

Current Situation and Future Direction of Vocational Ability Development in Japan

Summary

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Research Project: "Study on Improvement of Labor Market Infrastructure concerning Vocational Ability Development"

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Research Period

From October 2003 to March 2006

Objective of the Research

This is an interim report on the "Study on Improvement of Labor Market Infrastructure Concerning Vocational Ability Development," one of the nine research projects scheduled by The Japan Institute for Labour Policy and Training for its mid-term plan.

The research project is intended to understand and analyze both the need and behavior of workers in regards to vocational ability development and the current conditions of social resources (educational infrastructure) that support functions of vocational ability development for workers, as well as to clarify the structure of

Japanese society in order for the government to develop vocational ability measures. As the Japanese industries and occupations undergo substantial changes, human resource needs are also changing. Based in this concept, this research is designed to explore approaches to reorganizing the educational and training functions of vocational ability development and methods of supporting individuals in their career development.

Method of the Research

Our approach to this research theme is based on two perspectives, supply and demand of education training; namely (1) the current situation and future issues for those offering education and training functions and providing opportunities and facilities for vocational ability development, and (2) the current situation and future issues for workers who develop their vocational ability in order to build their career. In addition to the study focusing on these two perspectives, we incorporated separate studies addressing specific problems.

Outline of Research Results

Part 1. Current Situation of the Vocational Education and Training Services Market

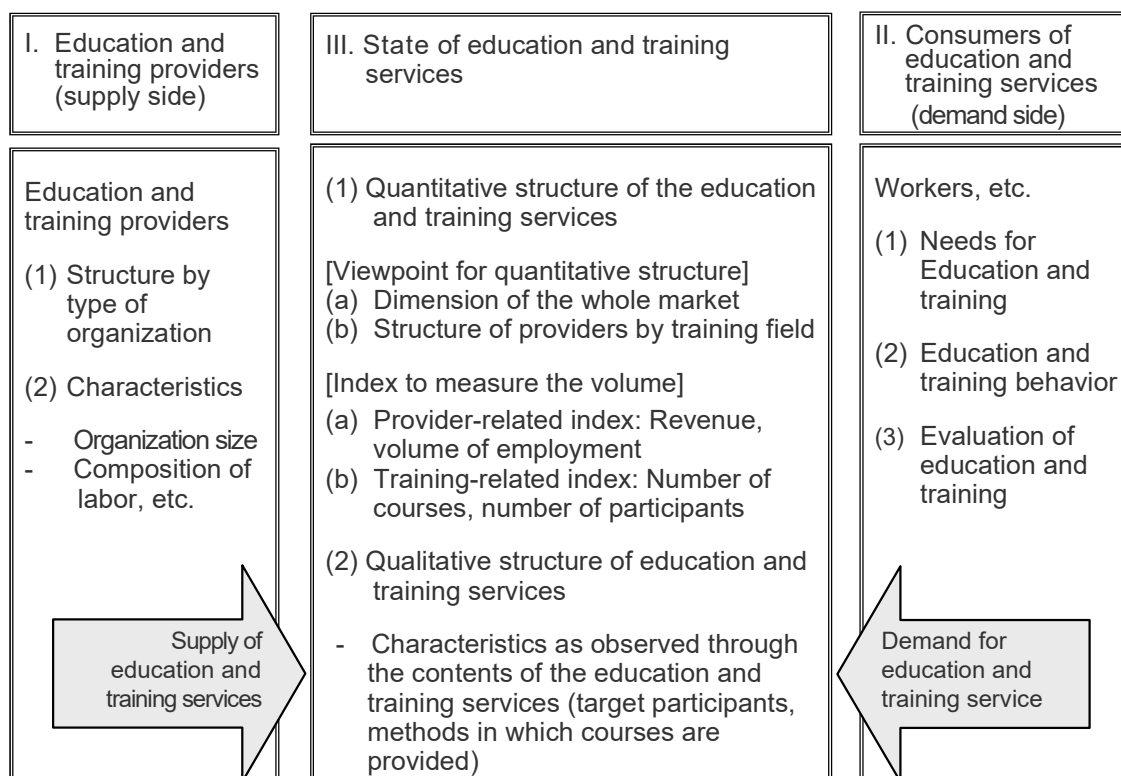
Today, Japanese companies strongly believe that "education and training is the investment in human resources," and they are moving forward by restructuring their education and training strategy. Meanwhile, individuals are also required to act on the development of their abilities (education and training behavior) to enhance their employability. Therefore, two important domains should be considered in research on education and training in Japan. That is (1) a new approach to the education and training strategy to replace the conventional self-sustaining strategy of "in-house training based on OJT," and (2) reinforcement of education and training functions provided by outside companies such as schools, public training facilities, private training providers, etc. This requires reorganization of the social infrastructure that supports the education and training activities of companies and individuals, and the government can play an important role in this respect.

