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DEVELOPMENT OF THE INTERNAL LABOR MARKET AMONG FIRMS OF EMPLOYMENT GROWING SECTORS*

by

Yoko Sano

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Introduction: Summary and Conclusion

A seniority system and a life-time employment system are the two major characteristics of Japan's employment system. Needless to say, it is a valuable discovery resulted from extensive studies and researches made by our predecessors. The objectives and targets of the previous studies, however, were mainly focused upon blue-collar workers engaging in the manufacturing industry. It was generally taken for granted that the seniority system and the life-time employment mechanism were not in extensive practice among workers of the tertiary industry and of small and medium-size manufacturers because of their relatively lower wage scales and higher mobility. However, the life-time employment tends to be enforced, although the system to determine wage scale exclusively on the seniority basis is being weakened with the extension of the retirement age.

In this study, I focused my attention on the ratio of the workers who stay with one employer after their school graduation as one of the indices of the application of the life-time employment system. I found that the ratio was two to three times higher than that of U.S. workers. I also discovered that the longer their schooling years were, the longer they stayed with one employer even in the United States. In Japan, this ratio was getting higher and higher. The studies were made separately in accordance with different levels of each industry.

In order to check the relations between hiring conditions of port of entry

* The main body of this paper is a translation of an article entitled "Rodo-Shijo niokeru Kigyo Naibu-ka no Kakudai," *Nihon Rodo Kyokai Zasshi*, No. 270 (September, 1981) by the present author.

and the so-called internalization of labor markets, I reviewed backgrounds of the employees into two categories; the ones who were employed right after their graduation from school and those who joined their firms otherwise, like transferring from other employers I then came to discover that the larger the firm and the higher their wage scales were, the more the number of workers who stayed with one employer was. Before the oil crisis of 1973, the number of recruits who transferred from other employers had been increasing, but the percentage of those who came right after the graduation from school has begun again to grow since the oil crisis year. It was assumed that the percentage would further be increased while the number of workers on seasonal or part-time basis is expected to decrease or be stabilized in future.

Among the tertiary industry, finance, insurance, electricity, gas, water, communication in addition to wholesale and retail business had a much stronger tendency to have more developed internal labor markets. On the contrary, the transportation, hotel and movie industries were relatively less internalized areas although they belong to the tertiary industry. That is to say, we are unable to categorize the tertiary industry as one group because of their diversified characteristics.

The firms with stronger capability to recruit more workers were concentrated in the tertiary industry and they tended to hire more workers fresh out of school. Now internalization of labor markets are assumed to be strengthened and the life-time employment system is expected to become stronger accordingly. On the other hand, the flexibility of the external labor market seems to become feeble in accordance with the loosening process of the relations between the demand for and supply of labor.

Chapter 1: Theories of Japan's Dual Labor Markets

Prior to the development of the theories of dual labor markets in the United States, researches and studies in Japan had focused their attention on the structure of the internal labor market for a long time. Their common findings were apparent existence of the life-time employment system and the mechanism of payment scale strictly based on seniority. Those studies showed that the number of years the worker stayed with one employer and the seniority payment system were very strongly related.

The best example of Japan's labor market model is said to be the dual structure theory¹⁾ that has been exposed to the public attention with a research done by Shojiro Ujihara.* The study compared the inflexible labor market of the larger firms and the one with the high labor turnover of the small and medium-size firms.

1) Shojiro Ujihara: *Studies on Problems Related to Japan's Labor Market*, Tokyo: Tokyo University Press, 1966, and there are so many other researches.

* Above-introduced books and journals or articles were all written in Japanese.

The life-time employment system and the wage payment based on seniority system are two of the most important factors for the labor management of the larger firms. They recruit their workers directly from school and their labor turnover is low. Once a worker leaves a large firm, he is rarely able to return to other major organizations although he can work for small and medium-size organizations. It is simply because of the fact that the leading firms recruit their employees strictly from those who directly come from school.

Later, Masumi Tsuda* made known his similar findings that the life-time employment system prevailed in the Government offices, public corporations, public welfare organizations and the major firms in the private sector.²⁾ The third of the total work force belongs to these Government offices and the large firms as of 1975, it was reported. It has been already well-known that the life-time employment system has been strong among the leading firms because of closely-related ties between the pay-hike systems and the training of the employees within each firm. Furthermore, many studies have taken up the seniority system in relation to this field.

According to Haruo Shimada's researches* on numerical relations between age and wages, the reason why the wage curve is sharper among the workers of the major firms than those of smaller firms is strongly connected with the amount of the investment on institutional workers training programs.³⁾ Kazuo Koike* defined the life-time employment system as "intergration process of job career."⁴⁾ As a matter of fact, the seniority system and the life-time employment were the symbols of the labor market and labor availability within an internal labor market. Shimada, therefore, seemed to have concluded that the wage curve for the employees of the small and medium-size firms was not as sharp because of the weaker stage of their labor intergration process and that the labor turnover was higher among them while the life-time employment system was weaker. The very essence of the dual structure theory was the finding that the large firms with less labor turnover and stronger labor intergration coexist along with the small and medium-size firms with opposite labor situation and characteristics.

But there were no definite evidential materials to support the argument on the small and medium-size firms. The argument on them was concluded by merely reversing the findings on the leading firms. I wonder if it is sufficient to talk about the characteristics of the small and medium-size business organizations by merely reversing the findings on the major firms. First of all, the

2) Masumi Tsuda: "Basic Characteristics of Life-Time Employment System," *Quarterly Modern Economics*, No. 28, Sept. 1977.

3) Haruo Shimada: *Comparative Studies of Age-Wage Profile/U.S.A.-Japan*, vol. 1 and 2 printed in the *Japan Institute of Labor Journal*, No. 196th and No. 199th, 1975.

4) Kazuo Koike: *Labor Unions in Working Places and Workers' Participation*, Tokyo: Tokyo Keizai Shimpo Sha, 1977.

seniority system that determines wage scale is not necessarily denied by the small and medium-size firms although their wage curve is not as sharp as that of the leading firms. Even though the curve is not as sharp, it could be definitely the seniority system still if age and seniority elements are considered more important in determining the wages of workers and the career and capability of the employees. In the United States, in the case of the labor market within a firm is highly developed, the wage curve for blue-collar workers is surprisingly leveled off.

