

## **Changes in Japanese-Style Employment System for High School Graduates and Grope for Possible New Ways**

### **Summary**

#### **Authors**

Miki Tsutsui	Associate Professor, Kyoto Women's University
Masaaki Nagasu	Lecturer, Tokyo Seiei College
Reiko Kosugi	Research Director, Japan Institute for Labour Policy and Training
Yukie Hori	Researcher, Japan Institute for Labour Policy and Training
Fumiaki Nakajima	Advisory Researcher, Japan Institute for Labour Policy and Training
Yuko Kimura	Research Assistant, Japan Institute for Labour Policy and Training

#### **Research Period**

April 2007 to March 2008

#### **Objectives and Targets of Research**

In this report we present the first-year results of the “Research on the current status of and the support for youth at risk” which is one of the subjects of the five-year research project of the Japan Institute for Labour Policy and Training entitled “study on support for human resources development and career development in the new economic society.”

The transition of the non-college educated to work has become a serious social issue in advanced countries since the late 1970s when the industrial structure began to change from the secondary industries' focus (where manufacturers are leading the economy) to the tertiary industries. Japan and Germany, however, had not suffered from an unemployment problem of the youth as they had a system to transfer young people who leave school earlier to careers. In Japan, this was realized by the positive relationship between the public employment service agencies, high schools and employers working under certain rules. Although this relationship differed significantly from one region to another, it is known that there were common features in such relationship, which concerned the labor market prepared by the labor administrations for high school

graduates and the relationship between high schools and companies. In particular, the “semiformal contracts (or Jisseki kankei),” which was a continuous labor supply and demand relationship between high schools and companies founded on trust, is said to have played an important role in smoother transitions of high school graduates from school to work (Kariya, 1991). In this report, the system is defined as “Japanese-style employment system for high school graduates” where high school graduates make a decision on their employment with the support of “semiformal contracts (or Jisseki kankei),” which was a continuous and stable relationship maintained by high schools and companies under the “preferential school system” and the “one-student-for-one-employer system.”

Since the middle of the 1990s, however, the career options chosen by high school graduates changed drastically. The percentage of high school graduates who moved on to work went down from 40% to 20%, and the advancement rate of high school graduates to four-year universities drastically rose. Because economic downturn negatively impacted the labor market for high school graduates, the quality and quantity of job openings to high school graduates significantly changed. As a result, “high-school-graduated non-workers” who are neither in education nor in full time employment after graduating from high school became one of the serious social issues. In this period, people started thinking that the “Japanese-style employment system for high school graduates,” which had been functioning well, was not working anymore.

Recently, the economic conditions have slightly recovered, and it is reported that a flood of job openings are given to the university students who will graduate in fiscal year 2007, as it was in the period of bubble economy. Job openings to high school graduates are also slightly improving in quantity. However, even the issues of employment of high school graduates remain unsolved in this economic recovery, and in the hyper academic career-based society where more than 70% of high school graduates proceed to higher education. Then we organized an interview survey with public employment service agencies, high schools and employers located in the regions where the Japan Institute of Labour, the predecessor of the Japan Institute for Labour Policy and Training, conducted its survey ten years ago, as well as some other regions.

Table: Overview of interviewees covered by the present survey

Types	Characteristics of types (Please refer to Chapter 1 of the Main Report in detail)	Regions covered both by the present survey and the survey of 10 years ago	Regions picked up only by the present survey
Type 1	Workforce-inflow type	Tokyo and Saitama	Osaka (only offices of HW(Hello Work) and SME)
Type 2	Secure a good balance of supply and demand of workforce and maintain a certain number of job openings from manufacturers	Nagano and Niigata (only offices of HW)	
Type 3	Workforce-outflow type	Shimane and Akita	Oita (improved due to attraction of enterprises) Hokkaido, Aomori and Kochi (particularly low job openings-seekers ratio)

