

**Human Capital – Japan’s Most Important Resource**

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# Introduction/Profile of the Population

## **Japan's Resource Dilemma/Importance of Human Capital**

Japan, a country which has been one of the world's major industrial complexes since the 1960's, has some of the most limited natural resources in all of the industrialized nations. Japan does seem to have a variety of resources such as: coal, petroleum, natural gas, hydroelectric power, nuclear power, wood, pulp, and some other metals and minerals, however, the size and quantity of these deposits are not sufficient. In 1980, Japan imported about 90 percent of all raw materials, and this figure continues to rise each year. Japan's lack of natural resources, therefore, has led them to rely heavily on the people of the country as a resource. The country has had to mine its only major resource, the human capital, in specific ways to achieve the world standing they have held for many years in the past. Starting with the family and educational values, Japan's people were prepared to be a determined and well educated work force, leading to the large technological advances in the country.

## **Population Statistics**

Japan consists of four islands. The area of Japan in square miles is 145,882, this is slightly smaller than the state of California. There are approximately 125,507,000 people inhabiting Japan, with about 8,300,000 people living in the capital of Tokyo. All 125,507,000 people live in approximately 16 percent of the land, because the country has areas of vast mountains. This population is growing at a rate of 0.32% a year. Because there is an abundance of people inhabiting Japan, this became the most important

resource the country had, especially because of the lack of natural resources. Japan would never have reached such economic success without its people and the certain characteristics they possess.

### **The Concerns of an Aging Society**

Japan, as well as other countries, face the problems associated with an aging society. People in Japan are having smaller families, and the life expectancy is rising. In Japan, “in 1989, only 11.6 percent of the population was sixty-five years or older, but projections were that 25.6 percent would be in that age category by 2030.”<sup>i</sup> Japan will become one of the world’s most elderly societies. This is a major problem, because the people of Japan are the major resource. There will be a shortage a young people in the work force, as well as more elderly people dependant on the work population. This posses many problems for the nation including the age of the work force, health, welfare, social security, long term care, and many others. The aging society will cause Japan to make a complete change in the way its country has operated for the past century.

## **The Family and the Individual**

### **Family Structure**

The family in all societies provides the first social interactions for an individual, and is where a person spends most of their time in early childhood. The family has a tremendous amount of influence on an individual and therefore, provides a model for social interactions later in life. The word for Japanese family is “uchi”, and today these families do not have set boundaries. The “uchi” can refer to a nuclear family consisting of parents and unmarried children, or it can refer to an extended family consisting of

many others. However the “uchi does refer to the household as a unit of production or consumption”.<sup>ii</sup>

Since World War II and the Allied occupation, Japanese families have been “based on equal rights for women, equal inheritance by all children, and free choice of spouse and career.”<sup>iii</sup> However, even though there have been more equal rights in a family for women, gender roles still mark most responsibilities. Husbands and wives have separate lives and even socialize separately. Most urban families today are nuclear, with a husband, a wife, and two children. The husband goes to work, and has little to do with the child rearing except for leisure time on Sundays. The wife is in charge of raising the children, taking care of the house, caring for her husband, and keeping social contacts outside of the family. Today, a woman is allowed to have a part time job, but she usually is too busy with children, and educational involvement. In other families that are self-employed, the husband and wife work together in business and in family. Even though the husband is more involved with the children, gender roles are still evident, although not as strictly as in families where work and family are more separated.

### **Japanese Family Values/Ideology**

Even though marriages are not entirely arranged by Japanese parents today, it would be highly unlikely for grown Japanese children to marry without approval and close consultation from their parents. A family looks for a mate with a similar personality, and a similar social, economic, and educational background. Since Japanese marry to start a family, the first child is usually born a year after the marriage. The divorce rate in Japan remains one of the lowest in the world. “The social importance placed on an intact family, the interdependence of the husband and wife roles, and the

great difficulty divorced women have in either remarrying or in supporting themselves make for a relatively stable family system.”<sup>iv</sup>

In a Japanese family the parent-child relationship is valued more than the husband-wife relationship. Motherhood and careful child-rearing are seen as highly important in Japan. A mother should be available to provide complete emotional and physical care for her children all 24 hours of the day. A mother rarely leaves her children with a babysitter or nanny. A mother sleeps, bathes, and takes her children everywhere with her when they are young.<sup>v</sup> Because of this extreme closeness, emotionally and physically, mother and child have a very strong bond. Japanese children are very dependent on their mothers and learn to respect them at a very early age. A sense of the family as a unit is passed down generation to generation. Most Japanese feel it is best for an elderly parent to live with one of their children, as opposed to living in a nursing or retirement home. Japanese families teach their children to be dependant on others and to respect their elders. Children learn that “human fulfillment comes from close association with others.”<sup>vi</sup> The Japanese child sees the value of group association in the family, in education, community, and then carries it over into the workplace.

