises that selected "puts employees in authentic working situation and train them through experience," which were largely the same for both types (the bottom part of Figure 2).

From these results, the white paper states that OJT without clear planning appears to have little relation with improved productivity. On the other hand, OJT may lead to higher productivity when systematically conducted (i.e., assigning work on a higher level in stages), directly linked to specific

2. "Enterprises with relatively more OJT-related initiatives" refer to enterprises that implement at least 6 of 16 activities related to OJT.



Source: Independent tabulation by Office of Counsellor for Labour Policy Planning of MHLW, based on *Survey of the current state and challenges of human resources development and skills development (questionnaire for enterprises)*, JILPT Research Series no.172, 2017.

Notes: 1. The figure on the top indicates the implementation rates of activities concerning OJT for enterprises responding that human resources development has/does not have effects in raising workplace productivity and that OJT is proceeding well/not well.

2. The figure on the bottom shows the seven activities concerning OJT that have the largest gaps in implementation rate between enterprises in which human resources development has effects in raising workplace productivity and OJT is proceeding well, and those in which human resources development does not have effects in raising workplace productivity and OJT is not proceeding well.

3. "OJT" refers to activities that are conducted within routine operations to help employees learn their jobs effectively.

Figure 2. Activities of enterprises in which OJT is proceeding well and productivity in the workplace is improving

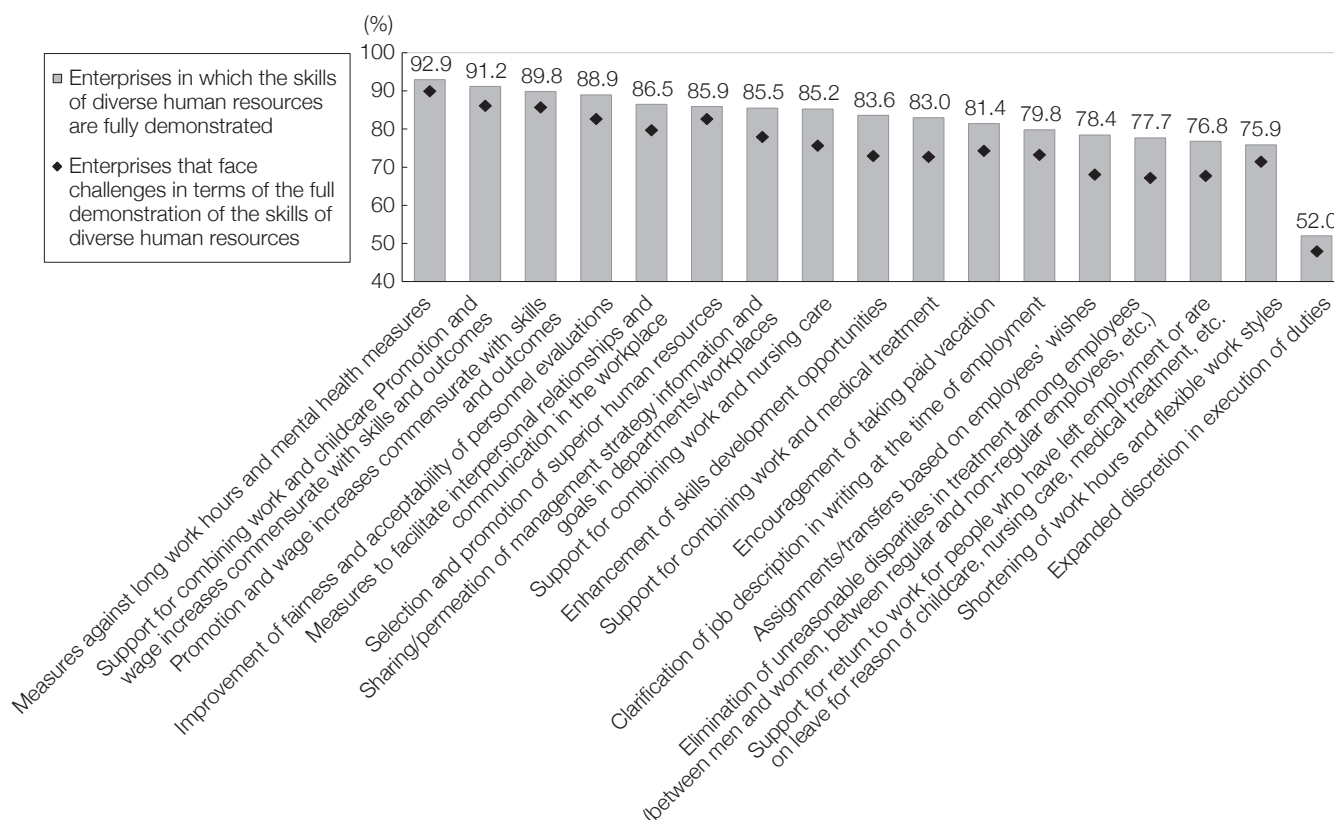
operations in the form of counseling and advice, and encouraging employees to take on a new task challenge by broadening the scope of work.

