

Allocation and Transfer Management by Japanese Companies

MAEURA Hodaka

I. Characteristics of allocation and transfer management in Japan

In the field of personnel and labor management, “allocation” occurs when a company assigns jobs to the employees. The concept of “job” is not penetrated here in Japan as it is in Europe and the United States. Employers do not always assign human resources who have the aptitude and competence to perform a particular job with a defined job description. Instead, there is a strong tendency for the content of the assigned job to change in line with each employee’s aptitude and competence, or in a form responding to changes in the environment surrounding the company. To put it more simply, Japanese companies assign jobs to persons, rather than assigning persons to jobs.

In recent years, there has been a call in Japan for a shift of the employment system from “membership-based” to “job-based (*jobu-gata*).”¹ According to Hamaguchi (2021 and 2024) who invented these terms, the job-based employment system is recognized as the basic structure of the corporate organization society originally established in the United Kingdom in the 19th century and gradually spread in European countries, the United States, and Asian countries. Under this system, only the workers who are necessary for a particular job are hired, and their pay is determined according to their performance of the job specified by their contract. As the job is thus specified, then of course personnel transfer does not take place.

The membership-based employment system, on the other hand, is a model established in Japan during

the post-war period. The emphasis is placed on employees’ status as members of the organization, and their labor contracts do not specify jobs to be assigned to them. As jobs are not specified, personnel transfer is conducted periodically as a common practice as it has been in Japan. The objective criterion for determining the pay is not job contents but the length of service or age. In short, the criteria for personnel management are literally job-based in this system, while in the membership-based system they are person-based.

However, confusion is observed among arguments concerning the employment system reform in Japan. As pointed out by Sato (2022) and Tsuru (2023), the definition of the job-based employment system varies depending on the researcher or the research entity. In addition, looking at companies’ initiatives, one can find that there is a misunderstanding of the meaning of the job-based employment system among those that intend to adopt the system and that what they intend to adopt rather resembles the membership-based employment system (Hamaguchi 2021). Hamaguchi 2024 (included in this issue) explains the debate on the shift is still in confusion of the “job-based” employment system with the performance-based evaluation system.

Although observed such confusion, the employment systems adopted by most Japanese companies seem to be categorized as the conventional membership-based employment system. Based on this premise, the approach to allocation and transfer management by Japanese companies has the following four characteristics.

Table 1. The reasons why companies transfer staff (multiple responses)

		Total of companies using transfer=N	HR development of employees	To maintain or improve employee's motivation	Treatment of employees / right person in the right place	Response to changes in business activity	To revitalize the organization through transfer	Employment adjustment	Others	No response
	Total	3,845	67.0	47.5	76.7	55.2	62.9	17.9	1.3	1.0
JILPT survey (2013)	1,000 or more	219	82.2	63.9	84.0	68.5	79.5	25.1	1.4	0.9
	300-999	570	76.0	57.5	82.3	60.7	75.3	18.6	0.9	0.5
	100-299	1,651	67.0	47.3	77.7	56.1	63.1	17.9	1.2	0.7
	Fewer than 100	1,405	61.1	41.0	72.2	49.8	54.9	16.4	1.6	1.6

Source: Created by the author based on JILPT 2014 (2013 survey).

First, transfers are taken place for organizational need, such as their response to changes in business activity or organizational revitalization of the organization. Some transfers are mainly for the purpose of improving the treatment of employees, putting the right people in the right place, training/educating employees, and maintaining or improving their motivation. This tendency applies more to larger companies (Table 1).

Second, corporate authority and initiative are very strong when it comes to allocation and transfer. Human resource departments tend to have a stronger say regarding the allocation and transfer of employees hired as new graduates as well as the transfer of management personnel. In contrast, regarding the transfer of other regular employees, the intention of the departments that are in charge of the actual work operation tends to be more reflected. Such practice is observed typically in large corporations.

Third, the range in which regular employees may be transferred gradually becomes narrower (consolidating toward specific duty or profession that each employee possesses or excels) when they have been in the company for a certain amount of time. When transfer involves promotion, however, managers often experience transfer beyond departments due to the limited number of posts.

Fourth, some types of transfer may go beyond the framework of the original company. The aim of these transfers may be to support suppliers and subsidiaries, develop employees' competence, or secure posts for middle-aged and older employees. These are known

as *shukkō* (temporary transfer, or transfer to another company and work under the direction of it while maintaining the employment relationship with the original company) and *tenseki* (permanent transfer, or moving out to another company without maintaining the employment relationship with the original company). These types of transfer over company boundaries are common in Japan.