### Findings in Each Chapter of the Main Report

In Chapter 1 of the Main Report, we study the changes in the labor market for these ten years for new high school graduates by analyzing the statistics and the results of interview surveys. Although job openings to new high school graduates decreased until 2003 due to an increase of service economy and employment of non-regular workers, they have turned to an increase alongside the economic recovery since 2003. Employment of high school graduates remains stable at around 210,000 in number during the period of economic recovery after 2003, and non-workers and students proceeding to post-secondary vocational schools turn to decline. The percentage of non-workers is constantly low for male graduates from engineering courses because job openings from manufacturers or those related to manufacturing processes are steadily maintained and the system that high schools intervene in employment of their graduates works effectively.

The functions of offices of Hello Work (Public Employment Security Office) in employment of high school graduates are divided into two main categories. The first important function is to grasp the conditions of the local labor market for which an office of Hello Work is responsible and to control the flow of information to ensure smooth employment. The second is consultation with individual job seekers and employers and direct mediation between them, which is as important as the first one and is mainly undertaken by the Job Supporters. In addition, the present survey indicates that different functions are performed by the offices of Hello Work depending on the type of labor market for high school graduates where they are located.

The labor market for high school graduates can be categorized into the following three types according to the migration of workforce among regions, the ratio of openings to job applications, and industries or businesses offering jobs: workforce-inflow type (Type 1) which shows a higher ratio of openings to job applications and a higher number of job openings mainly from service industries or sales businesses; Type 2 which secures a good balance of supply and demand of workforce and maintains a certain number of job openings from manufacturers; and workforce-outflow type (Type 3).

High schools that are located in the Type 1 labor market make companies' job openings available to all students so that they are given an equal opportunity to apply for jobs. High schools also make an effort to establish a network with employers in order to support their students in their effective and efficient employment in the decrease of job openings with good prospects.

In the Type 2 labor market, job openings are actively published and the offices of Hello Work well understand the local market conditions. The offices also actively engage in supplying information on job openings to students' parents and guardians. In addition, there is an increasing number of cases where offices directly give advice to students or mediate with employers from the start of the students' job seeking activities.

In the Type 3 labor market, because the offices of Hello Work recognize that local companies' job openings are made available at relatively later timing, they make efforts to have them made available earlier in cooperation with the prefectural administrations. The offices focus on support for individual graduates who failed to find a job, and take some actions e.g. making a call to such graduates when they stop coming to the office and sending them information of job openings. However, in the Type 3 market, there are two types of areas, (i) one where more job openings are made by sales and service businesses and (ii) one where manufacturers are making more job openings. There are a higher number of graduates who failed to find a job in the former market, where support for them is more urgent.

In Chapter 2, we study the following three points that have been considered characteristics of the “Japanese-style employment system for high school graduates:” “relation (between high schools and employers based on semiformal contracts career guidance for students; and guiding students to employment based on the meritocratic principle, i.e. “a student with better school achievement get a better job.”

Firstly, as both supply and demand in the labor market for new high school graduates is shrinking, the continuity of relationships between high schools and employers is weakened. Therefore, despite the economic recovery, the high schools’ career guidance for students has not been restored to its active status in the 1980s due to scaling down of the labor market for new high school graduates. However, the career guidance conducted by high schools varies depending on both the number of job applicants and the employment situation. Using the matrix of these two factors, we can categorize the career guidance in high schools as follows:

Category 1 (“traditional career guidance model”) is the so-called “Japanese-style employment system for high school graduates,” the core of which is stable relationships of trust between high schools and employers. We can still find this model in vocational schools in the areas where job openings are actively made by employers (Tokyo, Saitama and Nagano). Not only the relationship between high schools and companies but also the meritocracy that “an earnest student finds a good job” are maintained. A higher number of job openings are made by employers to technical high schools even in the areas where the employment conditions are uneasy, and some students change the course of their career and decide to work instead of proceeding to higher education due to employers’ active demand for workforce. This indicates a backward move to the past.