“Fine-tuned” human resource management

What differences in human resource management approaches exist between enterprises in which the skills of various human resources are being fully demonstrated and those that face challenges in achieving such demonstration? The white paper examines activities targeting regular employees as revealed in JILPT’s *Survey on advancement of diversified working styles and human resources management* (Figure 3). According to the survey, enterprises are actively taking initiatives that include “measures against long work hours and those for mental health care,” “support for combining

work and childcare,” “promotion and raising wage commensurate with skills and outcomes,” and “improvement of fairness and acceptability of personnel evaluations.” Roughly 90% of enterprises classified as “enterprises in which the skills of various human resources are being fully demonstrated” are addressing these items.

Particularly large differences in the initiatives of both enterprise types are seen in “enhancement of skills development opportunities” (10.7 percentage points, the same applies to the following), “elimination of unreasonable disparities in treatment among employees (between men and women, between regular and non-regular employees, etc.)” (10.5), “assignments and transfers based on employees’ wish” (10.4), “support for combining work and medical treatment” (10.3), “support



Source: Independent tabulation by Office of Counsellor for Labour Policy Planning of MHLW, based on *Survey on advancement of diversified working styles and human resources management (questionnaire for enterprises)*, JILPT Research Series no.184, 2018.

Note: The sample size of responses concerning human resource management in enterprises in which the skills of diverse human resources are fully demonstrated was 1,305 for activities targeting regular employees (including restricted regular employees).

Figure 3. Implementation rates for employment management in enterprises in which the skills of diverse human resources are fully demonstrated (activities targeting regular employees)

for combining work and nursing care” (9.6), and “support for return to work for employees who have left employment or those who have been on leave for reason of childcare, nursing care, medical treatment, etc.” (9.1). The white paper emphasizes the importance of promoting the “fine-tuned” human resource management that covers various workplace situations and problems such as enhancement of human resource development opportunities and elimination of unreasonable disparities in treatment among employees, in order for diverse human resources to fulfill their potential.

Lower rates of implementation of self-development with higher regular-employee age groups

Amid expectations of a coming age in which life expectancy will be one hundred years, it is becoming important to develop an environment in which anyone can engage in autonomic career formation. The white paper examines the circumstances of workers’ self-development in career realization. The analysis reveals that the percentages of non-regular employees, women, and elderly people who practice self-development are low in comparison with younger regular employees. However, the white paper finds that these percentages have been rising recently.

Looking at situation of self-development practiced among regular employees based on MHLW’s “Basic Survey of Human Resources Development” (FY2013 and 2016), the percentage is lower for females than males. By age group, the percentage decreases with higher ages. The percentage is highest for the “under 30 years” group for both males and females, with that for males exceeding one-half (51.9%) in FY2016. A comparison with FY2013 reveals that implementation rates are increasing across the board.

On the other hand, in the case of non-regular

employees, the percentage of self-development practiced is low compared to regular employees. The difference with regular employees is particularly large in the “under 30 years” age group. A comparison with FY2013 reveals that percentages are rising as a whole for females. For males, an increase is seen in the “50 years or above” group, which has a relatively high implementation percentage among age groups.

Provision of information and career consulting are also effective in self-development

According to MHLW’s “Basic Survey of Human Resources Development” (FY2016), the effects given to the implementation of self-development are statistically significant at business establishments that set up “career counseling mechanisms” and those that pay “course fees or other monetary assistance” compared to establishments that do not provide such assistance³. In the case of regular employees, the effects given to the implementation of self-development are statistically significant at establishments that “provide information on education/training institutions and correspondence education” or “provide assistance for independent workshops in the company” compared to those that do not.

The white paper points out the possibility that establishments which support the clarification of workers’ career vision and training methods by providing information on training and monetary support for self-development, in addition to career counseling, may promote the implementation of workers’ self-development. It suggests that the provision of not only monetary assistance but also information on education/training institutions as well as implementation of career counseling may be effective to promote workers’ self-development activities.

3. In Japanese labor administration, “career counseling and guidance” are referred to as “career consulting.”