

# **Current Situations and Issues of Occupational Classification Commonly Used by Private and Public Sectors**

## **Summary**

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### **Objectives**

This paper organizes problems and issues involved in developing occupational classification commonly used by public and private sectors, in view of the upcoming revision of “the Classification of Occupations for Employment Services”<sup>1</sup> (hereinafter referred to as “ESCO”).

Standardization of occupational classification started within the public sector, and later emerged the idea of standardization shared by public and private sectors. Classification of occupations used basically by the public sector is the Japan Standard Classification of Occupations of the Ministry of Internal Affairs and Communications. In compliance with this classification scheme, the Ministry of Health, Labour and Welfare compiled ESCO, which is used for services related to recruitment and job search at Public Employment Security Offices. The amended Employment Security Act of 1999 was the first step to expand the scope of application of the employment classification, which had been confined to the public sector, to encompass the private sector. Article 15 of the Act stipulates to formulate an occupational classification system that can be commonly used by both public and private sectors in employment services and for hiring workers.

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<sup>1</sup> The Occupational Classification defined by the Ministry of Labour has been compiled and revised by the then Ministry of Labour during the period from its first publication in 1953 to the current revision in 1999. The current version was revised before the reorganization and consolidation of central ministries and agencies 2001; therefore, this report uses the original name, “Classification of Occupations for Employment Services.” In order to avoid confusion of terms, the classification used by Public Employment Security Offices is referred to as “occupational classification” and the one used by private businesses is referred to as “job classification.”

Based on this policy, it is likely that discussions will be made concerning the modality of occupational classification shared by public and private sectors for the upcoming revision of the occupational classification. This paper aims to present materials for the discussions.

### Outline of Survey

There are three important tasks to be performed for the issues involved in the commoditization of occupational classification: 1) to grasp the characteristics of job classification used by private business; 2) to identify obstacles to the sharing of occupational classification; and 3) to determine the conditions which support the sharing of classification. In this study, survey was carried out targetting these three points. The survey subjects are recruitment advertising agencies and fee-based employment service providers. The survey has two parts: preliminary questionnaire survey and interview survey based on the questionnaire. The former comprises the items to grasp the overall picture of job classification of each company and the items related to the usage of the classification. The survey is outlined in Table 1.

Table 1 Outline of Survey

Subjects of the Survey	Recruitment advertising agencies (Detail)	10 companies	(Case Number)
	Job magazine (fee-based) publisher*1	1 company	1
	Job information website provider	7 companies	2-8
	Job search website provider	2 companies	9-10
	Fee-based employment service providers (Detail)	8 companies	(Case Number)
	Personnel placement companies *2	7 companies	11-17
	Number of consultants 10-49	(3 companies)	11-13
	50 or more	(4 companies)	14-17
	Website provider to support personnel placement services	1 company	18
Location of companies visited:	Tokyo		
Survey Period:	May-June 2006		
Survey Method:	Filling in questionnaire, Interview in detail when collecting the questionnaire		

(Note) \*1 Interview was conducted about job magazines which list recruitment advertisements mainly for full-time employment.

\*2 All of them are agencies which have been involved in the placement of registered job seekers.

### [Summary of the Survey Result]

#### 1. Current Situations of Job Classification

##### ① Concept of Job Classification

Job classification is normally developed in accordance with the purpose of use, and there are two points that are given particular consideration at the time of its formulation. One is to minimize the gap between the trend of demand of recruiters and the categories listed in the job classifications. If not for the recruiters, there would be no job advertisement and personnel placement services. The first step of their task is to accurately place the needs of recruiters within the job classification system of their own companies. Some companies set up the classification categories with one-to-one correspondence, and some companies set up a broad classification scheme in which similar jobs are grouped in one category, by expanding the scope of the definition of the job. The number of classification categories is more in the former case than the latter case. The advantage of the former case is one-to-one correspondence, which can also be a disadvantage. Adjustment is necessary if the job sought has a broad scope, and frequent revisions are needed in accordance with the change in demand of the recruiters. On the other hand, in the case where somewhat broad job categories are established (although the size of a cluster greatly varies), there is an ease of linking a sought job with a job classification in which similar jobs are grouped together; however, when the number of job offers/advertisements is large, job seekers take much time to search through the data and personnel placement services have difficulties to find a possible matching quickly at a job level.