II. New arrangements for eliminating disadvantages in traditional allocation and transfer management

Given the four characteristics outlined above, there are two advantages in the management of allocation and transfer by Japanese companies. Namely, (i) companies can adjust internal staff allocation flexibly and quickly because allocation and transfer are made to suit the situation of individual employees and the business environment surrounding the company without being limited to specific jobs; and (ii) companies can develop human resources capable of handling a wide range of work operations, having employees experience of work in different departments or in other related companies.

Conversely, these methods are highly likely to have disadvantages. This is because companies have strong authority and initiative regarding allocation and transfer, while their employees' needs with regard to working style or career formation are not taken into account. Allocation and transfer can significantly affect the employees' private lives

particularly in the case of *tenkin* (relocation, or job transfer requiring a change of residence) which are usually subjected to employees in the main career track. Among *tenkin* cases, employees who are heads of households (mostly males) may have no option but to live apart from their families due to reasons such as that their spouse has a job or their children wish to stay at the same schools, which is called *tanshin funin* (“solo allocation, ”or transfer not accompanied by family).

To eliminate the disadvantages pointed out above, arrangements for allocation and transfer that reflect employees’ intentions—such as the *jikoshinkoku seido* (self-declaration system) and *shanai kōbo seido* (in-house recruitment system)—are finally spreading among Japanese companies. Under the self-declaration system, employees declare personal circumstances and wishes to the company so that the company can carry out allocation, transfer, and career development while taking into consideration the employees’ preferences. The in-house recruitment system is a system wherein, upon launching a new project or business, the company recruits staff members from among the employees while clearly indicating the content of the job assignment, and those who have passed screening are appointed to perform the job. However, there are actually not many companies where these arrangements have produced adequate results, due to the unwillingness identified in the department to which the employee belongs or the difficulty in securing a job that is suited to the employee’s needs.

III. Characteristics of promotion management and how they are changing

One type of allocation and transfer management is promotion management. There are two characteristics of promotion management by Japanese companies. Promotion is defined as the movement of an employee from a lower position to a higher one, usually with a change in job contents, within an organization.

“Internal promotion”

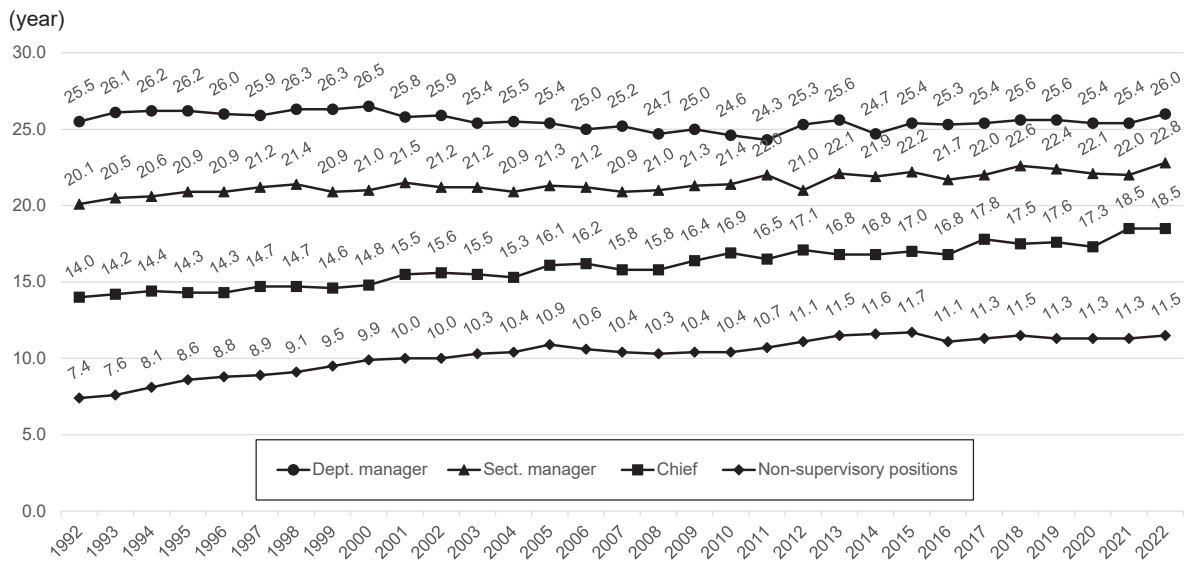
There is a strong tendency to emphasize the

securing of human resources from within the organization, so that when assigning management posts, promotion within the company is used rather than hiring from outside. Such “internal promotion” is one of the characteristics of promotion in Japanese companies. When making decisions on promotion, many companies establish standards to evaluate the works done and competence of the candidate.