Category 2 is a type of career guidance that is seen in the areas where the employment situation is difficult, high schools have relatively many job applicants, and many of them wish to find a job in their hometown. In Hokkaido and Akita, we are informed by some interviewees that high schools do not screen students to nominate employers since the number of job openings are very small in their prefectures. High schools in the areas under difficult employment conditions that have more students who want to find a job in their hometown cannot maintain the traditional career guidance, and adopt a relatively “free-style” career guidance model if compared to the traditional career guidance with customary practice (“semi-free-style career guidance model”).

Category 3 is a type of career guidance that is seen in the areas where the employment situation is difficult, high schools have relatively many job applicants but comparatively few of them want to find a job in their hometown (Shimane, Kochi, etc.). High schools in these areas tend to maintain the traditional career guidance, though not

as vigorously as in Category 1, because it is difficult for them to maintain stable relationships with the local employers due to the unfavorable employment situation (“semi-structural career guidance model”). Since their students do not strongly wish to find a job in their hometown, it is not difficult for the high schools to maintain the traditional career guidance in spite of difficult employment conditions.

Category 4 of the career guidance model is adopted mostly by general education courses with few job applicants. Regardless of whether the employment situation is good or bad, the characteristics of traditional career guidance cannot be seen, and therefore we can call it a “free-style career guidance model.”

Secondly, with regard to the future relationship between high schools and employers, it is considered that the traditional relationship, which contributed to securing jobs for a relatively higher number of graduates, will not be restored since the labor market for high school graduates will not be rapidly expanded from the macroscopic viewpoint. Therefore, a new issue comes up that career development after employment should be taken into account at the time when job matching is actually made for the graduates.

In Chapter 3, we study the changes in the positioning of high school graduates in the companies’ employment management.

In the research carried out in 1997, it was considered that substitution by highly educated people and an increase of non-regular workers were irreversible. However, after ten years, the survey conducted in 2007 reveals that companies have reverted their employment management to that in the past. Even though no job openings are made by employers to high school graduates at the moment, it would not necessarily mean that the workforce of high school graduates is not required any longer. Some of the companies seem to have repeated trial and error in their employment management activities for a long period of time until they “reverted” their employment management from the substitution by highly educated people and an increase of non-regular workers.

Active demand for a high school graduate workforce that is mainly made by the manufacturing industry at the moment can be explained not only by the favorable economic climate but also by a combination of the economic climate with employee structure of the companies. Economic conditions and imbalanced employee structure are not directly related, and there are four patterns of combination set by existence or nonexistence of labor demand based on the economic recovery and existence or nonexistence of labor demand due to companies’ risk awareness with respect to their employee structure where the number of younger employees is extremely low. It is considered that the combination of economic downturn with satisfactory employee structure may cause the phenomenon of significant shrinking of labor demand, as was

observed in the research in 1997.

The relationship between high schools and companies varies considerably by company size. Relationships between high schools and large corporations or small and medium-sized corporations depend largely on labor demand, and these corporations do not so much rely on the selection of candidates made by high schools. On the contrary, the micro enterprises, by which most of the high school graduates are employed, regardless of the labor demand, are in the situation where stable (not continuous, though) relationships with high schools are easily established, because these enterprises are afraid that the high schools will not introduce their graduates once they refuse to hire the graduates, and because they reasonably rely on high schools' selection of candidates due to their limited recruitment resources.

### **Future Direction of Policies**

#### **(1) Changes in “Japanese-style employment system for high school graduates” with different degrees – Employment situation, number of job applicants and company size**

On the basis of the observations mentioned above, we analyze the current status of “Japanese-style employment system for high school graduates.”

As defined earlier, the “Japanese-style employment system for high school graduates” is the system where high school students make a decision on their employment with the support of “semiformal contracts,” which is continuous and stable relationships between high schools and employers based on the “preferential school system” and the “one-student-for-one-employer system.”

