

# Japan's Vocational Training and its Application to China



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**Dream Incubator, Inc.**  
**Japan International Cooperation Agency**

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# INTRODUCTION OF DREAM INCUBATOR

## Company profile

**Founded:** Jun. 1. 2000 (in action)

**Net Asset\*:** 10.7 billion JPY

**Employees\*:** 275 (Consolidated)

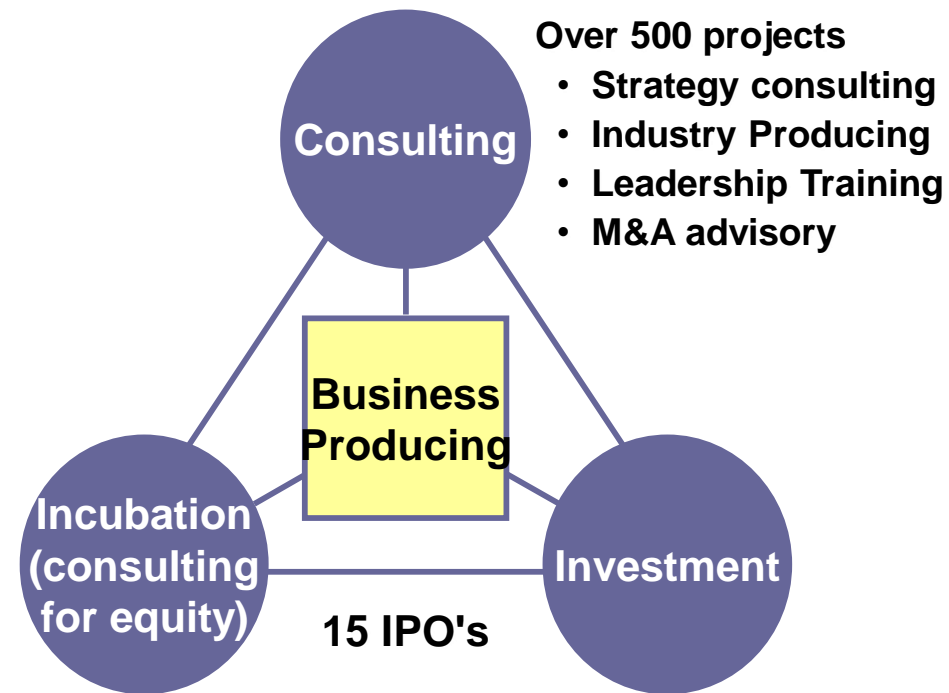
**Stock Listing (TSE):**

- Mothers May. 10, 2002
- First section Sep. 26, 2005

**Global Sites :**

- Ho Chi Minh since Nov. 2007
- Shanghai since Dec. 2010
- Singapore since Aug. 2011

