

Students' ability to find employment and university education

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What is happening?

Looking at the percentage of graduating university students who found employment as of February 1, the percentage for fiscal year 2010 has substantially declined to 80.0%, compared to 86.3% for fiscal year 2009. Nevertheless, the percentage of university graduates who found employment but quit their jobs within 3 years has reached around 35%, accounting for about one third. In the current fiscal year 2010, the ratio of job offers to applicants has stayed around 0.5 so far. Taking these statistics together, it seems that typical university graduates manage to find employment but quit their jobs for various reasons, and then face the harsh situation of not being able to find any desirable job offers. It is noteworthy that graduating students universally face difficulty in finding employment, and it seems that even graduates from so-called former imperial universities and the few other prestigious universities are no exception.

Japan's GDP per capita was higher than that of U.S. in 2000, but since then it has been steadily declining and now allegedly stands at the lowest level among developed countries. In addition, the percentage of Japan's GDP accounted for by manufacturing has declined to some 20%. Together, these hard facts suggest that most of the added value has flowed out to foreign countries with highly productive manufacturers having shifted their production bases overseas, while Japanese non-manufacturers have not yet sufficiently enhanced their added value. This two-sided phenomenon might possibly be considered as a "fab-less" environment, which became a hot topic in the U.S. twenty years ago and has now become apparent in Japan, one step behind. And yet, U.S. manufacturers account for a higher percentage of sales than their counterparts in the EU and Japan.

So-called developed countries have experienced negative economic growth due to the recent effects of the financial crisis on the real economy. Above all, Japan suffered the largest rate of decline in exports among developed countries. This is partly because the economic crisis has accelerated not only overseas transfer of manufacturing but also business development from one overseas base to another. The globalization of Japanese companies has begun to step out of the conventional phase in which Japanese style production methods have been transferred to low-wage countries while the relevant marketing forefront has been developed in consuming regions. Instead it is entering a new phase in which the overall business is aimed to be globalized.

Implication of Japanese companies recruiting more foreigners

Fumio Ohtsubo, President of Panasonic Corporation, attracted public attention when his comments were published in a monthly magazine called *Bungeishunju*. Since then his comments have been referred to in various places and on various occasions. The gist is that Panasonic will increase its employees by recruiting

more foreigners while not increasing Japanese staff. According to the article, Panasonic newly recruited 1,250 graduates for fiscal year 2010. Among them, 750 persons were allegedly recruited overseas. With regard to new recruitment for fiscal year 2011, the company plans to allocate more recruiting positions overseas. FAST RETAILING CO., LTD., LAWSON, INC., Rakuten, Inc. and some other companies in wholesale, retailing and service industries are also reportedly recruiting more foreigners.

It seems natural for companies in wholesale, retailing and information service industries to hire local staff when they develop overseas operations. We would expect domestic job opportunities to increase if the domestic business scale expands. However, with regard to the significant increase in foreigners recruited by major Japanese manufacturers such as Panasonic, the phenomenon seems to reveal Japanese companies' sense of crisis and serve as an indicator of how businesses will be globalized in the future. Conventionally, in overseas development of manufacturing and sales bases, Japanese personnel were in charge of transferring Japanese style production methods to local countries, or Japanese companies acquired local dealers to expand their sales. Except for some managerial positions, local employment was limited to positions for direct labor or sales, having no significant impact on the domestic recruitment of university graduates as candidates for future corporate executives.

However, Panasonic's recruitment is completely different from this conventional way of hiring foreigners and will have a significant impact on future recruitment by Japanese companies. During the reconstruction period after World War II, Japanese manufacturers introduced foreign technologies from developed countries and adapted them to Japanese ones. Through this process, the Japanese manufacturing industry achieved remarkable progress. We can say that this progress was supported by the following systems: recruitment of university graduates as core staff who excelled in the understanding of developed countries' technologies and structures; the employment of workers without consideration of their academic qualifications to make up for the postwar staffing shortage; and Japan's unique labor management, including in-house personnel training based on lifetime employment. The comments by President Ohtsubo suggest that these systems will no longer effectively work.

Universities' role to cultivate the ability to find employment and prospective human resources

Back in the Middle Ages, the main role of Western European universities was to foster highly skilled professionals. In contrast to this, the University of Berlin, founded by Wilhelm von Humboldt, is considered to have established the basic model for modern universities whose main role is both education and research. Nevertheless, it is still important for universities to play the role of teaching highly professional knowledge and fostering human resources who can flourish in society as highly skilled profes-

sionals.