The reason why the labor turnover level is high among the workers of the small and medium-size firms is said to be attributed to the competitive labor market dynamics. "Is it really so?" is my second question. In comparison with the major firms, the small and medium-size firms face chronic shortage of labor. But it is not necessarily true that wages are always determined in direct relations to demand for and supply of labor. Taking a look at statistics, it would be easily found that the number of workers who leave their jobs is larger in the medium-size firms than in the small-size firms.

Although the intergration of the labor market is less intensified among the small and medium-size firms comparing with the leading corporations, it is premature to conclude that the labor turnover of the former is very high because of it. One of the reason why this premature assumption is often being adopted can be attributed to the general tendency that the intergrated labor market model is frequently understood on its surface only. That is to say, there is only a stereotype understanding of the model. The seniority and life-time employment systems should not always be combined together.

Following his finding that the life-time employment system would become more and more enriched in a long run, Tsuda argued that the system would be indispensable in balancing labor-management relations and harmonizing possible social tensions as Japan's low economic growth is expected to continue along with a demographic increase of aged population, although the payment system based on seniority is to be somehow modified.⁵⁾

Furthermore, a Delphy investigation in connection with "the future of Japanese-style labor and industrial relations" is quoted in the *1980 White Paper on Economy*.⁶⁾ According to the Delphy findings, the labor and management sides both agreed that they would support the life-time employment system and the existence of a union within a firm, but they voiced opposition to the seniority payment system. Moreover, the majority of them predicted that the life-time employment system and the form of labor unions within a firm would not change their basic characteristics. They, however, agreed that the seniority system would be different from what it is today. It is assumed that the recent trends to reform the seniority system in the determination process of wages in con-

5) Masumi Tsuda: op. cit.

6) The *1980 White Paper on Economy*, the first section of chapter 5 in part two.

nection with the introduction of the prolonged retirement age cast influence over their views.

Chapter 2: Increase of Workers' Attachment to Employers

First of all, let me take a brief look at the "comparative case studies on labor mobility in the cities of Yokohama and Detroit, Michigan" which was resulted from a survey conducted in 1970. It would be able to grasp the general comprehensive picture of labor mobility trends. Table 1 shows the ratio of male

Table 1. Ratio of Those Recruited From School And Stay With One Employer

Male, 1970

City	Year of Graduation From School									
	Total	1966	1961	1956	1951	1946	1941	1936	1931	Before 1931
		-70	-65	-60	-55	-50	-45	-40	-35	
Yokohama	34.9 %	76.5	50.6	36.0	38.3	31.3	23.6	6.5	5.1	9.1
Detroit	13.5	36.8	16.8	11.0	15.2	12.2	8.8	5.6	11.4	0.0
City	Number of Person	Number of Workers								
		1966	1961	1956	1951	1946	1941	1936	1931	Before 1931
Yokohama	561	51	77	89	94	99	55	46	39	11
Detroit	630	57	95	82	79	98	68	71	44	36

Material: Robert E. Cole,

Work, Mobility, & Participation:

A Comparative Study of American and Japanese Industry

Berkeley: Univ. of California Press, 1979, TABLE 4.

workers who stay with one employer since their graduation from school. The ratio in Yokohama was 34.9% according to the survey taken from all sectors of workers while the same survey taken in Detroit showed only 13.5%. Taking age and other variable factors into consideration, the survey compares the workers in the two cities in accordance with each group of workers by the graduation year. The findings show that the ratio was higher for the Detroit workers who finished the school between 1931 and 1935. Other than that period, the ratio in Yokohama was always higher. No regularity was observed in these findings. But they apparently show Japan's low labor turnover.

Table 2 shows the findings of the National Longitudinal Survey conducted in the United States. The survey, conducted in 1966, shows the ratio of also male workers who joined the firm right after their graduation from school and stay there aged between 45 and 59. The findings for each age-group is listed separately. The average percentage is 7.8%, which seems to be close to the level in Detroit. The younger their age was, the higher the percentage was, but the difference was not as big as was expected. Interesting phenomena could be observed when one takes a close look at the age of school graduation of the workers.

Table 2. Ratio of Those Recruited from School and Stay with One Employer by Their Age and Total Number of Years in School

		Male Aged Between 45 - 59, U.S.A., 1966																	
		Age	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59		
A Total	Educational Background Less Than 9 Years		148	161	159	129	153	175	191	172	185	167	184	179	158	149	167		
	Educational Background Less Than 12 Years And More Than 10 Years		181	144	159	129	138	139	141	112	106	89	94	80	81	83	65		
	Educational Background More Than 13 Years		74	56	74	60	61	58	45	49	37	47	54	34	40	41	39		
	Total		403	361	392	318	352	372	377	323	328	303	332	293	279	273	271		
B Those Recruited From School And Stay With One Employer	Educational Background Less Than 9 Years		8	11	9	3	9	16	9	11	11	10	12	13	12	11	9		
	Educational Background Less Than 12 Years And More Than 10 Years		11	10	5	10	9	15	11	9	2	6	6	7	7	4	4		
	Educational Background More Than 13 Years		14	13	10	12	11	7	5	9	6	5	8	3	10	4	3		
	Total		33	34	24	25	29	38	25	29	19	21	26	23	29	19	16		
B/A (%)	Educational Background Less Than 9 Years		5.4	6.8	5.7	2.3	5.9	9.1	4.7	6.4	5.9	6.0	6.5	7.3	7.6	7.4	5.4		
	Educational Background Less Than 12 Years And More Than 10 Years		6.1	6.9	3.1	7.8	6.5	10.8	7.8	8.0	1.9	6.8	6.4	8.8	8.6	4.8	6.2		
	Educational Background More Than 13 Years		18.9	23.2	13.5	20.0	18.0	12.1	11.1	18.4	16.2	10.6	14.8	8.8	25.0	9.8	7.7		
	Total		8.2	9.4	6.1	7.9	8.2	10.2	6.6	9.0	5.8	6.9	7.8	7.8	10.4	7.0	5.9		

Materials: National Longitudinal Survey. Male Aged Between 45 - 59; 1966

The percentage of the college graduates who stayed in one firm is apparently much higher than junior highschool and senior highschool graduates. The difference in the ratio between the junior highschool graduates and the senior highschool graduates was not very large. In some cases, the ratio was even higher among the junior highschool graduates than the senior highschool graduates. It can be concluded from this survey that the college graduates in the United States tended to side with the life-time employment style when they are compared with the highschool graduates.