Another point of consideration is to minimize the gap between the understanding of a job of job seekers and the composition/job title of job classification. Many companies create unique job classification schemes and titles so that job seekers can find the desired job. What is normally listed in the job search sections are major classification categories. Thus, it is necessary to give a job a proper title by considering its composition so as to avoid misunderstanding between major classification categories and the understanding of job seekers. Most companies use a classification title identical to the name listed in the job search section, but some companies develop job search titles that are easy for job seekers to understand by consolidating and reorganizing the classification categories.

## ② Classification Structure

Job classifications of 18 surveyed companies have hierarchical structure. The difference is the number of strata. The most common type is the double-hierarchical structure. In this case, classified categories are mostly major and unit groups. There are three factors which determine the number of strata. The first is the number of categories at the lowest level. The threshold to determine whether classification will be

structured in double-hierarchical structure or triple-hierarchical structure is about 200 categories at the minor classification level. The second factor is the purpose of using job classification. If the job classification is used for matching, it is necessary to have detailed job classification to allow accurate matching of jobs. The third factor is the convenience for job seekers. Particularly, companies providing employment information on the Internet determine the classification structure to facilitate job search in such a way that job seekers can promptly find the job they desire.

### ③ Classification Principles

Most companies use employment classifications and general information concerning occupations of other companies in the same industry as a reference when developing job classification and take a deductive approach to setting specific classification categories. First, a framework of classification system is formulated according to the purpose of use, and then additions and corrections of jobs are made to which actual job offers are applied. Therefore, strictly speaking, few companies set up classification categories in line with classification principles (criteria to provide consistency to the job classification, such as definition of occupations, application unit of classification, classification standards and classification codes).

### ④ Revision of Classification

The interval of revision is three to five years. The timing of the revision coincides with a renewal of a system or a website in many cases. Renewal of a system used to occur every five years or so in the 1990s, but it has been shortened to about every three years since 2000. Renewal of a website is carried out more frequently. Some companies conduct necessary reviews on an as needed basis, regardless of external factors such as the system or website. Classification methods can be grouped into two types: namely, bottom-up type and top-down type. Many companies adopt the former for a partial revision and the latter for a full-fledged revision.

### ⑤ Composition of Classification Categories for Popular Occupations

The number of job offers/advertisements greatly varies among some classification categories. The jobs with a particularly large number of offers and advertisements are engineers (IT engineers, in particular) and sales personnel. With regard to the point to which particular attention is paid when establishing job titles, "Choose a job title which is understandable to job seekers" is the most frequently cited response, followed by "Classify by industry." It can be restated that "a job title which is understandable to job

seekers” is one that is easily recognizable to job seekers and from which anyone can assume the contents of the job.

## **2. Use of Job Classification**

### **① Job Offers and Job Classification**

There are basically two types of difficulties or confusions as to how to classify job offers of recruiters to fit into the classification categories of an advertising or employment service company. One is the case where it is difficult to find a clarification heading corresponding to the title of an offered job. And the other is the case where there is no appropriate classification heading corresponding to the title of an offered job, for example, when the job is newly created.

It is likely that the title of an offered job can be applicable to more than one classification category when the classification categories are divided into many smaller divisions. Public Employment Security Offices adopt the principle of one-to-one correspondence between an offered job and a job title, whereas private entities do not always strictly observe this principle. Some companies adopt one-to-many correspondence. However, regarding the classification of the offered jobs, a general rule is to select one job title which represents the main work assignment. Adoption of one-to-many correspondence rests on the matching theory. It is possible to make use of the difference of work in matching by grouping one job into several categories. From the point of view of recruiters, it is possible to make contact with a wider variety of job applicants when the job is classified into several categories. At the same time, job seekers are given more options when there are different types of jobs in one job category.

There are two types of responses in the case where no appropriate classification categories are established for offered jobs. When there is no category of “Other,” a job is categorized into an existing category that may seem related to the offered work assignment. Although it is basically classified into “Other,” if there is one, it is more flexible in reality. Some companies select the existing category which is thought most suitable, and some companies, which can adopt one-to-many correspondence, place it into both “Other” and an existing category.