To form an effective policy in this regard, the government needs to correctly understand the current practice of education and training in the labor market, in particular, the practices of the aforementioned outside companies. There is, however, little information available in this field. Therefore, in this research project, to identify the current situation of education and training in the labor market from the perspective of the education and training service market, we set the following work policies and

conducted a survey on the supply structure of education and training services (organizations and functions of providers) and the demand structure of education and training (needs of companies and individuals).

- a. Identify the volume and content of the education and training services provided and supplied in the labor market.
- b. Identify the supply and demand structure of education and training service in the labor market.
- c. Based on the results of the items a and b above, evaluate the current situation for education and training services and determine issues relating to national policies.

Figure 1. Viewpoints from Which to Consider the Education and Training Service Market



The education and training market has been identified as it is described in Tables 1 to 5. The survey was conducted with emphasis on private education and training providers. Information on education and training provided by public organizations are separately collected and also included in this report.

Table 1. Outline of characteristics of the education and training market from the perspective of service volume and content

| | | Education and training providers (supply side) | | | | | | | | | | Subtotal |
|------------------|--|--------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------|
| | | Public | | | | Educational foundation | | | Private | | | |
| | | State | Local government | Third sector | University, postgraduate school, specialized/vocational school | University, postgraduate school | Specialized/vocational school | Foundation, social welfare corporation, medical corporation, vocational training corporation | NPO corporation, voluntary organization, trade union | Chamber of commerce and industry, association of commerce and industry, cooperative association, industry association | Joint-stock corporation, limited liability company, unlimited partnership company, limited partnership company | |
| Supply structure | | Administration and services + mechanical, electric and electronics | | Administration and services + chemical, welfare | | | Information, communication and housing | | | - | | |
| | | Training field (1) | Mechanical, electric and electronics, design, welfare and multiple fields | Information and communication oriented | Specialized in administration and services | Specialized in administration and services | Mechanical oriented | Specialized in administration and services | Housing oriented | - | | |
| Service contents | | Training field (2) | - | - | Short-term OA training, mixed with long-term certificate training | - | Specialized | - | OA training oriented short-term wide range | - | | |
| Service volume | | Length of courses offered | - | - | Long-term | Mixed with short-term and long-term | - | Short-term | - | | | |
| | | Number of trainees | - | - | Few | Main party | - | Main party | - | | | |

Table 2. Characteristics of education and training providers (organizations)

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|--|--|--|--|--|--|--|--|
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Table 3. Training courses and providers' position from the perspective of trainees

| Hierarchical level | Position of training courses | | | | | | Position of provider | | | | | |
|---------------------------------|------------------------------|------------|------------|-----------------------|-------------------------------|------------------------------|----------------------|------------|------------|---------------------------------------------------------|-------------------------------|------------------------------|
| | Top management | Management | Supervisor | Experienced employees | New employee (within 3 years) | New employee (within 1 year) | Top management | Management | Supervisor | Experienced employees | New employee (within 3 years) | New employee (within 1 year) |
| Employee of large company | Correspondence course | | | | | New employee training | | | | Private companies, etc. Public interest corporations | | |
| | | | | | | | | | | | | |
| Employee of medium size company | Seminar | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Employee of public organization | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Self-employed and freelance | | | | | | | | | | | | |
| | | | | | | | | | | | | |
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Table 4. Structure of ability development behavior from the perspective of funds and time by type of employment