Now, similar cases in Japan should be reviewed. *The Basic Survey On Wage Structure* shows the percentage in each age-group of those workers who have never changed their employers since their graduation from school. In Table 3, I compared those workers engaging in manufacturing business who graduated from college in 1954, 1964, 1974, 1976, and 1978. Identical with Tsuda's findings, the ratio became higher each period and that the older the workers became, the lower the ratio got. Since the comparative survey in the United States was conducted on the household basis and Japan's wage structure study was made on the firm basis and full-time workers only, the ratio in Japan naturally tended to be higher. But the percentage among the college graduates in the United States was only 15.7% and an average percentage for those between 45 to 49 years of age was just 18.5%. In comparison, those between 40 to 49 years of age shown on Table 2 score from 38.6% to 77.8%. The 1966 figure shown in Table 2 was assumed to be somewhere between 47.6% registered in 1964 and 68% recorded in 1974 shown in Table 3. Taking their age factors into considera-

Table 3. Ratio of College Graduates Engaging in Manufacturing Industries as Management/General and Engineering Personnel who Stay with One Employer Ever Since Their Graduation from School

Year	Total	Unit %			
		25-29 Year of AGE	30-34 Year of AGE	35-39 Year of AGE	40-49 Year of AGE
1954	57.3	68.1	65.7	49.8	38.6
1964	72.2	63.4	70.0	60.9	47.6
1974	79.7	84.1	83.1	78.5	68.0
1976	82.9	88.0	87.3	80.9	71.6
1978	84.0	86.9	88.7	81.6	77.8

Materials : "The Seniority Mechanism in Determining Wage Scale and Life-Time Employment System Viewed from Basic Survey on Wage Structure." by Ichiro Kitayama and *Monthly Research Statistics*.

tion and since those who were surveyed were all males, most of them were assumed to be the full-time employees. From these findings, it is safe to conclude that the life-time employment system positively prevails in Japan. I, of course, stress the fact that the higher their educational background is, the longer they

tend to stay with one employer in Japan too.

I would take a look at the difference in the percentage in accordance with each industry and its scale. I also would like to pay attention to the change of inclination in each period of time. Ichiro Kitayama showed his estimation, drawing from *The Basic Survey On Wage Structure* on Table 4. It only shows the findings on the full-time employees, and apparent regularities can be driven from it as follows;

- 1) In every industry, the larger the companies were, the more the number of those who stay with one firm after their graduation from school was.
- 2) The percentage of those stick to one employer increased in every sector during 1954 and 1978.
- 3) The ratio was higher in the fields of finance, insurance, electricity, gas, water and heat related business while the construction, mining, transportation and communication industries were lower in the percentage. The manufacturing, wholesale and retail industries were placed between the two groups with the wholesale and retail industries always showing higher ratio than the manufacturing industry. The differences among the industries in the percentage of those recruited fresh from school and stayed with one employer have not been changed during the period between 1954 and 1978.

The most surprising fact, rather, observed from the above-mentioned findings was that the ratio of those who recruited fresh from school and stick to one employer has steadily been growing for nearly the one fourth of a century. Tsuda's observation mentioned earlier was limited till 1975, but the same can be applied up to the year 1978, thus confirming his hypothesis. We should particularly pay our attention to the findings that the ratio has gone on expanding even after the year of the first oil crisis and that it has been expanding not only in the sectors of mining and manufacturing which more or less tried to strict or limit their recruitment of fresh workers, but also the wholesale and retail industries.

It would also be noticed that the steepness of the wage curve has not been declined too abruptly during the same period. As widely known, the wage difference among the employees of the wide range of age-group has been shrinking gradually. Table 5 shows the wages paid to the workers at 35 to 39 years of age against the base figure of 100 for the ones at 25 to 29 years old taken from *The Basic Survey On Wage Structure*.

The gap in the wage scale of male workers engaged in the manufacturing industry in different capacity and level were steadily shrinking up to 1964 when the shortage of labor became prominent. The tendency of labor shortage continued till 1975 and the following years in the firms with more than 1,000 employees. But shrinkage process in the gap of wage scale stopped in or around 1965 for the business organizations with the number of their employees less than 29 and more than 10. In these firms, the gap began to expand after 1975. Moreover, we can observe that the larger the size of a firm was, the smaller the

Table 5. Wage Scale Difference in Accordance with Age for Male Workers in Manufacturing Industry by Size

* The Table shows the wage scales of the workers aged between 35 and 39, as base figure of 100 at the age between 25 and 29.

Year	Last school	10-29				1,000 or more			
		Highschool graduates/manual workers on production line		Highschool graduates/manual workers on production line		College graduates/management/general/engineering line		College graduates/management/general/engineering line	
		Those who stay with one firms	Those recruited from other business firms	Those who stay with one firms	Those recruited from other business firms	Those who stay with one firms	Those recruited from other business firms	Those who stay with one firms	Those recruited from other business firms
1954		132	118	148	130	196	279		
1964		92	106	152	118	191	175		
1974		118	113	133	118	162	170		
1976		120	110	134	116	157	144		
1978		126	118	133	116	160	176		

Materials: "The Seniority Mechanism in Determining Wage Scale and Life-Time Employment System Viewed from Basic Statistical Researches on Wage Structure" by Ichiro Kitayama.

Monthly Research Statistics, No. 368 Vol. 31 No. 9, Sept. 1979.

gap in the wage scale of the employees who joined the firm not directly from their graduation from school became.

In short, the ratio of those who stayed with one employer ever since their graduation from school increased in spite of the fact that seniority elements in determining the wage scale were not necessarily becoming important. Furthermore, the seniority elements in the major firms were becoming less important while those in the small-size companies became less noticeable when the shortage of labor was prominent and again become more considerable when the period of labor shortage was over. However, the percentage of the number of workers who stuck to one employer was getting higher in either the major firms or smaller firms. Thus, it could be concluded that there were no direct relations between the workers' attachment to employers and the seniority-based wage structure.

Chapter 3: Restricted Screening for Recruitment

I. Economic Conditions And The Backgrounds Of Recruits

Another dimension of the internal labor market could be recruitment opportunities as the indices for the indication of labor market situation. The number of newly recruited employees fresh out of school in comparison with those who join a firm otherwise indirectly might show the degree of internalization of the labor market.