## Our business



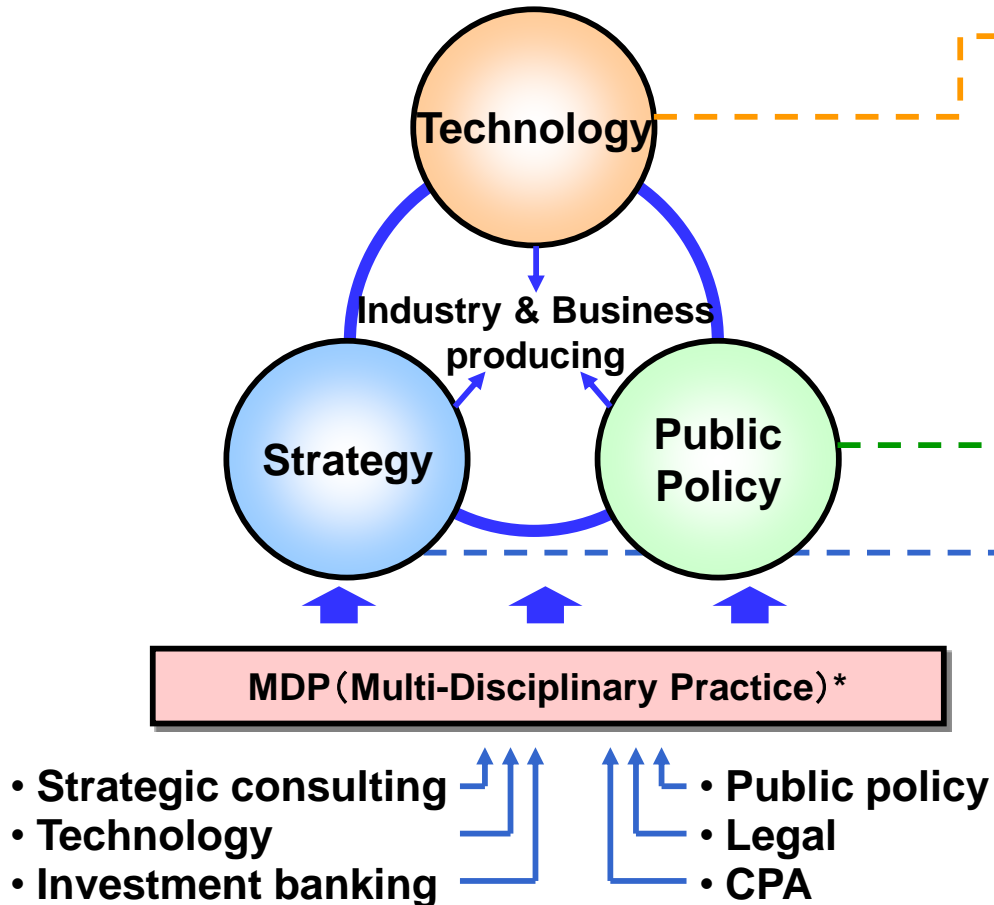
**"The Business Producing Company"**

- Global strategic consulting firm who incubates business beyond industries and borders

# DI'S STRENGTH

Integration of technology, public policy and strategy

## Framework of Industry & Business Producing



## In-house experts

### DI Technology Group

- Expertise on broad range / phases of technology
  - From material to system
  - From R&D to expansion abroad

### DI Public Policy Group

- Understanding on mid to long term national strategy
  - Historical background, economy, and international relations, etc.
- Knowledge on political tools
  - Bill, budget, tax, and legal system

### Strategic Consultants

- Accumulated experience of advising companies of all stages of development

\* Integrated group of professionals in each field

# EXECUTIVE SUMMARY

**Due to urbanization and shift in the industrial structure, China is now facing challenges in building capacity in their labor force through vocational training**

- **Rapid urbanization will result in the lack of over 100 million urban labor force in 2020**
- **Absence of necessary skill-set is observed while the industry shifts from labor-intensive primary and secondary industry to high value-added third industry**

**The role of companies is important to adapt to the growing demand for diversified and high-skill vocational training**

- **Similar challenges were observed in Japan too, when the industrial structure shifted, and they were mainly dealt with in-house vocational training by companies**

**However, it is important to recognize the differences of practices and customs in the working / training environment between China and Japan**

- **In China, low average service years of workers could become a bottleneck for companies to invest in in-house vocational training**

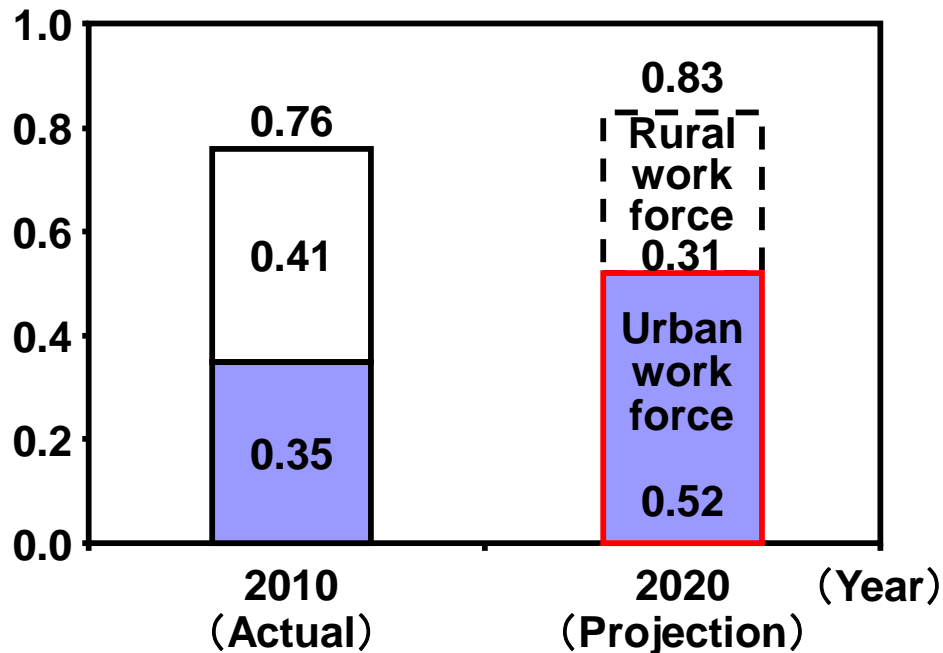
**To tackle this challenge, there could be several possible solutions**