### **② Job Seekers and Job Classification**

The second point which private businesses emphasize when formulating job classification is recognition of job seekers. A user-friendly perspective is particularly considered when (a) establishing classification categories, (b) presenting a classification system, and (c) devising the method of job search.

Firstly, a classification criterion is primarily a contact point with job seekers. Particularly since a major group is an entrance to job search through job titles, companies decide the categories in accordance with the recognition of job seekers and consider the composition of occupations in the lower stratum. Secondly, when setting up search categories by occupation, companies pay consideration to the occupational recognition of job seekers. Normally, they use major groups as they are. However, if there are many major groups, some companies develop a separate job classification tailored for search functions. Thirdly, the contents of support measures for job search for job seekers, more or less, vary among companies; nonetheless, they all encourage job search using search functions. The most frequently used search index, which is combined with occupation types, is work location. It seems to be based on the principle that seekers are able to collect a wide range of job information pertaining to a specific job opening within a particular location.

### **[Policy Implication]**

#### **1. Direction toward Standardization**

Sharing of occupational classification is initiated by the public sector. The Japan Standard Classification of Occupations was officially launched in 1960, and the then Ministry of Labour chose to comply with the scheme of the Japan Standard Classification of Occupations at the time of revising the ESCO in 1965. Since then, the ESCO has been revised in keeping with the revision of the Japan Standard Classification of Occupations.

Article 15 of the Employment Security Law and Article 11 of Enforcement Regulation of the Employment Security Law do not stipulate the purpose of sharing of classification between public and private organizations through the expansion of the standardization of the public sector. Nonetheless, the sharing of classification between public and private organizations can be implicitly deduced from the following context because the revision of the Employment Security Law was a part of the adjustment of domestic laws in order to ratify ILO Convention No.181. The basic principle for ensuring appropriateness of policies for supply and demand of workforce is to understand the overall trend of job offers and job applications in the labor market. However, back then, data available for actual use were limited to occupational statistics issued by Employment Security Offices. Thus, it is contrived to develop an occupational classification common to both public and private sectors as a tool for data collection, expanding its business target to employment placement industry, workforce demand,

and workforce supply in accordance with progressive liberalization of job placement service business.

At what level do they think it suitable to use the occupational classification common to both public and private sectors? There are two options: sharing of major classification categories or sharing of lower classification categories. In the former case, it is difficult to establish a systematic one-to-one correspondence between job classifications of private businesses and the ESCO at a level of major classification categories. This is because some of the major categories and lower categories of job classifications of private businesses are included in different major categories of the ESCO. With this reason, the performance figures by occupation listed in the business reports of fee-based employment placement companies are overestimated or underestimated for some occupations.

In terms of sharing of classification at a lower level, there arise difficult problems concerning classification structure and setting up and revision of categories, etc. The seriousness of a problem concerning classification structure depends on the degree of sharing of classification. When the classification is to be shared in every stratum, the problem is serious. Even in the sharing of major classification categories alone, the solution is not that simple due to the issue of classification standard. With respect to establishment of categories, the private sector and the public sector have their own framework. The private sector highlights recruitment trends and the public sector complies with the Japan Standard Classification of Occupations. Private businesses and Public Employment Security Offices deal with different areas and types of recruiters. Reflecting this, types of job seekers are somewhat different accordingly. It must be said that it is a difficult task to develop a classification that can be commonly and practically used by both private businesses and Public Employment Security Offices which stand at different environment. Frequency is likely to be an issue when it comes to revision of classifications. Private businesses revise classification categories responsive to recruitment trends. Therefore, use by private businesses will not be increased unless timely revision is made responding to recruitment trends.

## **2. Possibility of Sharing of Classification**

Public Employment Security Offices, personnel placement companies, recruitment advertising companies – these three entities have some overlapping target markets, but the core parts are different. Facing this fact, it is not simple to create an occupational classification that can be applicable to any market. The best one can do is to develop an occupational classification common to both public and private sectors which consists of

categories with the most common elements for various entities. The establishment of these common categories requires some preconditions. The first is to share the concept of classification criteria. The ESCO focuses on the similarities of job and identifies types of products/services as classification criteria, whereas private businesses use various classification criteria, and some set up classification categories based on job titles.