The Survey On Employment Trends conducted and issued by the Ministry of Labor categorizes full-time employees into three groups; 1) The ones who had no job experiences before recruited directly from school, 2) the ones who had not worked for one year or more before recruited and 3) the ones who moved from other employers. Those belonging to the second group were complicated in characteristics. A typical worker in this group was a house-wife with no job experiences in the past year.

The survey shows the nation-wide full-time employment conditions in Japan. It resulted in many interesting findings. Let me compare the male and female percentage in each group in accordance with each separate period of time. Table 6 shows the data for 1965, the oldest period of time with continued survey results in existence, for 1974, the peak period of economic growth and for 1979, the period with newest survey findings available.

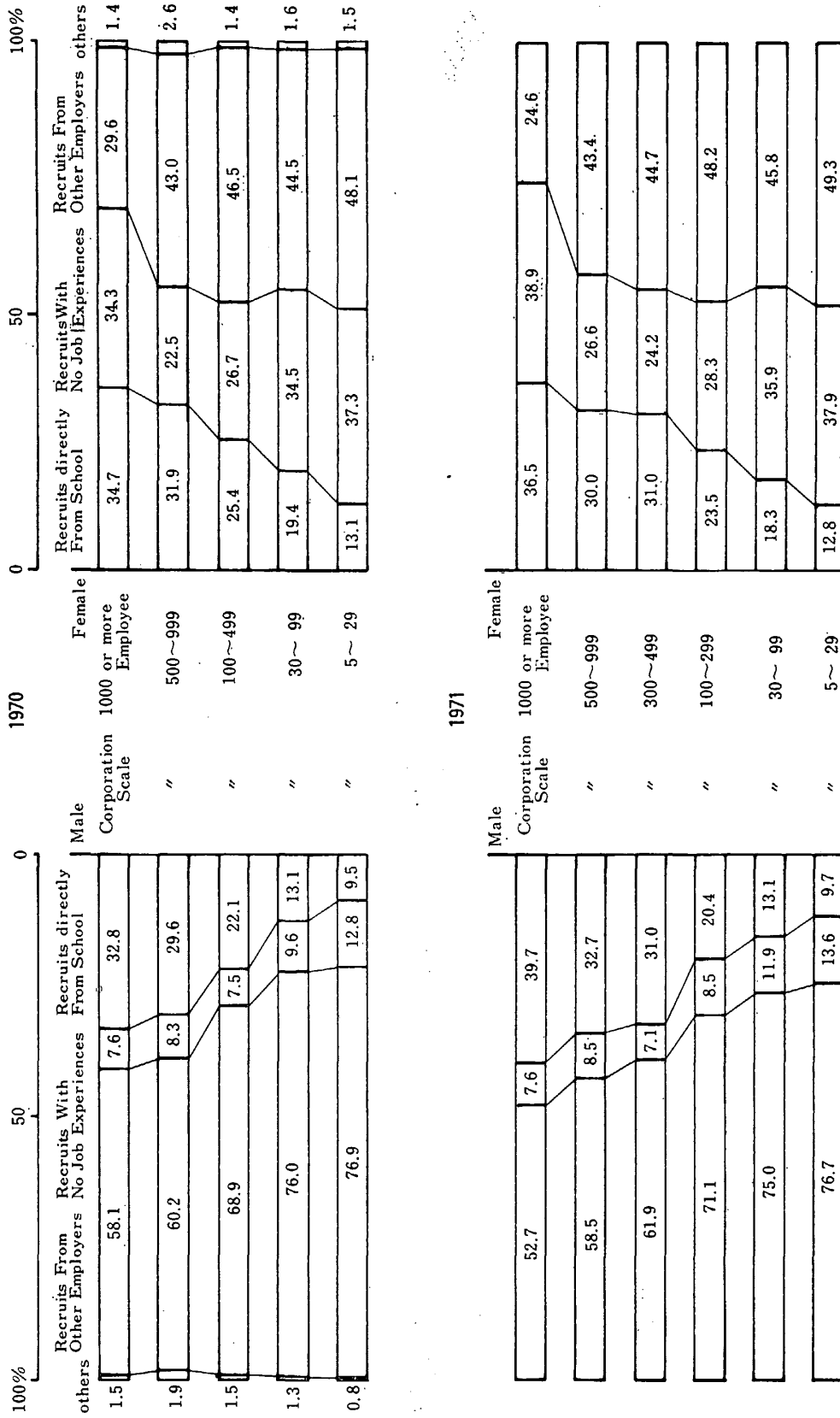
First of all the difference between male and female recruits is apparent. The percentage of the recruits from school with no previous job experiences was higher among female workers. The ratio of those belong to the group (3) showed opposite direction. It indicates the basic behavioral difference between male and female workers. Secondly, the one fourth to one third of the total recruits was occupied by the fresh recruits just out of school. In the case of male employees, it was 18 to 29% and for female, the percentage was between 22 to 34%. The ratio seemed to be considerably high. The third observation

Table 6. Ratio of Recruits in Accordance with Their Past Job Experiences
 Full-Time Employees (Bracketted unit : 1000)

Year	Male				Female			
	Total number of recruits	Recruits direct from school	Recruits with no job experiences	Recruits from other employers	Total number of recruits	Recruits direct from school	Recruits with no job experiences	Recruits from other employers
1965	100 (1,890)	29	13	58	100 (578)	34	31	35
1973	100 (2,200)	18	10	72	100 (2,094)	22	31	47
1979	100 (1,629)	23	14	63	100 (1,696)	25	38	37

Material: *The Survey on Employment Trends* issued by the Ministry of Labor each year from 1954 till 1979

Figure 1. Backgrounds Prior to Firm Recruitment by Firm Size



Material: The Survey On Employment Trends issued by the Ministry of Labor each year from 1970 till 1971.

from this was that during the period when the labor turnover was active, the percentage of the ones who directly joined their firms from school was lower, and the percentage became higher during the period of low economic growth around 1975.

II. Characteristics Of Job Experiences Prior To Recruitment

What then could cause such regularities? In order to answer the question, one must look into the meaning of these three categories. Those organizations with strong structural internalization tended to limit their recruitment only to unskilled young working force. Therefore, they considered the recruitment for those directly from school more important than that for the ones with previous job experiences. Only when those directly from school were short in number, then they recruited the workers with experiences. This has become the basic recruitment practice of Japan's employment system.