A Japanese mother is also expected to be very involved in the education system. A mother begins thinking about her children’s education when they are in nursery school. They plan after school tutors to help prepare their children for the rough entrance examinations for schools. A Japanese mother also attends PTA meetings and keeps up good relationships with her children’s teachers. This instills the strong importance of education in the young Japanese.

### **Individual Values/Work Ethic**

Since the Japanese believe so heavily in group association, they tend to avoid competition and confrontation, at least openly. Therefore, self-control and self-discipline are held highly, since these qualities will lead a person to strive to do their best, promoting the entire group to prosper. Social identity is also derived from the pride of contributing to a group, and from this, emotional support and happiness. The sense of self in the Japanese is defined through group association and interaction with others, not through individual personality characteristics. “Wa, the notion of harmony within a group, requires an attitude of cooperation and a recognition of social roles.”<sup>vii</sup> If a person understands this notion, personal obligations, and puts forth their personal best, then the group as a whole will prosper, and this is seen as the greatest reward. Schools and companies build up this sense of group identity by having certain uniforms, songs, names, or banners, which are unique to that group. Strong group identity, and striving to contribute to the group creates the competitiveness people often think of when talking about Japan. Because this competitiveness must be repressed, it can lead to tremendous stress in the Japanese people.

# The Japanese Educational System

## **Structural Overview**

The structure of the school system of Japan is similar to that of the United States and many other countries. The system starts with some nursery schools, but usually kindergartens, which children attend anywhere from one to three years, depending on the age of entering. Following kindergarten is elementary school, which is six years long, and middle school, which is three years long. Entrance into elementary and middle

schools is automatic, students do not have to take entrance examinations to be admitted. Finishing elementary and middle school is mandatory, which ensures students are in school from age six to fifteen. Municipalities are also responsible for establishing these schools.

After middle school students can go on to high school, technical college, or special training schools. Close to 94 percent of students go on to high school which is attended for three years. To be admitted into high school students must take entrance examinations, and their test scores determine where they will go to school. Studying for these tests is the only focus of the student in their final year of middle school. Teachers and parents insist on studying for the tests and arrange after school study sections for students. Students attend these “cram schools” *juku* several nights a week to prepare. “Members of a junior high soccer team may be allowed to play on the team only for their first 2 years; during their last year, they are expected to be studying for their high school entrance examinations.”<sup>viii</sup>

After high school students have the option of attending special training schools, junior college, or undergraduate college. Undergraduate college is attended for four to six years, and students must take entrance examinations to be accepted, the same way they did for high school. Once students are accepted into college the pressure lets down a bit, and students can start to enjoy themselves. As in the United States, Japanese graduate school is another option for students who want to continue with their education.

The Japanese school system on a whole is very rigorous and taken very seriously. There is very little time for students to socialize and take part in recreational activities because they are in school for 240 days a year, and this includes Saturday mornings. A

Japanese student's summer vacation is only 6 weeks long, and students usually attend educational classes during most of the time. At any age school is seen as the top priority. "Children who do well in school are generally thought to be fulfilling their obligations to the family." ix

## **Preparation of the Workforce/Reinforcement of Japanese**

### **Ideology**

Because the Japanese educational system is so rigorous, the majority of the population is prepared for what comes next. Education is seen as the top priority and is very competitive and stressful on a child, with their difficult entrance examinations and strong pressure to succeed from parents. Japanese children learn to be dependent on others, mothers and teachers to help them along the way. They value group association, and become very competitive with other groups, although they do not show it. Therefore, these family and educational values, prepare young adults for the work force, which can be stressful and competitive. Group association is still a main factor in the workforce, and it is common for Japanese men to socialize with their co-workers after hours. Japanese have learned to be dependent on each other, however, they have also learned that they need to put forth all of their effort so that the group as a whole can prosper.