- **Provide diversified and high-skill vocational trainings through training schools**
- **Develop a system in which companies will not lose from investing in vocational training**

# IN CHINA, THE ISSUES OF VOCATIONAL TRAINING BECAME TANGIBLE DUE TO URBANIZATION AND CHANGE IN THE INDUSTRIAL STRUCTURE

## Urban Population vs. Rural Population

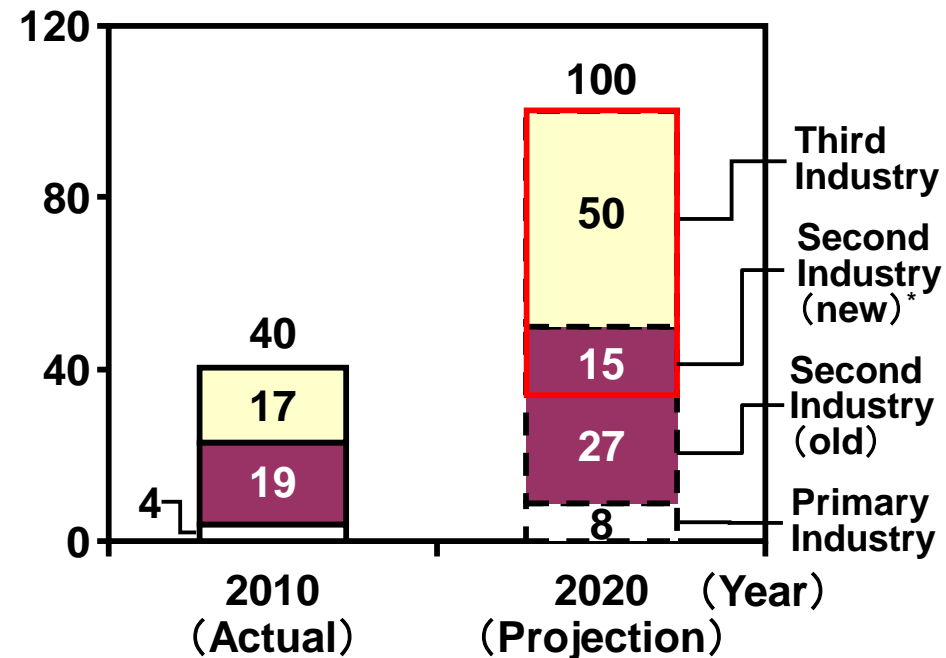
(Bill. people)



**Lack of skill and number in urban work force due to rapid urbanization**

## GDP by Industry

(Trillion Yuan)