| | Funds | | | | | Time | | | | | |
|-----------------------|----------|------------------------|-----------------|------------------------------------------------|--------------------------------------|----------------------------------|------------------------------------------------------------------------------------|-------------------------|----------------|---------------------------|-----------------------------------------------------------------------------------------------|
| | Budget | | Actual spending | Ratio of invested funds (over spending budget) | Ratio of spending over annual income | Budget time for self-development | Ratio of invested time (for self-development) (Ratio of time spent over budget) | Actual total time spent | Training hours | Time for self-development | Ratio of time for self-development (Ratio of time spent for self-development over total time) |
| | Amount | Ratio to annual income | | | | | | | | | |
| | 1,000yen | % | 1,000yen | % | % | time | % | time | time | time | % |
| Regular employees | 120.4 | 2.32 | 33.0 | 29.3 | 0.65 | 114.0 | 28.7 | 49.6 | 19.8 | 30.9 | 61.1 |
| Non-regular employees | 64.9 | 4.86 | 12.6 | 19.5 | 0.96 | 103.2 | 21.2 | 27.4 | 8.1 | 20.9 | 70.9 |
| Self-employed, etc. | 202.0 | 5.31 | 65.6 | 34.7 | 1.78 | 145.5 | 34.7 | 79.8 | 25.4 | 47.5 | 65.7 |

Table 5. Distribution of ability development by education and training provider

(Unit: %)

| | Company, etc. | External education and training organizations | Equipment manufacturers, etc. | Self-learning | Others |
|-------------------------------------------|---------------|-----------------------------------------------|-------------------------------|---------------|--------|
| Distribution of training hours | 45.8 | 30.9 | 14.6 | — | 8.6 |
| Distribution of time for self-development | 15.0 | 20.8 | 8.0 | 50.9 | 5.4 |

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Composition of external providers (number of main external training courses received in the last three years)

| | | Equipment manufacturers, etc. | Private education and training organizations | Public interest corporations | Employers' organization | Specialized school, etc. | University, etc. | Public education and training organizations |
|----------------------------|-----------------------|-------------------------------|----------------------------------------------|------------------------------|-------------------------|--------------------------|------------------|---------------------------------------------|
| Total | | 10.7 | 30.2 | 24.9 | 9.2 | 3.4 | 3.0 | 3.6 |
| Type of employment or work | Regular employees | 11.7 | 31.4 | 27.1 | 8.7 | 3.1 | 2.7 | 2.9 |
| | Non-regular employees | 4.2 | 28.1 | 18.6 | 4.8 | 9.0 | 5.4 | 9.6 |
| | Self-employed, etc. | 9.4 | 25.0 | 16.7 | 14.6 | 2.1 | 3.1 | 3.8 |

From the above analysis, the following findings were obtained.

- (1) In relation to the vocational ability development in Japanese society today, the content of education and training is characterized by the organizational characteristics of providers or by the circumstances in which providers were established. The meaning of suggestions for future policies varies for each characteristic factor.
- (2) Some private providers, such as vocational schools and specialized schools, rely heavily on the revenue gained from the education and training business assigned by the State. Based on point (1) above, a study needs to be conducted to examine how the State should treat those providers that establish their business using the

assigned project as the core of their business operation.

- (3) Private companies, public interest corporations (including industry associations) and employers' organizations also play an important role as education and training providers.
- (4) The burden of tuition fees by individuals is characterized by the course, that is, how the course is set by the providers according to the providers' type or category.

Furthermore, based on the ability development behavior of individuals, the following issues emerge in relation to national policies.

(1) Recognizing the importance of the education and training services market

In terms of the contribution of the ability development method on human resource development, certainly the in-house OJT plays the most important role. External Off-JT and self-development activities, which heavily depend on the education and training service market, contribute to the improvement of individuals' ability as much as those that are provided by the education and training methods of the internal labor market variety, which consists of OJT and in-house Off-JT. Individuals allocate some 60 percent of the time that they spend on their ability development to their self-development activities, which is much larger than the some 40 percent they allocate to seminars. As for seminars, half of the time spent is used on courses provided by external education and training organizations.

(2) Reorganization required for the environment of ability development

In practice, individuals spend approximately half of the resources (time and money) available for investment (budget) on their ability development. They do not invest all of the resources either because they encounter restrictions though they have needs or because their needs are already met.

Among employees, self-employed and freelance workers in particular spend a noticeably large amount of money on investment compared to regular employees. There are two possible reasons for this.

The first possible reason is that employers provide regular employees with sufficient education and training to fill their needs and employees do not have to invest the funds available at their discretion. The second possible reason is that regular employees have some kind of restrictions that lower the ratio of investment (budget). The second possible reason is more natural, indicating that it is difficult for regular employees to predict working hours with limited discretion over their working hours. For the effective ability development of employees, in particular regular employees, improvements must

be made in the management of working hours to enable them to use their own resources effectively at their own discretion. In this regard, the government can play an important role in promoting this change.