## **The Japanese Labor Force**

### **Structure/Organization of the Labor Market**

Change has been occurring in the Japanese labor market since the 1980's. "This structure of the labor market is affected by the aging of the working population,

increasing numbers of women in the labor force, and worker's rising education level.” The percentage of people employed in agriculture, forestry, and fishing, was 17.4 in 1970, 7.2 in 1990, and is expected to be 4.9 by 2000. <sup>x</sup> Heavy industry employed 33.7 percent of the population in 1970, 33.1 percent in 1987, and is expected to employ only 27.7 percent of the population in 2000. 47 percent of the work force was employed by light industry in 1970, in 1987 this rose to 58 percent, and is expected to be 62 percent by the year 2000. <sup>xi</sup>

The industry and type of employment determines the wages that Japanese workers receive. Emerging high-technology, finance, real estate, public service, petroleum, and publishing are the industries which seem to have the highest earnings in Japan. The Japanese with the lowest wages work in textile, apparel, furniture, and leather products industries. The farming industry is by far, the worst off.

Working conditions in Japan vary from place to place, but on average, employees work a forty-six hour week. In large corporations, employees usually work a five-day week, and are expected to work two Saturdays a month. In smaller corporations it is normal for employees to be at work six days a week. “In 1986 the average employee in manufacturing worked 2,150 hours in Japan, compared with 1,924 hours in the United States and, 1,643 in France. The average Japanese worker is entitled to fifteen days of paid vacation a year but actually took only seven days.”<sup>xii</sup> The Japanese values of hard work and self discipline that have been instilled in them since childhood by their parents and teachers are very evident in the long hours employees work.

## **Age and Retirement of the Labor Force**

The aging of the population in Japan is causing the structure of the labor market to change. The speed at which Japan's population is aging is much greater than that of other industrialized nations, and calls for adjustments to be made. "During the 1950's, the percentage of the population in the sixty-five-and-over group remained steady at around 5 percent. Throughout subsequent decades, however, that age-group expanded, and by 1989 it had grown to 11.6 percent of the population. It was expected to reach 16.9 percent by 2000 and almost 25.2 percent by 2020." <sup>xiii</sup> In 1990 the work force was 20 percent of people aged fifty-five and over. By the year 2000 it is predicted that about one in four workers will be from this age group.

Since there will be an abundance of older workers, Japan may have problems financing its pension system. The government redesigned the system, cutting benefits and increasing the age that benefits begin from sixty to sixty-five. Another problem arises with the salaries workers are paid. Usually, salaries increase with age. There will be more people at this level in the work force. Younger workers are more attractive to employers because they are paid less. If companies start hiring younger workers because of this, an unemployment problem could arise in this aging group. Yet another problem arises when social security is considered. An increase in older adults and a decrease in young adults, will increase the number of dependent people to the number of working people. The aging of the Japanese population has already caused some changes to take place, and will call for many more as the year 2000 approaches and the population continues to age.

# The Aging Population/Health and Welfare

## **Limitations/Concerns**

A combination of low fertility and high life expectancies has brought about the problem of an aging population in Japan. Most Japanese families are smaller, with the average number of children only about 1.5 per house-hold. This could have come about because of the increased number of women in the work force in Japan recently, small living spaces, or the use of different forms of birth control. In addition to this, life expectancies in most industrialized nations are increasing, and Japan has one of the highest life expectancies in the world. By the year 2030, about one in four Japanese is expected to be sixty-five or older. This has been a growing concern for the nation and calls for reforms in some policies the country has had in the past. Since the population of Japan has been its most important resource, the increase in elderly and decrease in the young could have negative consequences for the nation. One of the major concerns are social security, because there will be more dependent people on a smaller working group. Health, medical care, and welfare of this aging populations is another concern, as chronic illness and other problems usually increase with age. Work and retirement is yet another concern. As the Japanese population ages, so will the work force. The retirement age will be affected, and opportunities for older adults to work will have to increase.

## **Government Response in Terms of Policy**

In response to the growing problem of the aging Japanese society, the government has created new policies to try and better the lives of everyone in the country. In respect to the work force, “employment and working environments will be improved to achieve

sustainable economic development and allow working people to show their abilities to the fullest up to the old age, thereby rejuvenating the aging society.”<sup>xiv</sup> Companies are to promote employment until the age of sixty-five. The elderly should have the choice to work regularly until sixty-five. Opportunities should be available for elderly to work fewer hours than in the past, if they desire. After the elderly do retire, their incomes will be secured by public pensions. These pensions are based on “social solidarity among the people, properly combining corporate pensions, retirement allowances, personal pensions and assets, which are based on company and personal efforts.”<sup>xv</sup>

The Japanese government has decided that with the increasing of different needs for social security, a combined program of health, medical care, and welfare are needed. In addition to this different types of care facilities needed to be initiated. With the Golden Plan and New Golden Plan, long-term care facilities have been established for the elderly. They allow the elderly to be more independent and remain at home if they desired, and still receive help. The government wants to ensure a long-term care insurance system, increasing the efficiency of the medical care and at the same time still ensure its quality.