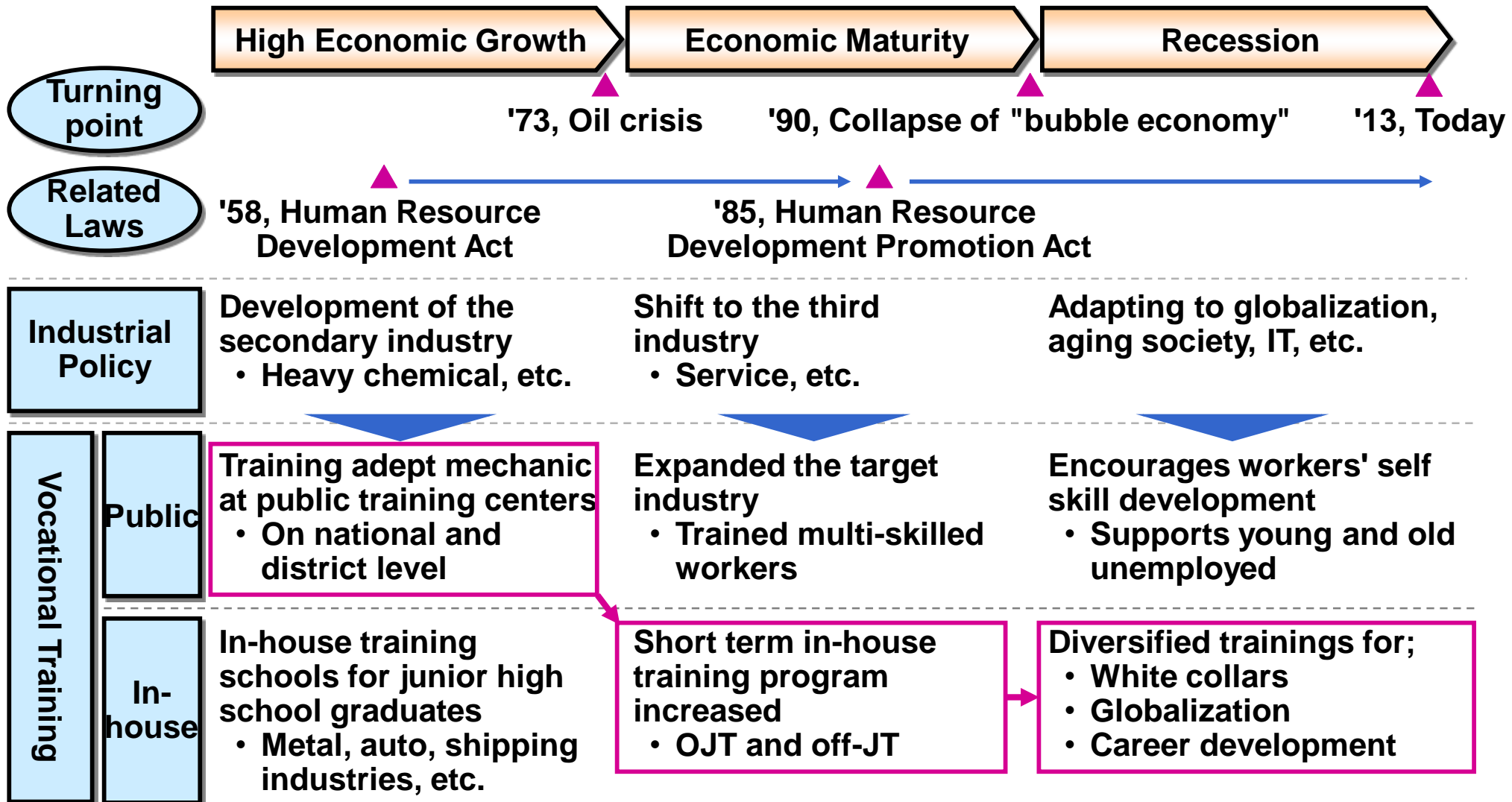


**Lack of skill in the third and secondary (new) industry**

\* New strategic industry: Energy saving / Environment, Next generation IT, Bio technology, High-end facility, New energy, New material, New Vehicles  
 Reference: National Bureau of Statistics of China「China Statistical Yearbook 2011」, Chinanews「Minister of Human Resources and Social Security of PRC interview」, Xinhuanet「The report of The eighteenth National Congress of the Communist Party of China」, Xinhua agency「2011 Report on the work of the government」, The State Council of PRC「National Economic and Social Development Twelfth Five-Year Plan」, China Securities Journal「Analysis of that Removing capacity to lower GDP growth cycle」

# THE ROLES COMPANIES PLAY ARE IMPORTANT TO ADAPT TO THE DIVERSIFIED NEEDS OF VOCATIONAL TRAINING

Japan has overcome the challenges through in-house trainings



# DIFFERENCES BETWEEN CHINA AND JAPAN IN PRACTICES OF THE WORKING AND TRAINING ENVIRONMENT (2012)

	<u>China</u>	<u>Japan</u>	<u>China's challenge</u>
<p><b>School</b></p> <p>(Average number of students per vocational training school)</p>	2,278	611	<p>Standardized lectures to big classes results in different level of understanding among students</p>
<p><b>Government</b></p> <p>(per target population*)</p>	US\$ 886	US\$ 5,796	<p>Government expenditure per person is insufficient due to the large population</p>
<p><b>Companies</b></p> <p>(Average continuous service year)</p>	3.8 (2006)	Large: 12.7 SMEs: 10.2	<p>Service year of employees are generally short and companies hesitate to pay for vocational training</p>