In the past, the “Japanese-style employment system for high school graduates” was functioning well in matching a volume of job seekers and a mass of job openings in a short period of time. After the collapse of the bubble economy, the ratio of job openings to high school graduates came down, and the advancement rate to higher education increased. Consequently, the size of the labor market for high school graduates, which was around 600 thousand graduates in the 1980s, has significantly decreased to the current level of about 200 thousand. According to the survey of 2007, students in technical high schools who go into a career rather than proceeding to higher education have slightly increased, but this does not create a big wave. Neither supply nor demand for high school graduates who proceed to careers will come to the past level. However, although more students proceed to four-year universities than to post-secondary vocational schools, the advancement rate to upper-secondary school has not shown meaningful increase since the late 1990s mainly because of economic reasons. Therefore, it is predicted that a certain size of labor market for high school graduates will be

maintained while it will be affected by the supply of and demand for the workforce of the time.

Everybody agrees that it is impossible to maintain the “Japanese-style employment system for high school graduates” in the same manner as it was before. However, as indicated in some examples in foreign countries, it is essential that supporting bodies play their roles effectively in securing transition of high school graduates to careers. In the current Japanese society, we can assume that there are four main supporting actors in the process where students decide on their jobs. They are the offices of Hello Work, high schools, employers and parents and guardians. We will study below how these supporting bodies should share their responsibilities and how their resources are to be allocated.

Under the “Japanese-style employment system for high school graduates” which functioned well until the 1980s, the offices of Hello Work produced the institutional environment that constituted the preconditions for the labor market for new high school graduates, and controlled information and managed schedules. The offices also exploited the job openings, when the labor market is loose, and thus performed the adjustment function of supply of and demand for workforce depending on the employment situation. In the actual job matching, high schools undertook the main function in selecting students and allocating them to employers based on the stable relationships with employers. In this framework, the roles of parents and guardians were limited if compared to the current situation. In the interviews with high schools conducted in 1997, it was informed that “in the past, if a teacher of high school recommended a job to a student, he/she accepted it (H general education courses in Oodate)” (Japan Institute of Labour: 1998). This indicates that the high schools took a stronger initiative in the students’ career choice than parents and guardians did.

The research of 1997 was carried out at a time when the “Japanese-style employment system for high school graduates” began to change, and therefore it put an emphasis on the “destruction” of the past system. Then, how had the system changed when the survey was conducted in 2007?

The survey of 2007, the offices of Hello Work focus on different services depending on the employment situation in addition to their traditional backup roles. These services include (i) the support to high schools and employers in building networks in the areas of favorable employment conditions, (ii) the involvement of parents and guardians and the job mediation for students at an early stage in the balancing areas and (iii) the support for individual students in the areas of difficult employment conditions. In the general education courses that have fewer job applicants, the offices of Hello Work

directly engage in job matching between students and companies. Sometimes in the high schools of fewer job applicants, the offices have launched to accept job applications directly from the students from the start. “One-student-for-one-employers system” is still maintained in almost all the areas, but the information of job openings is shared among students via the internet, for which the offices of Hello Work take initiative. The “preferential school system” functions in a limited way depending on the areas.

Similarly, the career guidance of high schools is largely affected by the employment conditions and the number of job applicants. In vocational high schools which are located in the areas where the employment conditions are favorable and which maintain a certain number of job applicants, the “Japanese-style employment system for high school graduates” is still functioning well. The relationships between high schools and employers are also maintained, although it is not as continuous as the past “semiformal contacts” was, and the students decide on their jobs with the support of relationships between high schools and employers. In particular, in technical high schools, the relationships with manufacturing companies are working effectively, and these companies have somehow continued to employ high school graduates even in the period of recession (please refer to Chapter 1 of the Main Report). On the contrary, at some general education courses of fewer job applicants, as mentioned above, they give up their role of matching, and the offices of Hello Work directly engage in the job matching.