## Technology

### **End Result of Great Human Capital**

“In an economy at any given time, many goods and services are produced by combining the efforts of the people and tools, machinery equipment, and land.”<sup>xvi</sup> Japan, because of its lack of natural resources has had to import many raw materials. However,

the carefully mined human capital has allowed Japan to advance technologically for many years. The values seen in the family were reinforced by the value of the education system. Self-discipline, hard work, dependency on others, and strong group association have all been channeled into the Japanese workers values. The stressful and competitive education Japanese children receive prepares them well. The Japanese are very motivated to be the best. They strive to be on top in the world and as far as technology goes, they have achieved this in the recent past.

## Conclusions

### **Japan's Competitive Advantage as a Result of Great Human Resources**

Overall, the Japanese have had a competitive advantage over other industrialized nations because of its abundance of people. It hasn't been the sheer number of people, 125 million is quite a few, but how these people were mined. Starting in the home, with strong family values Japanese children were disciplined, and valued group association. These children wanted to succeed in school and gained a competitive nature. In the education system these values were reinforced. The difficult Japanese education system prepared their students for the work force. They learn to strive to do their best so the group as a whole would prosper. Taken to a larger sense, the individual companies in Japan strived to do their best so that the country of Japan would be seen as a major world power. The determination of the Japanese people and their careful preparation for the workforce has allowed the country to make up for such a lack of natural resources. Despite there lack of natural resources, Japan has “nevertheless created the second-largest economy in the world”<sup>xvii</sup> Without its abundance of people and strong values, Japan

might not be where it is today.

## **The Future for the Japanese Workforce**

One can only speculate, of course, the future of something. Japan has already seen some significant changes in their country in the recent past. There is the issue of the aging population. Will the lack of young adults and the abundance of older adults really have a big affect on Japan? The work force will continue to age as the population does. Social security reforms such as health, medical care, and welfare will continually need to be reformed to meet the needs of the aging society. Japan, a nation who relies heavily on its people as a resource, may encounter more problems than other industrialized nations with the same problem of an aging population.

Another change that may occur is further opening of the Japanese market. “Animosity over the persistent trade imbalance in Japan’s favor continues to simmer in Europe and North America as well as in some countries in the Pacific Rim.”<sup>xviii</sup> Japan has tried to increase its foreign gift-giving to make up for the imbalance, but who knows how long other countries will allow this to go on.

A final change that will continue in Japan is their Westernization. As more and more foreigners begin doing business with Japanese, there is more and more of a western influence. McDonald’s is a common sight in Japan, as well as other foreign food in the grocery stores. Japanese children can listen to western music and play with western toys. The Barbie Doll, and American toy idolized by girls for 40 years, is now common in Japan. Japan will most likely continue to see this western influence increasing as time

goes on.

Japan has done a remarkable job as a country, in taking its one important resource and mining it in such a way that has allowed them to be one of the major world powers. Hopefully the problems associated with the aging population and other future problems will not have a negative affect on Japan, and they will be able to withhold their national standing.

## Endnotes

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- <sup>i</sup> Japan: A Country Study: *Age Structure* (<http://lcweb2.loc.gov/frd/cs/jptoc.html>, Japan)
- <sup>ii</sup> Japan: A Country Study: *Family* (<http://lcweb2.loc.gov/frd/cs/jptoc.html>, Japan)
- <sup>iii</sup> Japan: A Country Study: *Family* (<http://lcweb2.loc.gov/frd/cs/jptoc.html>, Japan)
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- <sup>viii</sup> Japan and the Pacific Rim: *Schooling* Connecticut: McGraw Hill Company, 1997
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- <sup>xvi</sup> Kodansha Encyclopedia of Japan: *The Contemporary Family*. P368, 1983 ed.
- <sup>xvii</sup> Japan and the Pacific Rim: *The Future* Connecticut: McGraw Hill Company, 1997
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