**Different prescription is necessary for different environment**

\* Age 15-25

Reference:

National Bureau of Statistics of China「China Statistical Yearbook 2011」, Ministry of Education Culture Sports Science and Technology Japan "Statistic research on wages", DI interview and analysis

# DIRECTION OF SOLUTIONS

(DI's view)

## Example of solutions

## Japan's example

**Provide trainings at vocational training schools that correspond to diversified needs**

**Develop training programs that matches corporate needs**

**Companies running training schools**

- Toyota, Denso, etc.

**Retired workers teaching at training schools**

- Takenaka corporation, etc.

**Building a system that does not disincentive companies to train their employee**

**Direct subsidies**

**Government supports SMEs and new industries**

- Subsidy, etc.

**Expanding average service years of workers**

**Impose working obligation in return for student loans**

- Jichi medical University, etc.

**Tax merit**

- Lower tax on retirement allowance



# JAPAN'S EXAMPLE 1: COMPANIES RUNNING ITS OWN TRAINING SCHOOL

## Toyota Technical Skills Academy

### Long-term adept mechanic training

#### History

Long history since its foundation

- 1937 Founded
- 1958 Approved as an in-house training school under the Human Resource Development Act

#### Character

Trains skilled workers to produce autos

- 40% (2,000hrs) of the 3 year will be spent on skill training
- Toyota employee teaches using Toyota equipments
- "Toyota Production System," "Kaizen," etc. is taught

#### Result

17,000 students have graduated the school, and 8,000 of them are working at Toyota Motor

### Latest facilities

Equipped with studying building and working building



Real practices in the training center



# JAPAN'S EXAMPLE 2: GOVERNMENT SUPPORT FOR VOCATIONAL TRAINING EMPHASIZING SUPPORT ON SMEs AND NEW INDUSTRY

## Purpose

## Outline

## SMEs

## Big companies

### Accredited Vocational Training

To support SMEs that lacks budget of their own for vocational training

Subsidizes SMEs that;

- Conforms the government standard
- Prefectural governors approve

Subsidy (budget: 0.8 bill yen)

- 1/3 of the management cost
- 1/3 of the facility and equipment cost

Privileges

- Certifications are provided to experts
- Test are partially exempted for certifications

### Career Development Promotion

To train human resource for new industries

Subsidizes career development for prioritized industries

- Medication
- Environment
- Primary Industry

Subsidy (budget: 10 bill yen)

- Prioritized industries
  - 800 yen/hr wage support and 1/2 of cost
- Other industries
  - 400 yen/hr wage support and 1/3 of cost

-

# JAPAN'S EXAMPLE 3: DEVISE TO EXPAND SERVICE YEARS OF WORKERS

## Japan

## China

### Examples

Jichi Medical University

Medium / Small agricultural enterprises, Shanghai Jiao Tong University, Shanghai Municipal Agricultural Commission, etc.

### Purpose

Securing medical care in remote area

Training human resource in unpopular agricultural sector

### Content

University: Exemption of tuition  
 Student: 9 years of working obligation back in hometown, under the order of the governor

- Including work at remote area

Company: Provide job opportunity  
 School: (Agricultural) high education  
 Government: Subsidy to students

- Tuition: 5,000 yuan/year
- Accommodation: 1,200 yuan/year
- Living expense: 3,000 yuan/year