In the external labor market, one can observe competitions for the recruitment of the workers directly out of school. And the larger firms usually win the race, for they are always ready to offer something extra or more attractive than their smaller competitors.

Figure 1 shows the comparative findings of employees' job experiences before their recruitment in accordance with the scale of organizations. In each period of time, there is an apparent tie between the percentage of the employees directly from school and the scale of firms, regardless of sex. At one period in the figure, it is found that the smaller the firm is, the more it tends to recruit the ones with job experiences. This can be attributed to the trends that the smaller firms with no strong organizational structure are forced to find the workers who can be productive immediately after their participation in the firm. Followings are some of the findings on the percentage of the recruits fresh out of school in comparison with the total number of new recruits during the period when the labor market conditions became tighter and when the situation became less intense.

The percentage of those who joined a firm immediately after their graduation from school during the period of tight labor market conditions and during the period of relaxed situation should be compared.

Japan was enjoying an economic growth during the period between 1970 and 1973. The economic conditions during the 1974-1979 period were dull due to the aftermath of the oil crisis. The difference between the two periods is connected with the size of the organizations and the male-female ratio. Table 7 shows the average percentage of the fresh recruits out of school during the two periods. Since the basic materials are only available after 1970, the average was taken from the four-year period of high economic growth and the six-year period of low growth. The materials available for the period before 1969 were only those on establishment scale, not the materials on the whole industry. Table 7 shows the strong position of the large firms in the recruiting competition

Table 7. Comparison of Ratio of New School Graduates to Total Recruits between High Economic Growth Period and Low Economic Growth Period

				%	
	Business scale	Period taken an average figures from		Male	Female
High growth period	Large firms with more than 1,000 employees	High growth period	1970-1973	34.2	34.7
		Low growth period	1974-1979	40.2	39.5
Low growth period	Small-size firm with more than 30 employees and less than 99 employees	High growth period	1970-1973	13.4	17.7
		Low growth period	1974-1979	16.0	18.3

Materials: Calculated from the percentage of those recruits directly out of school among the total recruits illustrated in Illustration 1.

for the people directly from school as is seen in Figure 1. The ratio of these recruits fresh out of school in the large organizations has distinctively jumped from 34 or 35% for both male and female employees. On the contrary, the same ratio for the small firms stays at the 10% level. But the percentage for the male workers apparently shows a rise. The ratio of those female employees fresh out of school is higher than the male workers, but the growth rate during the period of low economic growth is negligible. On the whole, however, the percentage is steadily growing for both men and women working for the small business firms. The ratio in 1979 for the male workers was 19.3% and that for the female workers was 20.6%. Although there is an apparent gap when compared with the ratio for the leading firms, the small firms are more inclined to depend on the supply of new recruits directly from school.

To support the above-mentioned argument, I would like to show the outcomes of a small research. The survey was conducted among 60 firms that belong to the industries in need of a large number of recruits. It categorized the full-time employees of these 60 firms into two groups; the ones recruited directly from school and the ones from other organizations. All the firms were categorized into those with more than 50% of recruits fresh from school and those with less than 50% of the same type of employees. It was resulted in the figures shown in Table 8. Thirty-six firms or 60% among the total 60 firms had more than 50% of the recruits fresh out of school. The majority of the firms with more than 1,000 employees had no recruits from other organization. There were 26 firms with more than 100 employees and less than 999 and the number of firms with more than 50% of recruits from other firms slightly exceeded that of the firms with less than 50% of recruits from other firms.

It was within the reach of imagination that the leading firms look heavy upon the recruits of those fresh out of school. But a similar tendency can be observed among less larger firms rather prominently. Almost half of the medium-size firms which were surveyed obtained more than 50% of their recruits directly

Table 8. Number of Firms Categorized in Accordance with Ratio of Recruits Directly from School and from Other Employers

Firm Size	Number of firms		
	More than 50% recruits directly from school	More than 50% recruits from other firms	Total
99 or less	14	10	24
100-999	12	14	26
1,000 or more	10	0	10
Total	36	24	60

The above drawn from the ratios of those recruited directly from school and those from other firms among the total full-time employees recruited during one year between April 1979 and May 1980.

Materials : *The Research on the Needs for Employment Information* Compiled by the professional committee of the research on the needs for employment information/the research association of employment information, 1980

from school. The *Survey on Employment Trends* not necessarily gives a clear and total picture as it excluded the construction industry and non-private sectors. The surveys done in accordance with the scale of each industry was not necessarily totalized also. However, it can at least be stated that the small-size organizations are not always in failure to obtain the workers fresh out of school.