The second is to share the consolidation method of classification categories. It is important to share the rules concerning consolidation of categories when establishing a higher level of categories by consolidating lower categories or, conversely, when setting up lower categories under the higher level of categories. However, in reality, private businesses use industry-specific groups when consolidating categories, whereas the ESCO insists on the similarity of job, exhibiting a large gap between the two sectors.

### **3. For the Upcoming Revision of the ESCO**

Revision of the ESCO was made in 1986 and 1999 at the times of the revision of the Japan Standard Classification of Occupations. The Japan Standard Classification of Occupations is projected to be revised in view of the next national census (2010). Thus, when the revision of the Japan Standard Classification of Occupations officially starts, the revision of the ESCO is expected to follow suit. The past four revisions of the Japan Standard Classification of Occupations maintained the framework of the classification and made adjustments to classification categories (addition, division, integration, and abolition of categories) in accordance with the change in employment structure. In the meantime, the ESCO has been revised focusing on two points: to respond to the change in employment structure and to increase the consistency with the Japan Standard Classification of Occupations. As a result, the revision of 1999 achieved full consistency.

Arguments on the ESCO are summarized into three points. These points correspond to its roles. The first is the response to the occupational changes. It is desirable to minimize the gap between actual occupational conditions and categorized jobs as much as possible to facilitate user-friendly classification. The second is the issue of consistency with the Japan Standard Classification of Occupations. Consistency has already been established. Then, what is a problem? A problem arising from complying with the Japan Standard Classification of Occupations is not insignificant. This problem implies a conflict of two different views: one, to emphasize the sharing of occupational classification; and two, to give priority to the ease of use of the classification for business purpose. The difficulty in striking the balance between the two views is exactly the reason why the then Ministry of Labour chose the former view at the time of the revision of 1965. The third is the issue of sharing of occupational



classification between public and private sectors.

There are two common tasks involved in sharing of classification: namely, sharing within the public sector and sharing between the public and the private sector. Should priority be given to the issue of sharing classification for the consideration of the next revision of the ESCO? Although the ESCO has achieved consistency with the Japan Standard Classification of Occupations, there is an issue of practical usability. As explained in the earlier section, there is a huge gap between the ESCO and the job classifications of private businesses. If one takes a step further and proceeds with the idea of common classification used by both public and private sectors without facing reality, it is hardly conceivable to develop a common classification with practical usability. What should be given priority in discussions of revision is clearly the issue of practical usability, not sharing of classification. Even if a common classification is made available, its value is reduced if it is not easy to use in a practical operation. From this perspective, sharing of classification would be an issue to be considered based on the primary role of the ESCO.

Even though sharing of classification cannot be the priority issue to be considered, a path to achieving the sharing of classification should be made clear to some extent. This issue involves tasks to be addressed on a medium- and long-terms basis and those to be undertaken immediately. What is expected of the administrative body is to clarify the intention of Article 15 of the Employment Security Law. Then, it is necessary to decide whether the policy of ensuring consistency with the Japan Standard Classification of Occupations will continue to be appropriate or will be revised. This policy has stood firm through the three revisions of the ESCO since the 1965 revision, but the direction towards the creation of common language may be different depending on how the policy is interpreted. If the principle is to seek complete consistency, the approaches available to the creation of common language will inevitably be very few.

Private businesses are expected to share the same understanding and awareness of the direction towards the creation of common language. This is because there is little prospect of the progress in the creation of common language under the circumstances where there is a lack of needs for common language. Private businesses have developed various job classifications seeking the ease of usability. However, the presence of various classifications and names of jobs can be a labyrinth that hinders the flow of job search for job seekers. The basic principle of the provision of service is nothing but the consideration for job seekers. This perception may be the starting point of the creation of common language.

We face the fact that classifications of the public sector and the private sector are in

conflict with each other when the discussion is turned to reality. There are some issues associated with the creation of common language that can be immediately tackled. One of them is the development of a common denominator that bridges the gap between public and private sectors or within the private business entities. Private businesses use various job names. Having the same job name does not always guarantee the same job assignment. In many cases there are jobs with the same names but with different job assignments. Also, in some cases it is difficult to assume the job assignment from the name. These situations are not desirable for job seekers to conduct job search. With respect to job titles, what is necessary is a sort of thesaurus which organizes correspondence/inclusion relations of various job titles. Compilation of a dictionary or index for job titles which would contribute to the job search is the basis for the development of conditions toward the creation of common language.