### Jobs

Hospitals / clinics at home

Agriculture companies

### Obligation years

4-5 years

6 years

### Penalty

Returning student loans

Returning student loans, and fine

# DI'S PLAN

**Corresponding to the growing demand for qualified workers**



## **Plan 1**

- **Establishing Chinese version of "Japanese adept mechanic academy"**

**Corresponding to diversification**

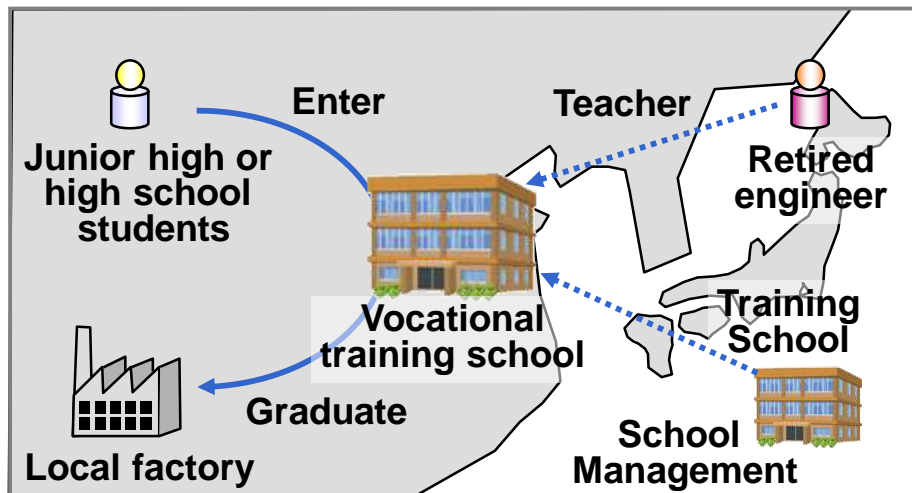


## **Plan 2**

- **"Global Leadership Program"**

# PLAN 1: ESTABLISHING CHINESE VERSION OF "JAPANESE ADEPT MECHANIC ACADEMY"

## Outline of the plan



**Target students:** Chinese junior high and high school students

**Purpose:** Japanese way of adept mechanic training

**Organizer:** J/V between Chinese and Japanese schools

- Supported by Japanese manufacture

**Teacher:** Retired Japanese engineer

**Graduates:** Will find a job at local or Japanese manufacture

- And become a leader there

## Advantage to the stakeholders

### Student

- Master skills and find a good job**
- Learn Japanese way of manufacturing and then get hired at Japanese or local good company

### Local Factory

- Secure a stable and qualified source of workers**
- Ready fighting power

### Local Schools

- Secure a qualified source of teachers**
- Who teaches is another issue

### State Govt.

- Strong labor force to invite companies**
- Provide qualified labor force to companies
  - Easier to invite companies

# PLAN 2: GLOBAL LEADERSHIP PROGRAM

## Outline

<b>Purpose</b>	Develop global leaders who will tackle the challenges that organizations face
<b>Participant</b>	30-40 executives from government, companies, NPOs, etc.
<b>Content</b>	<p>Customizing the "Global Change Agents" program of Harvard Kennedy School</p> <ul style="list-style-type: none"> <li>• Understanding leadership</li> <li>• Diagnosing adaptive challenges</li> <li>• How to mobilize people, etc.</li> </ul>
<b>Method</b>	<p>Interactive dialogue through;</p> <ul style="list-style-type: none"> <li>• Group discussion, individual case study, experiments, etc.</li> </ul>
<b>Time</b>	<p>February 2014</p> <ul style="list-style-type: none"> <li>• Pilot program will be held in Tokyo</li> </ul>

## Lecturer

(Dr. Dean Williams)

One of the most influential leadership expert at Harvard University's Kennedy School



- Responsible for the World Leaders Interview Project at the Center for Public Leadership
- In recognition of his teaching he has regularly received "the most influential course award."
- Advises political, social, business leaders around the world
  - Advised presidents of Madagascar, Nigeria, and the government of Singapore
- Devoted to leadership development in Asia
  - Currently the director of the Social Leadership Singapore program
  - Planning to provide Leadership programs throughout Asia, including Japan

**Real global leadership training by DI and Harvard**

# CONCLUSION

**In a diversified industrial society where highly skilled human resources are in need, in-house vocational training will play the major role.**

**However, efforts of individual companies alone is not sufficient to solve the structural challenges that China faces.**

**It is essential to establish a social system in which "economic development" and "vocational training" proceed together by utilizing foreign knowledge and through collaboration among companies, schools, and the government.**

**Dream Incubator is committed to cooperate with the stakeholders in China to solving social challenges that they face, including but not limited to vocational training.**