

Human Resource Development in Small and Medium-Sized Enterprises

-Preliminary Consideration-

Summary

Author

Makoto Fujimoto Researcher, Department of Human Resources Development, Japan Institute for Labour Policy and Training (Chapter 1, Section 2 and 3 of Chapter 2, Chapter 4, and Chapter 5)

Fumio Inagawa Advisory Researcher, Department of Human Resources Development, Japan Institute for Labour Policy and Training (Section 1 of Chapter 2)

Miho Fujinami Assistant Fellow, Japan Institute for Labour Policy and Training (Chapter 3)

Objectives of Research

In small and medium-sized enterprises (“SMEs”) which generally suffer from insufficient capital and equipment in comparison to large corporations, skills and know-how held by individuals including people in top management play an important role in adapting the companies to various environmental changes and in maintaining and developing their operations. In addition, human resource development in the SMEs sector contributes to career development for larger number of workers, as most of the people in our country are working in this sector. However, in reality, the programs for human resource development in the SMEs tend to be provided inadequately due to their time and resources limitations or their insufficient know-how, and therefore, political support is highly required in conjunction with the actual status of the SMEs and with the direction of their future activities.

On the basis of the above-mentioned observations, we would like to develop the research project “Human Resource Development in Small and Medium-Sized Enterprises” to understand, analyze and study the actual status of human resource development in the SMEs in order to contribute to developing the political support for them. However, as mentioned above, most of the people in our country are working in

SMEs, and it is readily understood that human resource development in the SMEs varies widely by industry, job and region, etc. In other words, the theme of human resource development in the SMEs involves a vast variety of subjects, for which research and study may not be exhaustive. Therefore, in order to carry out meaningful research on this theme, it is highly required to identify the facts and subjects to be studied at first and to find and prepare the frameworks of research and analysis to be used for studying such facts and subjects. Otherwise, it may be concerned that the research may end up with a mountain of labor.

Therefore, as a preliminary consideration before initiating the research on the measures taken by the companies and the activities of employees in the SMEs sector, in the main report we seek the necessary viewpoints from which the human resource development in the SMEs sector can be empirically observed more deeply, and analyze the actual status of the human resource development in the SMEs sector from such viewpoints based on the existing statistical materials and quantitative observational researches, as well as the results of interviews conducted as a pilot survey. More concretely, we summarize the characteristics of the human resource development in the SMEs sector by industry from the viewpoints of career development and in-house education and training, and also analyze the activities of employers' associations, which play an important role in the human resource development in the SMEs sector, by focusing on the differences in characteristics of the associations. Based on this field work, we present in the last chapter of the main report subjects for future research, in particular, on the companies' activities and roles employers' associations and summarize the necessary viewpoints and remarks for such future research.

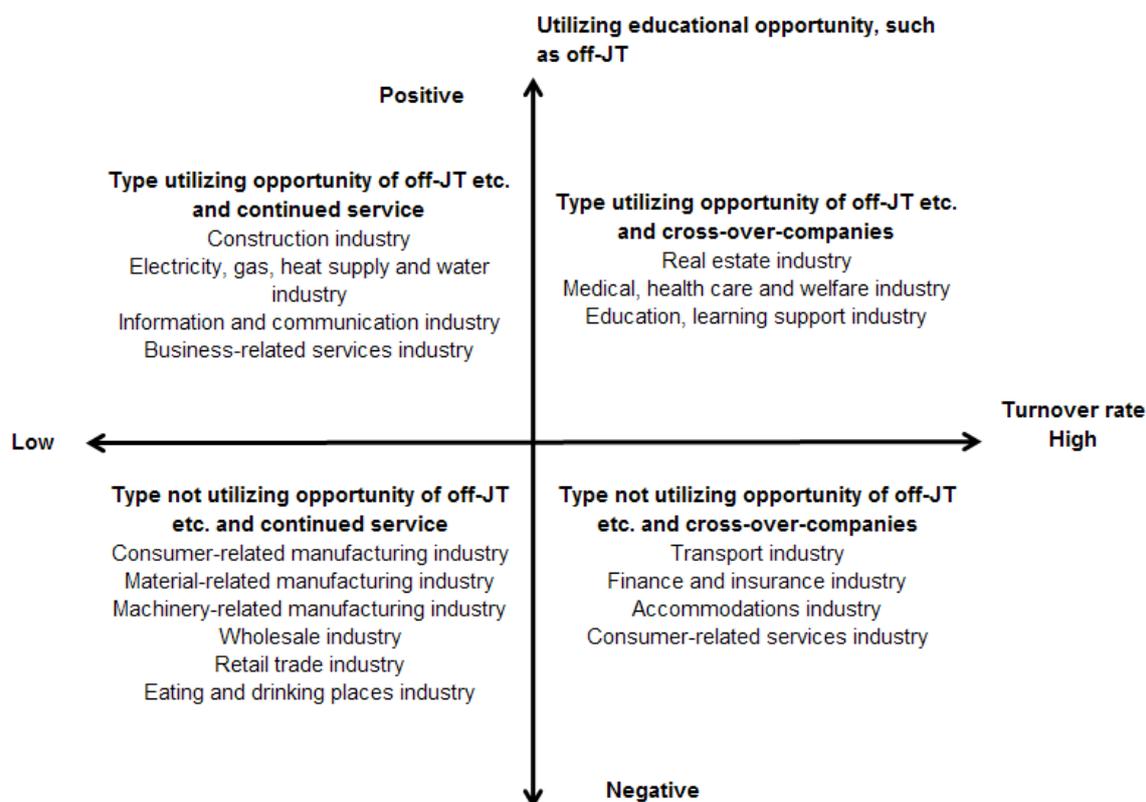
1. Study on diverseness of the human resource development in the SMEs sector – characteristics by industry