(3) Addressing disparity in ability development

Disparity was found in the burdens facing regular and non-regular employees. Compared with regular employees, non-regular employees have a larger budget and spend more in terms of the ratio to annual income. Yet, they spend an amount of time similar to that of regular employees. Self-employed and freelance workers are in a similar situation. Non-regular employees and self-employed/freelance workers do not use private education and training organizations when purchasing education and training services from the market. Instead they rely heavily on employers' organizations, schools as public organizations, and public vocational training organizations that offer education and training services at low cost. In relation to national policies, it is important to enhance the education and training services provided by public vocational training organizations.

(4) Reviewing the division of work between education and training providers

This relates to the reinforcement and promotion of public-interest organizations' functions in providing education and training. In the past, one of the questions regarding education and training was whether education and training should be provided by private or public organizations. Yet today, there are other public-interest organizations, which are found somewhere between public and private, that are playing an important role in the education and training service market. Public-interest organizations include schools and a wide range of other entities such as public-interest groups and employers' organizations, which are particularly important. Active utilization of public-interest organizations should be considered when reviewing the division of work between the public and private sectors in education and training. In improving the education and training service market it will be important for public-interest organizations to emphasize their potential as ability development providing organizations and to enhance their functions toward that purpose, as well as for the government to focus on policies that support them.

Part 2. Situation of Occupational Career and Vocational Ability Development of Workers: Analyzing Long-Term Career of Individuals

[Concept of Occupational Career]

We traced Japanese individuals (68 subjects) for 35 years from the age of 15 to 50 to observe and analyze the formation of their career. In regards to the concept of "occupational career," the survey research implies, first of all, that "occupational career" is not determined by just one fateful selection. The first job after graduation and its job life certainly mark the first real job experience, and it is important in the sense that it provides the lens through which other jobs and future job life can be viewed. However, how individuals assess the value of their first job, which marks the starting point for a chain of jobs or careers, and build their career after that depends on their requirements.

Secondly, "occupational career" is not formed in a world of occupations in a narrow sense. "Occupational career" is formed through repetitive selections of daily occupational behavior in a wider context including local community, family life and social activities as a whole. Working women, in particular, are assigned with achieving "harmony with their family," and form their life career after marriage in consideration of managing their family based on the division of roles according to gender criteria.

Thirdly, people position their "occupational career" in their daily life and life as a whole in a way they are convinced is right. They make efforts in attaching value and meaning to their "occupational career" and attempt to achieve self-fulfillment not only in their occupational life but also throughout their life. "Occupational career" is a process in which individuals achieve self-fulfillment by repeating a variety of selections in society in relation to their job.

Behavior determination is made through the interaction of individuals' requirements such as aptitude and ability, environments such as company organization, community and family, and the economy and society as a whole. Based on the results of selection, a new decision is made to form and build up one's "occupational career." Thus, the concept of "occupational career" is a process in which individuals achieve self-fulfillment by repeatedly selecting a pattern of behavior in relation to their job.

[Outline of the Survey]

After a period of rapid economic growth, Japan experienced a few occasions of recession before and after the first oil crisis, which were then followed by the bubble economy and its collapse. With this rapid change in the social background, the conventional Japanese employment practice substantially changed. By examining the

careers of people who went through these periods, we analyzed how workers form their career and what systems are required to support them.

After graduating from junior-high school, individuals chose different paths by pursuing higher education or employment. The survey conducted when subjects turned 50 years old indicates that each created their own career by acting according to their own framework of thinking in relation to society. The survey suggested the needs of society to have a mechanism that provides equal opportunities and the importance of ability development respecting individual needs.

The following is findings obtained from the research conducted thus far.

(1) Importance of providing support outside companies for a "second chance" at a young age

The first job does not determine the life of an individual and there are opportunities during their career after the first job. However, providing opportunities that compensate for "bad luck at the starting line" will improve the motivation of young people and allow them to widen the range of their career. Reorganization of supporting facilities and vocational training for young people graduating from school are of key importance.

Facilities to support young people should be established and operated at a time and place more accessible, not only to support those freeters and non-working people, a major concern today, but also to facilitate use for other young people working for companies as regular employees. Since early job quitting improves working conditions when the labor market condition is unfavorable, early job quitting should be positioned as a job searching period, and facilities supporting young people should provide opportunities for consultation to support better job changes and ensure second chances.

