

This five-year series systematically outlines the basis of labor situations and analysis in Japan, covering five field topics.

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Allocation and Transfer in Japan

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I. Characteristics of allocation and transfer management

In the field of human resource management, “allocation” occurs when a company assigns jobs to its employees. In Japan, where the concept of a “job” is not as well-defined as it is in Europe and the US, we tend not to assign human resources who have the aptitude and competence to perform a particular job with 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 corresponding to changes in the environment surrounding the company.

Meanwhile, we could cite the following four characteristics in the management of “transfer,” whereby Japanese companies assign their employees to different jobs within the company.

First, transfers are made for organizational need, such as a response to expansion or reduction of the corporate organization or changes in business activity, revitalization of the organization, etc. Some transfers are mainly

for the purpose of training/educating employees and maintaining/improving their motivation. Table 1 shows that this kind of trend could be observed throughout the 2000s and 2010s, and applies increasingly as corporate scale rises, while it should be remembered that a simple comparison of data is difficult (see *Note* below).

Second, corporate authority and initiative are very strong when it comes to transfer. Human

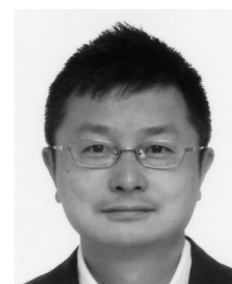


Table 1. The reasons why companies transfer staff (multiple responses, %)

	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
	Total	–	63.8	45.9	78.3	55.6	72.2	17.6	0.8	0.9
JILPT survey (2004)	1,000 or more	–	86.9	70.0	90.3	74.7	85.5	21.9	1.4	–
	300-999	–	73.1	56.4	82.9	63.7	83.3	19.9	1.6	1.0
	100-299	–	64.8	45.8	79.6	55.5	73.8	19.7	1.4	1.6
	fewer than 100	–	57.8	40.4	74.7	51.2	66.2	14.7	0.0	0.3

Source: Survey on the mechanism for establishing and changing terms and conditions of employment and the situation of personnel treatment, JILPT research series no.5, 2005 and JILPT Domestic Labor Information 14-12, 2014.

Note: The 2013 and 2004 surveys differed in their conditions for survey targets, the number of companies, the method of sampling, and the method of aggregating results. N is not shown in the 2004 survey, as the figures are reconstructed.

resource departments tend to have a stronger say in allocation and transfer of employees hired as new graduates as well as transfer of management personnel. In contrast, the intention of the department that is actually in charge of the work tends to be more reflected in transfer of other regular employees. This is observed typically in transfer within large corporations.

Third, the range in which regular employees may be transferred gradually becomes narrower, mainly focusing on specific job skills, 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 posts.

Fourth, some types of transfer may go beyond the framework of a single company. The aim of these may be to support suppliers and subsidiaries, develop employees' competence, or secure posts for middle-aged and older employees. These are known as *shukko* (temporary transfer, or transfer to another company 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).

II. New arrangements in 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) they can develop human resources capable of handling a wide range of work operations, because employees have experience of work in a relatively large number of departments or in other companies. Conversely, these methods are highly likely to have disadvantages. This is because companies have very strong authority and initiative regarding allocation and transfer, while their employees' needs with regard to employment and career formation are not taken into account. Another major disadvantage is

that allocation and transfer can significantly affect the employees' home lives, particularly in the case of *tanshin funin* (transfer not accompanied by family or "solo allocation"), in which employees who are heads of households have no option but to live apart from their families.

With the aim of resolving these negative aspects, two arrangements designed to reflect the wishes of employees in allocation and transfer are now spreading among Japanese companies. These are the "self-declaration system" and the "in-house recruitment system." Under the former, employees declare personal circumstances and wishes, and the company takes these into account when carrying out allocation, transfer and career development of employees. The latter enables companies to specify the content of assigned work in advance, for example when launching new projects or businesses, and to recruit personnel in-house to undertake it. Employees who pass selection process can then be put in charge of that work. Of course, when actually using these arrangements, many companies will probably find it hard to obtain adequate outcomes, owing to barriers arising from the intension of the departments to which the employees belong, the difficulty of securing work to suit employees' needs, and so on.

III. Characteristics of promotion management and how they are changing

One type of allocation and transfer is promotion. Promotion is defined as the movement of an employee from a position handling a job belonging to a lower grade within an organization, to one belonging to a higher grade. In Japanese companies, there is a strong tendency to place emphasis on securing human resources from within the organization, so that when assigning management posts, promotion within the company is used rather than hiring from outside. This "internal promotion" is one characteristic of promotion in Japanese companies.