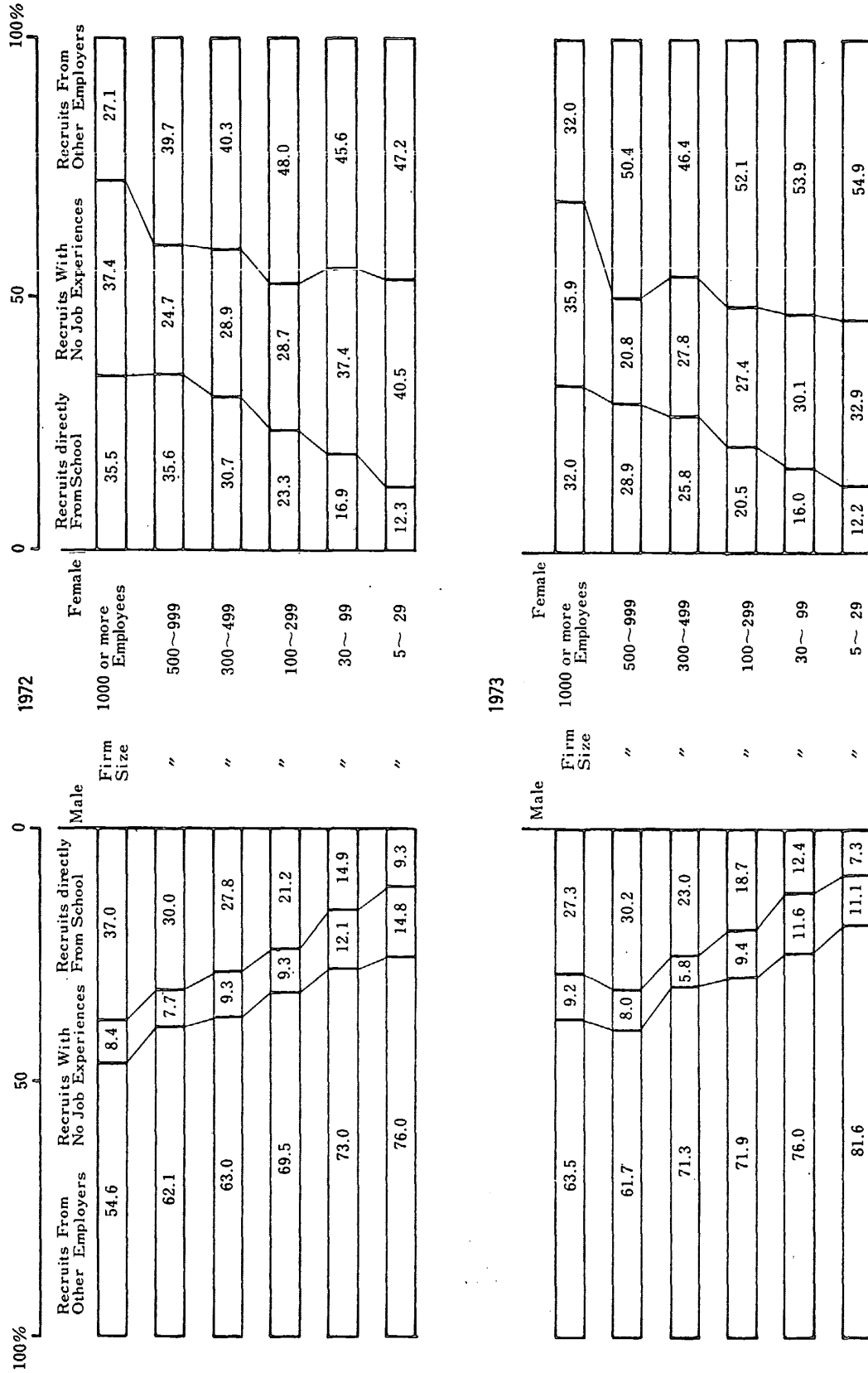
III. Variation of Job Experiences Prior to Recruitment by Industry

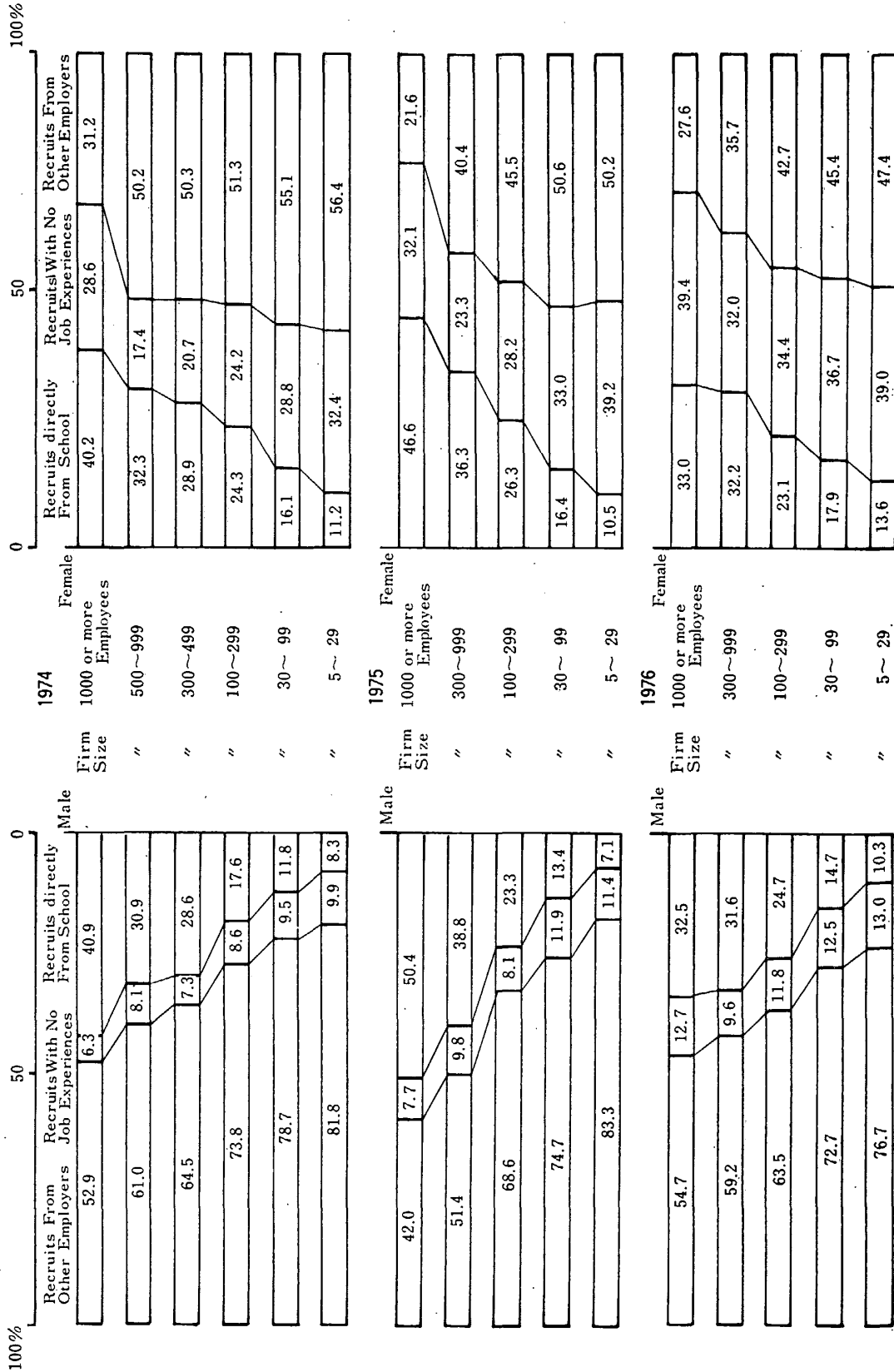
Now it should be worthwhile comparing job experiences and backgrounds of those recruits prior to their engagement in the present firms. Table 9 shows the comparison of the ratio of those recruits directly out of school and those from other firms for male and female workers. The comparison in the tertiary industry relatively goes deeper in detail. The trends between 1970 and 1979 can be observed as follows;