However, not a small number of other companies practice seniority-based promotion management evaluating employees based on years of service. This does have a certain rationality. Japanese companies usually recruit and hire new graduates simultaneously and have them join the company as regular employees all at once in April. The company calls them *dōki shain* (peers, literally the “same period employee”) and treat them as a group for personnel management purposes. Those new employees also call each other “*dōki*” in short among themselves, sharing a special camaraderie in a sense. After a certain number of years of employment, the company promote many *dōki shain* to managerial posts, almost all at once, up to a certain level such as section manager. In such a way, employees expect to be promoted themselves and believe that they can catch up the promotion gap among peers. This system thus gives those employees the hope of and expectation to promotion and keeps them motivated to contribute more to the company.

“Late promotion”

Another characteristic is “late promotion” (late timing of selection for promotion). According to Koike and Inoki (2002), in 1996, in the case of university graduate white-collar workers, the timing of the first selection round (the time when a promotion disparity first arises) was 7.85 years (after joining the company) on average in Japan, compared to 3.2 years in the United States and 3.71 years in Germany. Meanwhile, the average timing of the career plateau phenomenon—when the number of *dōki shain* competing for promotion is narrowed down, and there are no further promotion prospects for about half of them—was 22.30 years after joining the company in Japan, 9.10 years in the United States, and 11.48 years in Germany.² According to the



Sources: Created by the author based on the Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure* (1992–2022), and e-Stat.

Note: The above data represent industry totals, corporates with 1,000 employees or more, age group totals, males, and university graduates and/or graduate school graduates. Data cover only university graduates or cover both university graduates and graduate school graduates depending on the year of data collection.

Figure 1. Average years of service in Japanese companies by position

Ministry of Health, Labour and Welfare (Figure 1), the timing of the first selection more or less corresponded to the number of years served by employees in non-supervisory positions, and the average timing of the career plateau phenomenon corresponded to those of the section manager class. As a recent trend, however, years of service have increased for the section manager class, the chief class, and employees in non-supervisory positions. The timing of promotion is thus gradually being further deferred.

Thus, promotion in Japanese companies has the two characteristics of internal promotion and late promotion. In recent years, however, the conditions under which the mechanism of late promotion is established have changed. That is, it has become more difficult to see rationality in late promotion, for several reasons. One is that it has become harder to sustain the high probability of promotion, due partly to the flattening of organizations and cuts in the number of officer posts. Another reason is that it is harder to provide opportunities for equal education

and training to all employees due to stagnant corporate growth, and moreover, the inclination toward promotion to management has decreased, particularly among male regular employees.

IV. Talent management, a new tide?

As one new phenomenon, companies are now starting to adopt “talent management,” a new personnel and labor management measure. Although talent management has yet to be given a unique definition, companies adopting this approach proceed to form “talent pools” (groups of human resources) based on their competence and link them to utilizing human resources through education and training, allocation, and evaluation. It is not clear how widespread this system is, but the de facto selection of future management personnel already seems to be practiced by some companies. This implies that late promotion, which have long been customary in Japan, has been changing and possibly started taking on a new shape (Sato 2016; JILPT 2017).

V. Future direction

What is the future direction of allocation and transfer management at Japanese companies? As mentioned at the beginning of this article, the debate over the reform of Japan's employment system has centered on the shift from the membership-based (person-based) employment to the job-based employment, although there are differences in definitions of these terms. On the other hand, the talent management adopted by Japanese companies consists of two management types: position-based (job-based) and person-based (JILPT 2017; Ishiyama 2020). Thus, both the employment system and talent management have two types: job-based and person-based.

If Japanese employment system changes in the future, will the way it shifts have an impact on the talent management practice within the company? Or will the employment system and the talent management practice survive according to separate criteria? This can be an important point of contention when looking ahead to these human resource management at Japanese companies. With this in mind, it is necessary to keep a close eye on the trends in allocation and transfer management in Japan.

1. For a discussion on this topic, see Sato (2022). The respective stances of the Japanese government, labor, and management regarding "job-based employment" are discussed in detail in the article compiled by JILPT, "Seifu, zaikai, rōdōkai wa 'jobu gata koyō' ni donoyōni genkyū shiteiru no ka—sorezore no sisaku hōshin, hōkoku, teigen, kenkai kara" [How do the government, business circles, and labor circles make mention of 'job-based employment': From their respective policies, reports, recommendations, and opinions] (*Business Labor Trends* May 2023 issue, <https://www.jil.go.jp/kokunai/blt/backnumber/2023/05/tokushu.html>).

2. The survey targets university graduate white-collar workers, and more than 90% of the respondents' companies have 1,000 or more regular employees. These result in a difference from the data in Figure 1 (based on survey targeted companies with 100 or more employees) in terms of the timing promotion.

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MAEURA Hodaka

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Human resources management and industrial relations.

<http://www.jil.go.jp/english/profile/maeura.html>