Meanwhile, among those freeters and non-working people forced to remain in an unstable job or unemployed for a long period of time despite their intentions, some have difficulty transitioning to full-scale employment right away due to psychological or physical conditions, or because of their level of vocational ability. And situations vary from individual to individual. Therefore, it is of primary importance to accurately identify individuals' situation and to provide specialized and careful support for welfare, education, work and other domains according to their situation. Also, vocational training and other opportunities should be reorganized to provide individuals with systematic learning of basic skills without the burden of large cost to individuals when they are ready meeting the basic conditions for employment.

(2) Adjusting the relationship between individuals and organizations in relation to

"individual-led" education and training

Opportunities for individual-led education and training are expected to increase in the future. However, "individual-led" education and training does not mean that individuals have a full responsibility in conducting their education and training, but more importantly, it means that individuals are actively engaged in their vocational ability development as a main entity. Since individuals develop their vocational ability while working in their organizations, the organization still plays an important role. However, considering the past practice in which priority was given to the organization underrating the importance of individuals, "individual-led" initiatives are emphasized now.

Off-JT proves effective when desired by individuals and supported by their organizations. Individual-led vocational ability development is shaped from the following chain of events: "Desired by individuals" → "Supported by organizations" → "Skill improvements of individuals" → "Vitalization of organization and enhanced satisfaction of individuals." Therefore, the success of the individual-led vocational ability development depends on how many positive factors can be created for both individuals and organizations. Meeting minimum criteria requires the matching of needs between individuals and organizations, and the adjustment between individuals and organization is more important for identifying what individuals want and linking their wishes to the need of organizations.

(3) Importance of support system respecting the thinking framework of individuals

According to the results of the survey, only few individuals make decisions or evaluate their career based on an objective framework such as income, promotion and social prestige. Rather, they make their decisions based on their own thinking framework in consideration of their situation. This indicates that support should be provided with focus on the needs of individuals instead of providing support based on conventional criteria. As individual-led Off-JT proved effective as described in the above point (2), vocational ability development is effective when attention is paid to individual desire.

Part 3. Organization of the Social Infrastructure for Vocational Ability Development

Reorganizing the objectives and framework of this research, and based on the results obtained, this part summarizes points of discussion and future issues in organizing the infrastructure required for the vocational ability development of Japanese society.

Needs of vocational ability development and employability

Individuals build up the foundation of their vocational ability through various education and training functions in their society before they begin to work. Also, individuals encounter their job through the influence of various factors such as social climate and family environment, which have nothing to do with their responsibility, yet an unfortunate encounter may leave a blemish on their career. Meanwhile, it is also clear that individuals develop their skills as they work.

Today, however, it is very important for individuals to obtain vocational abilities that are appropriate to social conditions even after they find a job. It is a common understanding among both individuals and organizations such as companies that it is better for both society and individuals if workers obtain competitiveness in the labor market and become engaged in occupational activity. In relation to policies for the future, it is important to organize more accessible education and training functions for vocational ability development that meet the diversified needs of society. Future issues include the need for policy measures that enable education and training providers (who administer education and training services) to promptly make changes to their services and adapt to changes in industries and occupations, ensuring the high quality of these services.

What is individual-led vocational ability development?

Individuals develop their abilities through their job, trying to find opportunities to build up their career. Meanwhile, organizations provide individuals with work and have this work done; therefore, the type of work and the environment in which organizations provide individuals with work greatly affect the development of vocational ability in individuals.

By handling on their own the relationship between their job and themselves, individuals launch their ability development under their own initiatives. At the same time, knowing that the organization has the power to foster individuals by providing them with a job, organizations should exercise employment management that bears responsibility for the vocational ability development of individual workers. This research suggests the need for further study to explore methods of improving the

relationship between individuals and organizations and the relationship between jobs and individuals based on social situations.

Remaining Issues

Currently, there are a number of issues and problems, such as ensuring a labor force under the declining birthrate and the aging population, the mass-retirement of baby boomers and the subsequent problem of skills transfer. These are not problems for a distant future as baby boomers will begin to retire at the age of 60 in 2007. Depopulation has already started due to a declining birthrate and is a current problem. The remaining problem is to explore the ideal vocational ability development in light of these national issues and to make suggestions for the reorganization of education and training functions relating to the vocational ability development in Japanese society. With this awareness in mind, this project will be completed when the final report is compiled by adding information not included in the current report and by further analyzing and reviewing the results obtained thus far.

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2. Issues on Focus by the Survey Research
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