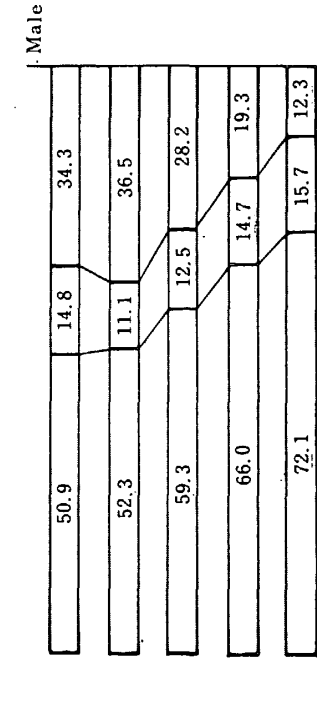
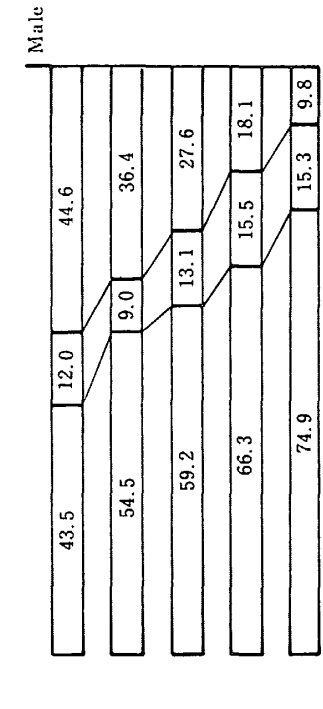
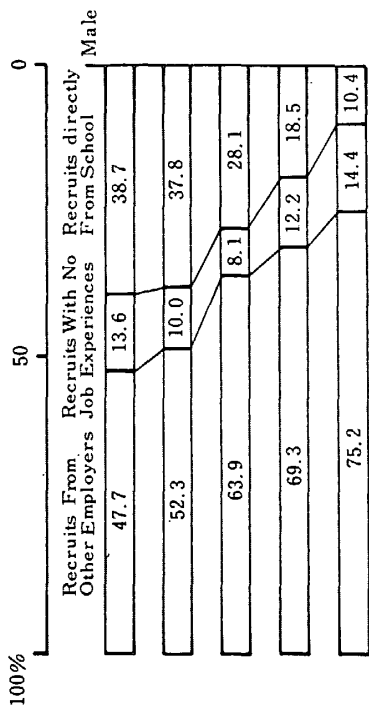
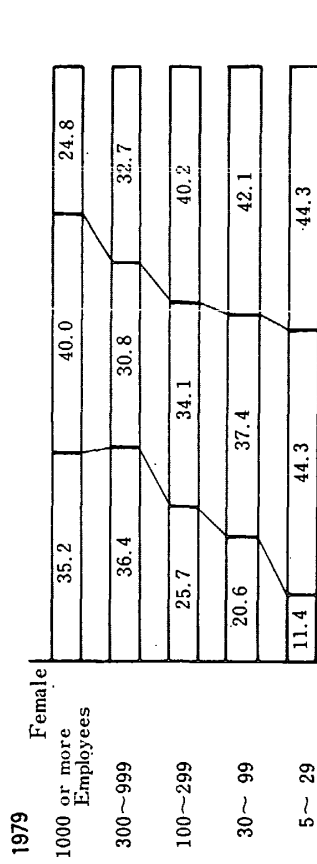
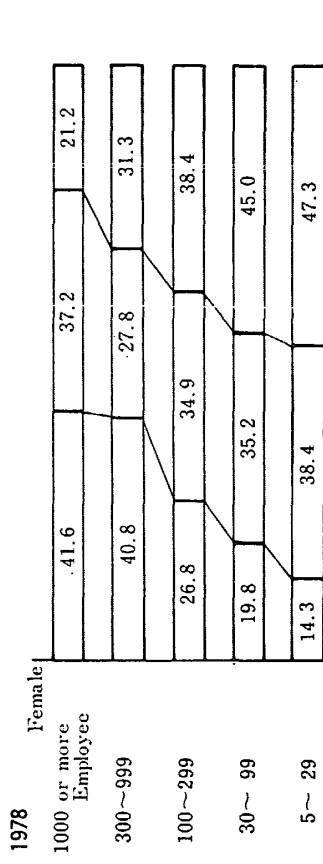
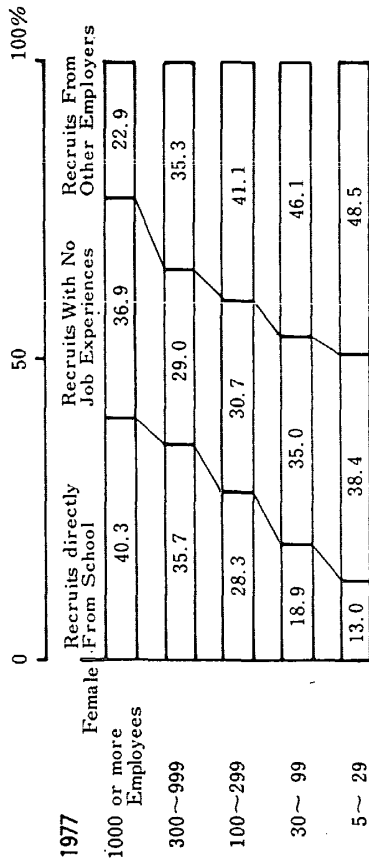
- 1) In the past ten years, the differences in the percentage of each industry were almost static. Those industries with high percentage of those recruits directly out of school are electricity, gas, water, finance, and insurance while those with the lowest ratio are mining, transportation, movie and entertainment. The percentage for wholesale and retail trade is higher than that for the manufacturing industries and higher than an average.
- 2) On the contrary to the fact that there are industries with the low percentage such as movie, entertainment and hotel among the so-called service industry, there are some business sectors belonging to this category and record higher percentages such as education and public offices although they are not shown in the survey. It is quite opposite to the phenomena we observed in the wholesale and retail industries that are very well stabilized at the high percentage level of the recruits