The standards for establishing universities have been partially revised in the context of promoting career guidance at universities. This does not mean that universities are urged to strengthen their function of helping graduating students find employment. The gist of the recent revision should be interpreted as follows: Universities should be aware of and undertake a role that is to give students employability and social competitiveness. The above-mentioned comments by President Ohtsubo might indicate that foreigners have higher employability than Japanese from the viewpoint of globalizing companies. Most of Japanese companies have not yet sufficiently broken away from postwar Japanese-style labor management. And yet, with a sense of crisis, they feel that they would go to ruin if they did not change. I wonder whether universities have the same sense of crisis over education and are trying to cope with the change.

As Japanese manufactures shift their production bases overseas, Japan's GDP per capita will follow a course of decline in international ranking, unless Japanese companies restructure themselves, or unless change in the Japanese industrial structure is accelerated. The service industry is said to become a key player in supporting Japan's future GDP. The service sector focusing on hardware is as important as the information service sector in Japan. The service industry is said to provide high added value, but this is not always true. For example, productivity and the added value of maintenance services for electric power supply equipment, elevators and the like can never be said to be high. The maintenance service sector can evolve into one with high productivity and rich added value, when products and businesses are designed from the viewpoint that people ultimately benefit from product value as a service, bringing the maintenance service into view. Service methods and processes have been diversifying on the strength of advanced information technology. What we need is to foster human resources who can design new businesses by capitalizing on such diversity and at the same time have both a comprehensive view and deep knowledge about their respective professional areas.

What we should do

While Japan's economic development remains sluggish, Asian countries other than Japan show remarkable growth. The region's middle-class population, with a disposable income between \$5,000 and \$35,000, is estimated to reach 2 billion in 2020, while the wealthy-class population with a disposable income of \$35,000 or more is expected to exceed that of Japan within five years. Under these circumstances, Asians' spending on services has been dramatically growing. In particular, education spending has achieved outstanding growth during the period from 2000 to 2008: 3.6 times in China and 5.3 times in Indonesia. As Asians are getting wealthier and more highly educated, the region's positioning as exporting countries of products developed in Japan is losing its effectiveness. Asians have also begun to benefit from not only products themselves but also various services through products as values. Here, in this region as well, designs for new products and businesses are required.

Meanwhile, Japanese university graduates who have received a good education are facing the difficulty of finding employment.

Corporate demand for university graduates has been changing in response to globalization and other changes in the economic environment. In my opinion, the desirable attitude of each person who quit his or her job for any reason is to acquire necessary competency and qualifications at a university and then to take on a new job. And yet, the range of ages for Japanese university students is extremely narrow, concentrating on the age bracket from 18 to 22 years old. This shows that each university is just a pass point between elementary & secondary education and society. Such a situation is peculiar from a global point of view. We could say that this is because Japanese companies recruit only new graduates. As a matter of fact, these companies recruit and train new graduates out of necessity, since they cannot find human resources with the required competency in mid-career recruitment.

It may be difficult to fulfill all the demands for human resources who can respond to corporate globalization and those who take a lead in innovating new businesses and products from a comprehensive point of view. And yet, a primary responsibility of universities is to give students competitiveness based on professional knowledge or to provide educational opportunities so that they can meet the demand from people who quit their jobs. Asian countries are getting wealthier and their education spending is rapidly growing. In light of these trends, I think it is important to further diversify students' ages and races. I believe that both universities and the business community should make further efforts to form a training ground where both students and faculty members develop themselves through friendly competition as well as the exchange of various values and diversified experiences.

- 1) Trade White Paper 2009 and Trade White Paper 2010.
- 2) White Paper on Education, Culture, Sports, Science and Technology 2009.
- 3) WHITE PAPER ON THE WORLD ECONOMY 2006 Autumn, published by Cabinet Office, Government of Japan.
- 4) *Daigaku Sotsugyo Yoteisha no Shushoku Naitei Jyokyo Chosa* (Survey on the Extent to Which Graduating University Students Have Received Informal Job Offers), jointly conducted by the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Health, Labour and Welfare.
- 5) Statistics collected by Employment Security Bureau, the Ministry of Health, Labour and Welfare.
- 6) J-CAST News.
- 7) *2009-nendo Suishin Tehma Houkoku: Sangyo Kiban wo Sasaeru Jinzai no Ikusei to Gijutsusha Kyoiku* (Report on Themes Promoted in Fiscal 2009: Fostering of Human Resources Who Support the Industrial Infrastructure and Engineering Education) issued by the Council on Competitiveness-Nippon.

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