In order to fully deal with human resource development and career development in the SMEs sector, the research projects conducted thus far have summarized the characteristics in each industry or each job by using the types of career development for employees categorized according to the period of service or job change or by using the types of companies' activities of human resource development. In reference to the methods of these existing research projects and using the results of the “Basic Survey on Human Resource Development” conducted by the Ministry of Health, Labour and Welfare (“MHLW”), we summarize in the main report each industry's characteristics of human resource development and career development by focusing on the turnover rate in the industry and the companies' educational and training activities other than On the

Job Training (“OJT”), and thus we intend to clarify the patterns of characteristics typical of the competency development and career development in the SMEs sector.

Combining educational and training activities with turnover rate, there are four types of competency development and career development: (i) a type utilizing opportunity of off-JT etc. and continued service, (ii) a type not utilizing opportunity of off-JT etc. and continued service, (iii) a type utilizing opportunity of off-JT etc. and cross-over-companies, and (iv) a type not utilizing opportunity of off-JT etc. and cross-over-companies. Figure 1 shows a summary, in which each industry is categorized into these four types according to the actual situation of the regular employees of such industry. When carrying on the research on human resource development in the SMEs sector while paying attention to its diverseness by industry, we would think it useful to choose the industries of different types on the basis of these four categories.

Figure 1: Patterns of competency development and career development (for regular employees) in the SMEs sector



Note: The term “educational opportunity, such as off-JT” means to include “off-JT offered by companies” and “self-development.”

2. Role of employers' association in human resource development in the SMEs

According to the “Basic Survey on Human Resource Development” conducted by MHLW, when the SMEs provide education and training other than OJT, more of them rely on educational and training opportunities offered by external institutions but not run by themselves compared to large corporations. The research conducted in the past reveals the characteristics of SMEs' utilization of external education, training and learning opportunities that the trainings and learning opportunities provided by the employers' associations and vocational training institutions are widely used by the SMEs in addition to those provided by private businesses and public-interest corporations, and that the SMEs in some of the industries highly rely on the employers' associations' programs in the human resource development for their employees. On the basis of these observations, it can be said that in order to understand the actual status of the SMEs' off-the-job-training it is necessary to look into the training and learning programs provided by external entities in general, but also it is meaningful to focus on the functions and roles performed by the employers' associations.

Secondary analysis of the survey on the “Organization and Functions of Education and Training Providers” conducted by the Japan Institute for Labour Policy and Training in 2004 and 2005 indicates that the employers' associations show the highest percentage of the sessions of the hierarchical training in all of their lectures and seminars if compared to other education and training providers, and that they provide the second highest number of specialized training following public interest corporations. Among the specialized training, they provide more sessions of training concerning “sales and marketing” and “accounting and finance” than other providers. With regard to fees or expenses to be paid by individual participants for lectures and seminars, more than 70% of the employers' associations do not charge any costs or expenses on individuals. This percentage is extremely higher than other providers. Thus, one of the characteristics of the employers' associations is that they provide a number of educational and learning opportunities without putting a burden on individuals.