	1972				1973			
	Total number of recruits		Recruits direct from school		Total number of recruits		Recruits direct from school	
	(1,000)	(%)	(1,000)	(%)	(1,000)	(%)	(1,000)	(%)
Male								
Mining	14.4	100.0	0.4	2.8	18.7	100.0	1.1	5.9
Manufacturing	891.5	100.0	196.2	22.0	1,054.4	100.0	183.0	17.4
{ Wholesale	198.8	100.0	55.2	27.8	231.7	100.0	55.7	24.0
{ Retail	295.2	100.0	63.4	21.5	324.8	100.0	68.1	21.0
Finance/Insurance	58.0	100.0	25.6	44.1	61.6	100.0	29.3	47.6
Real Estates	21.4	100.0	3.9	18.2	39.9	100.0	3.5	8.8
{ Transportation	265.7	100.0	16.9	6.4	317.0	100.0	17.5	5.5
{ Communication	24.3	100.0	11.1	45.7	17.2	100.0	7.8	45.3
Electricity/Gas/Water	7.7	100.0	5.1	66.2	11.4	100.0	5.5	48.2
{ Hotel/Boarding House etc.	25.8	100.0	2.2	8.5	25.7	100.0	3.2	12.5
{ Movie/Entertainment	42.4	100.0	3.2	7.5	35.8	100.0	2.6	7.3
{ Car Repairing/Repairing in General	26.9	100.0	7.7	28.6	32.4	100.0	7.1	21.9
{ Medicare	30.4	100.0	6.2	20.4	28.9	100.0	6.3	21.8
Female								
Mining	2.6	100.0	0.4	15.4	4.4	100.0	0.6	13.6
Manufacturing	802.4	100.0	157.7	19.7	905.3	100.0	152.4	16.8
{ Wholesale	204.3	100.0	68.4	33.5	224.5	100.0	64.7	28.8
{ Retail	412.6	100.0	88.3	21.4	359.2	100.0	76.9	21.4
Finance/Insurance	221.0	100.0	72.4	32.8	251.9	100.0	71.6	28.4
Real Estates	8.9	100.0	1.9	21.3	15.3	100.0	2.0	13.1
{ Transportation	45.5	100.0	13.1	28.8	64.3	100.0	18.1	28.1
{ Communication	32.7	100.0	6.1	18.7	16.3	100.0	3.2	19.6
Electricity/Gas/Water	4.1	100.0	2.7	65.9	5.3	100.0	2.1	39.6
{ Hotel/Boarding House etc.	38.7	100.0	4.0	10.3	41.5	100.0	2.9	7.0
{ Movie/Entertainment	27.7	100.0	2.1	7.6	34.0	100.0	2.5	7.4
{ Car Repairing/Repairing in General	7.8	100.0	1.8	23.1	9.0	100.0	0.9	10.0
{ Medicare	132.1	100.0	39.6	30.0	162.6	100.0	50.4	31.0

Figure Changes in Recruitment Sources by Firm Size







who are directly from schools.

- 3) Quite a variation can be observed in the tertiary industry in this respect. At the same time, scores of business sectors belonging to the tertiary industry seem to have attracted these "high quality" workers or young recruits fresh out of school when compared with the manufacturing industry. By the "high quality" workers, it is only meant the ones whom corporations and firms compete keenest to recruit.

Chapter 4: Outlook of Internalization of Labor Markets

According to Kenichi Furuya, the labor turnover mainly of the tertiary industry has become activated since 1965 when compared with the period prior to that year.⁷⁾ Furuya meant the increase in labor turnover among those who willingly and positively looked for other job possibilities. I, however, have some doubts about this point. In this article, I tried to analyze the variation and change in the employment system by means only of the comparative studies in connection with the ratio and percentage between those recruits fresh out of school and those recruited from other organizations. As far as the findings limited to the above-mentioned analysis are concerned, the percentage of those stick to one employer ever since they joined the firm has been steadily increasing. Although there was a trend that the ratio of those recruits came directly from school is related to economic conditions at a time, the percentage did not seem to be declining in a long run.

Table 10 shows the employment trends in the past three years and future outlook estimated from the *Research on the Needs of Employment Information*

Table 10. Trends in the Change of Work Force Structure

	Total number of firms (%)							
	Aug. 1980							
	Past 3 years				Future outlook			
	Decrease	Unchanged	Increase	Total	Decrease	Unchanged	Increase	Total
1. Full time recruits direct from school	7 (14.6)	17 (35.4)	24 (50.0)	48 (100.0)	6 (12.5)	15 (31.3)	27 (56.2)	48 (100.0)
2. Full-time recruits from other employers	8 (17.0)	21 (44.7)	18 (38.3)	47 (100.0)	10 (21.3)	23 (48.9)	14 (29.8)	47 (100.0)
3. Recruits on part-time basis	4 (8.9)	23 (51.1)	18 (40.0)	45 (100.0)	9 (20.9)	17 (39.5)	17 (39.5)	43 (99.9)

Materials: *The Research on the Needs for Employment Information* Compiled by the professional committee of the research on the needs for employment information/the research association of employment information, 1980.

7) Kenichi Furuya: "Labor Mobility of The Third Industry," Goro Ohmiya, ed.: *Inclination Towards The Third Industry And Issues Related to Employment*, Tokyo: Japan Institute of Labor, 1980.

(1980) which the Table categorizes the employees into three groups; 1) full-time recruits who directly came from school, 2) full-time recruits who came from other employers and 3) part-time recruits.

In all of the three categories, increases in numbers are seen. Prominent among them in particular was the increase of those recruited directly from school. The future outlook also seems to indicate expected increases. Among them the ones directly to join the firm from school are expected to grow the largest in number, followed by the recruits on part-time basis. The number of firms that planned to recruit full-time workers from other organizations exceeded slightly the number of firms that were expected to reduce. Most of them planned to keep it static. Judging from this table, it is noticed that each firm was confident in recruiting fresh workers directly out of school while the number of part-time recruits did not seem to be large in the future on the contrary to what is generally believed.

This *Research on the Needs of Employment Information* only dealt with the sectors that were expected to be forced to hire more people with a stress on the small and medium-size firms and with less importance on the manufacturing industry. What are to be concluded from the comparison between the findings in the past three years and the future prospects? Interesting enough, the increase in the future was expected to be the highest for the full-time workers who would be recruited from school directly and the number of those to be recruited from other employers was expected to decline while the number of recruits on part-time basis was placed between the two groups. Those firms in the category of non-manufacturing industry with stronger needs for the expansion of human resources were inclined to depend more and more on those who would join their firms right after graduation from school. This seemed to indicate the growth of the life-time employment system in the non-manufacturing industry and the small and medium-size organizations while it also meant inflexible characteristics of their labor market in the long run.