Looking from the demand side (i.e. from the companies’ side), company size is an important parameter as well as labor demand. Although large corporations and small and medium-sized corporations are vulnerable to the employment situation in terms of employment of high school graduates, micro enterprises still have a notion to maintain relationships with high schools to ensure employment. In addition, companies’ employment management that shifted to higher education and non-regular workers tends to revert to the practice seen in the past.

Furthermore, parents and guardians who were deeply involved in the students’ career choice increase their relative importance as the high schools’ functions of selection and allocation become weakened. In the survey of 2007, it is reported that parents and guardians act in a significantly different manner compared to the past, which is indicated by their non-compliance with school regulations, their non-acceptance of school’s selection of students for certain jobs (please refer to Chapters 1 and 2 of the Main Report) and their children’s easy resignation from jobs which is encouraged by parents and guardians (please refer to Chapter 3 of the Main Report).

Needless to say, the parents and guardians continue to be deeply involved in students’

career choice as they were in the past. However, their past stance was to respect supposedly the schools' selection and the companies' employment management. As indicated by the term "monster parents," parents and guardians who make unreasonable demands have come out, and schools are required to accept accountability if any incident may happen. Parents and guardians have appeared as influential actors who are directly involved in the students' career choice.

On the basis of the above observations, how can we understand the current status of "Japanese-style employment system for high school graduates?" As mentioned above, the system where the students make a decision on their employment with the support of "semiformal contacts," which is continuous and stable relationships between high schools and employers based on the "preferential school system" and the "one-student-for-one-employer system" as defined in the Introductory Chapter of the Main Report, has significantly changed in part, while a part of the system remains as it was. There are different degrees of change depending on the employment situation, number of job applicants in high schools and company size. Therefore, the current status of "Japanese-style employment system for high school graduates" should not be recognized or evaluated in a generalized manner but should be carefully looked into in the context of individual issues. A two-step approach is necessary so that the "Japanese-style employment system for high school graduates" will be maintained insofar as it works well, and that alternative supports should be developed if it does not function well. We will present below our evaluation on the individual issues and the policy proposal.

## **(2) Evaluation on the individual issues and policy proposal**

(a) Traditional job matching to be maintained in high schools with many job applicants and the offices of Hello Work to handle job applications for high schools with decreased job applicants

The "Japanese-style employment system for high school graduates" is currently functioning well for the vocational high schools that are located in the areas where the employment conditions are favorable. For general education courses, the offices of Hello Work are expected to provide more services for job matching, and actually some of the offices are directly involved in job matching for students.

Therefore, it is desirable for the vocational high schools under favorable employment conditions to maintain the "Japanese-style employment system for high school graduates" based on the relationships with companies. However, in high schools with fewer job applicants, such as general education courses, the job matching may be better

to be undertaken by the offices of Hello Work which link new graduates directly with companies, and in some of the high schools with less job applicants, their functions have already been substituted by the offices (please refer to Chapter 1 of the Main Report).

In the survey of 2007, we find that there are some schools among local technical high schools that perform a job mediation function for their former students. Support for former students can be provided in coordination with the offices of Hello Work.

(b) Linkage at curriculum level (curriculum linkage) in addition to linkage at matching level (labor supply-demand linkage)

As mentioned above in section (a) the job-matching function performed by high schools has rather weakened compared to how it was in the past. However, the expected roles of high schools have not been lowered. One of the examples to prove such expectations is that to link between manufacturers' demand and high school education has become an important issue to develop capable technicians and engineers, and a curriculum in technical high schools has already been developed in cooperation with manufacturers.