In comparison to other education and training providers, a higher percentage of employers' associations express their intention that they will place more focus on the courses of “training for OA equipment and computers,” “management training” and “courses for obtaining specialized knowledge.” However, with regard to the “training for OA equipment and computers” and “management training,” there is a big difference between the industrial organizations such as business and trade cooperation and the regional organizations such as chambers of commerce and societies of commerce, and

the latter puts more emphasis on such trainings than the former.

Through the interview survey with the employers' associations conducted in parallel with the second analysis, we are able to grasp the roles that can be performed by the employers' associations from viewpoints different from the survey in large quantity. Activities carried out by the employers' associations for education and training and human resource development can be categorized into the following five types: (i) "type referring to qualification and standard in industry," which provides employees of member companies with education and training and human resource development in accordance with the standard of skills and knowledge adopted by the industry; (ii) "type responding to (or seeking) the needs specific to industry," which sets the competency and knowledge required to carry out the jobs in the industry and provides member companies with support for education and training and human resource development in accordance with such requirements; (iii) "type responding to the needs for required qualification," which provides off-JT opportunities obtain required qualification, such as a license required to carry out daily business; (iv) "type providing opportunities of education and training," which provides employees of the member companies with education and training opportunities in response to the needs of member companies and mainly by using external resources; and (v) "type providing information", which provides mainly information on programs of education and training and human resource development which are available in the vicinity of the locations of member companies.

3. For future research

(1) For future research on activities of companies' human resource development

In the main report, we summarize the characteristics of human resource development in the SMEs in various industries. In order to understand in detail what activities of human resource development are carried out by the SMEs in each type of industry categorized as mentioned above and what challenges the industries are facing, it is essential to conduct research on the activities of human resource development actually undertaken by the companies.

In order to conduct the surveys on activities of human resource development in the SMEs, there are some points that we have to keep in mind. The first point is how the human resource development in the companies links to their management policies or management strategies. In particular, in conducting the company surveys and analyzing their results, we need to recognize what management policies or management

strategies may produce qualitative programs of human resource development. The second point, which relates to the first, is the relationship between the activities, motivation and background of securing human resources undertaken by the companies and their human resource development. It is readily understood that the companies' human resource development is dependent on the companies' needs for human resources defined under their management policies or management strategies or in the management environment surrounding them, and also dependent on the extent to which such needs for human resources are or can be satisfied by the companies' recruitment or other means than their in-house human resource development. We need to pay attention to these points to grasp the actual status of the companies' human resource development. We should also take note of what occupational skills are required by the companies, which constitute a major part of their needs for human resources.

The third point that we have to bear in mind is to obtain a detailed picture of the companies' current activities of human resource development. Research projects conducted thus far with respect to the human resource development and career development in the SMEs sector have concurrently focused on the subject matters of the companies' personnel management, employment conditions of workers or the history of labor market across the companies, and therefore have left many issues concerning the human resource development and career development themselves for future surveys. These issues are, for example, the detailed contents and processes of OJT and off-JT for competency development carried out by the companies, how to balance OJT and off-JT, and coordination between the companies' in-house activities and external education, training and learning opportunities. These issues should also be investigated in detail in the future research projects considering that the objective of this research project is to understand and analyze the actual status of the companies' human resource development in the SMEs sector in order to contribute to developing the political support for human resource development in the sector.

The fourth point is the linkage between the new policies on human resource development and the companies' activities. The new policy measures on development and recruitment of human resources, such as the "Japanese-type dual system" and the "practical training system," which did not exist when the past surveys were conducted, are fully implemented these days. The point of what roles these policies can play in the companies' activities for human resource development cannot be ignored in studying the SMEs' human resource development in the future.

(2) For future research on roles of employers' associations

With regard to the roles performed by the employers' associations in the human resource development in the SMEs sector, we identify in this preliminary consideration that it has yet to be clarified what the background or factors are for the employers' associations to engage in the human resource development activities and how the employer's associations' activities are coordinated with the education and training conducted by the companies.

As we point out in our preliminary consideration described in the main report, the employers' associations' activities seem to be intended or motivated by various factors, such as their recognition of the situation of the labor market of the relevant industries or the regional labor market, their organization for the activities, human resources in their organization leading the activities, etc. In the future research, such factors that are defining the employers' associations' activities should be clearly understood and analyzed further. It should also be studied how we should deal with each of such factors so that we can understand in what manner each association can perform its supporting functions for the companies' human resource development more adequately. In addition, the future research should be conducted to analyze the coordination between the employers' associations' activities and the education and training conducted by the companies by paying attention to how the associations find out and accommodate their member companies' needs for the education and training and how the education and training provided by the associations are utilized by their member companies.