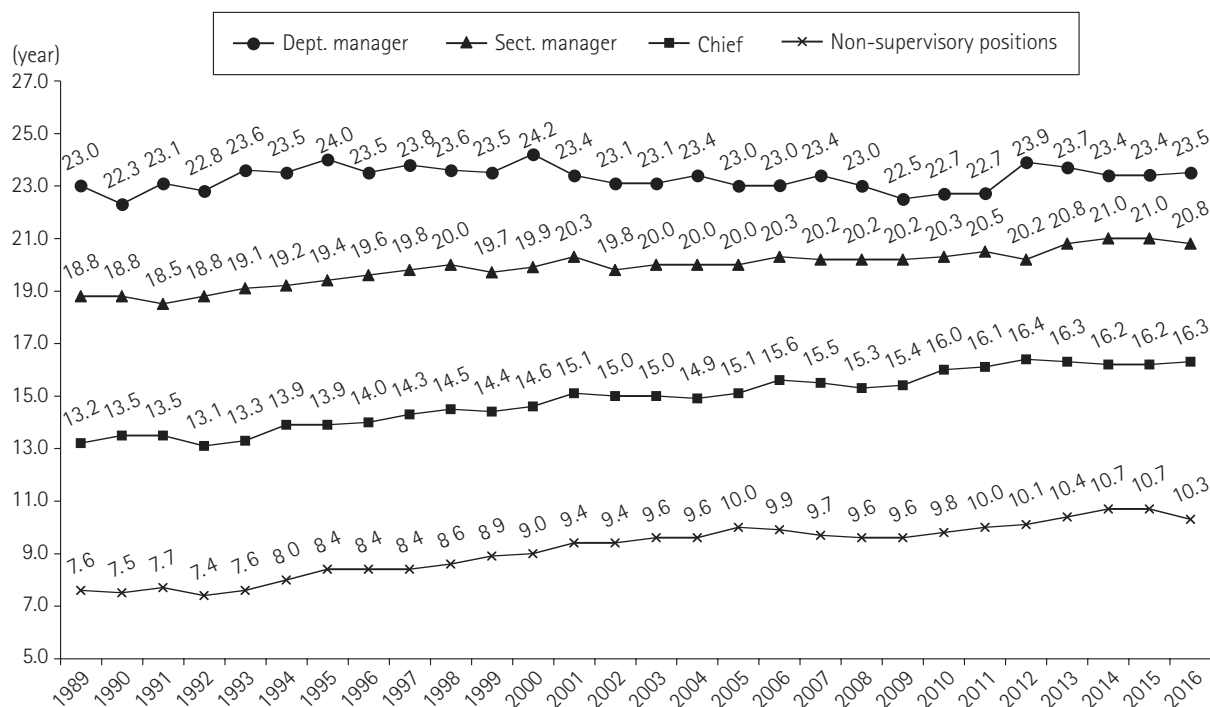
When making decisions about promotion, many companies that have established standards evaluate the work record and competence of the candidate. Many others place emphasis on years of service and practice seniority-based promotion management. This does have certain rationality. That is, by

promoting many new graduates who were hired as regular employees at the same time (*dōki shain*) to managerial posts at a certain level, such as section manager, this system gives hope of promotion to many employees and leads to improved motivation.

Looking at the reality of promotion in Japanese companies, we see that another characteristic is “late promotion”—when the timing of selection for promotion is late compared with the US, Germany, etc. The Japan Institute of Labour (1998) reports that, 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 on average in Japan, compared to 3.42 years in the US and 3.71 years in Germany. Meanwhile, the average timing of the career plateau phenomenon (when the number of employees competing for promotion within the same year is narrowed down, and there are no further promotion prospects for about half of them) was 22.30 years in Japan, 9.10 years in the US and 11.48 years in Germany.¹ According to the Ministry of Health, Labour and Welfare (Figure 1), around 1996 when

the Japan Institute of Labour survey (1998) was conducted, 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 to those of the section manager class. As a recent trend, however, years of service in the section manager class, the chief clerk (assistant manager) class and the employees in non-supervisory positions have increased, and the timing of promotion is thus gradually being delayed.

Thus, promotion in Japanese companies has the two characteristics of “internal promotion” and “late promotion.” In recent years, however, changes have been seen in the *raison d’être* of this “late promotion.” That is, it has become more difficult to see rationality in “late promotion,” for a number of reasons. One is that it has become harder to sustain a high probability of promotion, due partly to the flattening of organizations and cuts in 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,



Source: "Wage Census FY1989-2016," Ministry of Health, Labour and Welfare, <http://www.mhlw.go.jp/toukei/list/chinginkouzou.html>
 Note: The above data represent industry totals, corporate scale 100 employees or more, age group totals, males, and university/graduate school graduates.

Figure 1. Average years of service in Japanese companies by position (1989–2016)

and moreover, the inclination toward promotion to management has decreased, particularly among male regular employees.

IV. A new tide in allocation and transfer management?

As one new phenomenon, companies are now starting to adopt the human resource management measure called “talent management.” Although talent management has yet to be given a unique definition, its key points are thought to be threefold: (i) it is targeting a limited number of human resources with “talent,” (ii) its ultimate goal is to improve corporate performance, and (iii) it is strongly oriented toward optimizing human resource allocation (Kakinuma 2015).

This type of management forms groups of human resources (talent pools), which leads to the use of human resources including training, allocation and evaluation. This system has been adopted by some Japanese companies, where selection of future management personnel may be considered to be in progress (Sato 2016; JILPT 2017). Although it is not certain to what degree this system exists, *de facto* selection already seems to be practiced by some companies before the time when disparity appears in promotion timing. If talent management becomes broadly established among Japanese companies, the characteristics of Japanese allocation and transfer management could well change.

Note

1. The characteristics of these data are that they target white-collar university graduates and that, in terms of the scale of the respondents' companies, more than 90% have 1,000 or more regular employees. These differ from the data in Figure 1 (corporate scale 100 employees or more) in the timing of promotion.

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