For example, in B technical high school in Kochi, which was interviewed in the survey of 2007, the lectures of top management of the companies and the factory tours are organized in cooperation with the local industry association, and the program of the Japanese-type dual system has also taken place. In the "cooperation project of vocational high schools and local industries for human resource development for Monozukuri (manufacturing)" (supported jointly by the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Economy, Trade and Industry), the local industry associations and the local chambers of commerce are about to take actions to amend the educational programs of schools by introducing (i) an internship or a dual-system organized for a short period of time, (ii) practical coaching provided by companies' engineers to students in high schools and (iii) teachers' learning of high level technologies in the companies.

Linkage between high schools and employers at the level of curriculum is particularly meaningful for high school students who are willing to find a job in their hometowns as well as micro enterprises that employ many new high school graduates. In order to enable high school graduates to fulfill their wishes to "live in their hometowns," it is useful for them to obtain knowledge of the jobs in the local manufacturers and the way of life in the local towns during their stay in schools. As there are few non-workers who graduated from high school in the areas where manufacturing industry is accumulated even though labor demand is not so active in such areas, the manufacturing industry is

considered to be offering an opportunity for high school graduates to secure a stable life (please refer to Chapter 1 of the Main Report). In addition, as the micro enterprises are not able to recruit and employ high school graduates so frequently, to strengthen the linkage between high schools and companies at a curriculum level can work to avoid a dilution of relationship between them at a job matching level which may be caused by the micro enterprises' non-recruitment or non-employment that may happen from time to time (please refer to Chapter 3 of the Main Report).

In other words, establishing relationships between high schools and companies at a curriculum level has potential to improve job matching in its quality.

At the moment, the activities mentioned above are driven mainly by the linkage between manufacturers and technical high schools. If the curriculum linkage will be expanded to involve other industries and other school studies, participation of the offices of Hello Work is indispensable, as they have more information on the local labor market for new high school graduates.

In the interviews of 2007 with companies, it is reiterated that students' "basic academic abilities" are important (please refer to Chapter 3 of the Main Report). It is necessary to give active feedback to high schools and students that the basic academic abilities are important even though they will engage in manual work after graduation.

(c) Job matching to be made from the perspective of future career after being employed

Continuous relationships between high schools and employers have been lost, and this change has brought to high schools and their students a new challenge in which little information on conditions after being employed is available. In order to prevent high school graduates from being reserved for those most challenged in career development in the companies, high schools and their students should be given information on each employer's educational and training programs, treatments, and career development plans prepared for high school graduates. For example, neither teachers nor students are aware of the possibility that direct factory workers hired without regard to their studies and female direct factory workers are reserved for those most challenged in career development in the companies (please refer to Chapter 3 of the Main Report). If they are informed of such possibility when they choose a job, they may make a different decision on their finding jobs. Such information is without doubt "decisive in students' life." Therefore, it is important to establish the system whereby the information covering the conditions after being employed is provided.

(d) Improvement in individual consulting function for parents and guardians

It is necessary to establish the system which has a function to support parents and guardians by actively providing them with information and consultation before their children find a job. It is useful to make information on job openings available to parents and guardians through the internet, and it is also effective to focus on providing individual support to parents and guardians who are anxious about their children's job-searching activities (please refer to Chapter 1 of the Main Report). However, there is a gap in social resources among parents and guardians that consists of information and know-how held by them with respect to the use of support (please refer to Chapter 2 of the Main Report). Students who are short of such information and know-how need special care during their stay in school in order to prevent them from suffering from any disadvantage.

(e) Strengthening of cooperation between labor administrations and prefectures

In the areas where the cooperation between high schools and other supporting bodies is not advanced and occupational counselors or Job Supporters in the prefectures are not known adequately to the relevant people, various supports for employment, even though they are prepared, are not well utilized by the people (please refer to Chapter 1 of the Main Report). Particularly for the young people who have been left out of the organized support of schools, such as students or graduates who have withdrawn from their job-finding activities, carefully-designed supports with a network of labor administrations and regional administrations (such as schools, education boards and Job Cafes) should be prepared where these administrations can exchange information on individual students during their stay in schools.