Policy Sciences **33**: 289–306, 2000.

Social capital in the Japanese youth labor market: Labor market policy, schools, and norms

MARY C. BRINTON
Department of Sociology, Cornell University

Abstract. This paper develops the concept of institutional social capital and discusses its importance in the labor market. Institutional social capital is constituted by the resources inherent in an organization (such as a school) and thereby available to members of that organization. This is contrasted with the social capital available to individuals through their own personal networks. In the labor market context, an example of institutional social capital is the ties that schools have with employers who recruit a proportion of their new employees as they prepare to graduate. The paper examines how these ties and the norms governing the important labor market screening role played by the high school developed in post-WWII Japan. I also discuss an important positive externality – social control over students – generated by schools' institutional social capital. Finally, I examine current challenges to Japanese high schools' institutional social capital.

Introduction

Democratic industrial democracies face the dual challenge of trying to provide broad, equal educational and work opportunities to their youth, while at the same time efficiently supplying the economy with the types of workers that are most needed. A number of Western democracies have highly institutionalized systems of moving youth out of school and into the labor market through apprenticeship programs or other types of school-industry partnerships (OECD, 1998). Ideally, such programs go a long way toward simultaneously meeting the goals of providing job choices to youth and addressing the changing demands of employers and industry. In the United States, however, no centralized institutional mechanism exists to help youth move into full-time employment when they leave school. Many studies have demonstrated that the overriding mechanism through which individuals find jobs in the U.S. is through their own social capital or 'connections' (Granovetter, 1998; Marsden and Hurlbert, 1988; *Koyo shokugyo sogo kenkyujo*, 1989). This reliance on social networks means that institutions play an insignificant role in matching workers to jobs. Instead, what matters is the individual's own stock of social capital.

The American laissez-faire style of letting youth match themselves to jobs is not necessarily the most meritocratic or efficient way of organizing the labor market in postindustrial societies. If *institutions* (such as schools) have a stock of social capital to which youth have access, this arguably multiplies the opportunities young people would otherwise have had through information or intro-

ductions provided by their own family, friends, and acquaintances. Furthermore, if entrance and membership in schools is governed by meritocratic rather than particularistic processes, then the function of this 'institutional social capital' can be to create a more open society than would be the case if people were left to rely only on personal connections. This is so because people's own social networks will often be closely tied to their social class and ethnic origin rather than extending outward into other social groupings (Holzer, 1987).

This chapter follows earlier work in which I distinguished between types of social capital by their social-structural origin (Brinton and Lee, 1996). In the literature on job search processes and the labor market, social capital has been used to refer to the social ties one uses to obtain job information or introductions to employers (Granovetter, 1995; Lin, Ensel and Vaughn, 1981; Marsden and Hurlbert, 1988). This literature refers to the individuals in personal networks that inform or connect someone to a job. Acquaintances rather than close friends are often the individuals most valuable in providing this function, demonstrating (in a now-classic sociological phrase) the 'strength of weak ties' (Granovetter, 1973). I term this type of social capital, the social capital to which an individual has access through his or her *personal networks*, as 'private social capital,' in order to distinguish it from the social capital to which individuals have access by virtue of belonging to a particular *organization* (Brinton and Kariya, 1998). I call the latter 'institutional social capital.' In the school-work context, institutional social capital is constituted by the resources to which students have access by virtue of being in a certain school (Brinton and Lee, 1996). Examples of such resources are the school-based social networks in which students participate (such as clubs) or to which they have access (such as alumni networks). Institutional social capital can thus be thought of as the ties to individuals and to other organizations, e.g., alumni associations, business firms, and government agencies, that an individual is able to use *because* he or she is a member of a particular institution. An example very familiar in the American academic world are the mechanisms through which many starting assistant professors were hired prior to the establishment of equal opportunity and affirmative action provisions. Prior to the 1970s a phone call from a senior professor in prestigious institution A to a senior professor in prestigious institution B to inquire about possible job applicants was often enough to grant a Ph.D. student an interview and perhaps even a job in institution A. In popular parlance we call these 'old-boy networks,' but in social capital terms, the student in institution B benefited from access to institutional social capital – the ties between professors in his university to professors in another university.

Some critics and users of the social capital concept have argued that social capital is best seen as a property of individuals and that extensions to larger units such as communities or states become problematic (Portes, 1998). While I fundamentally agree with this stance, for policy purposes it is often useful to turn the focus from how or which individuals have access to social capital to the issue of how particular institutions in a society come to develop a stock of social capital in the first place and how that social capital is utilized as a resource by

policymakers (Montgomery, this volume). It is also instructive to examine situations where, once a stock of institutional social capital has accumulated, externalities or consequences unanticipated by policymakers are generated and where circumstances develop to which policymakers may need to respond. The example above of old-boy networks existing among members of prestigious universities is a case in point. Charges of systematic bias and unfairness against some groups of individuals gradually led to the development of legal provisions requiring broad advertisement and an open application process for academic and other jobs; in theoretical terms, this can be seen as an effort by policymakers to minimize individuals' use of institutional social capital and instead maximize the variety and depth of the applicant pool by openly soliciting applications.

This chapter analyzes one type of institutional social capital in the labor market: networks of ties between schools and employers. The Japanese youth labor market has been cited as an unusual and strong case demonstrating ties between high schools and local employers seeking to fill entry-level jobs with new graduates (Kariya, 1998; Kinney, 1994; National Research Council, 1993; Okano, 1993; Rosenbaum and Kariya, 1989). Japanese high schools receive job application notices from local employers. They then counsel their students about which employers to apply to for post-graduation jobs. High schools typically recommend only one student for each job, and students within each school therefore compete with each other for the most desirable jobs. Furthermore, there is a strong norm that a student will be recommended for only one job at a time; if the student fails the job interview with the employer, then he or she must choose another job in consultation with teachers and win the schools' recommendation to apply for that job.

While prior research has not framed the Japanese school-work system in the language of social capital, Japanese high schools clearly have a stock of social capital for which students compete against each other for access. This social capital is constituted by the network of ties the schools has with local firms. Some social scientists have argued that this type of labor market, embedded in the social relations between schools and firms, is both efficient and meritocratic (cf. Rosenbaum and Kariya, 1989). Students who might otherwise have difficulty finding jobs on their own are aided by what I have termed the institutional social capital to which they have access because they are a student in a particular school. They potentially have access to employers with whom their school has a relationship, and they thus can use institutional social capital to become linked to a well-paying post-graduation job. Also, because students compete for teachers' recommendations, they have strong incentives to do well in school. Institutional social capital thus also plays a useful social control function in the sense that it is the students with the highest grades and the best disciplinary records who will receive their schools' recommendations for the good jobs.

Top American high schools arguably constitute a source of institutional social capital for their university-bound students by casting a halo of prestige around students applying to elite universities, and sometimes by having networks

between school counselors and university admissions officers (Kingston and Lewis, 1989). But American high schools conventionally provide little guidance for those students who do not go on to higher education. A comparative study by the Japan Institute of Labor reported that only about 20 percent of American high school seniors used their school to help them look for their first full-time post-graduation job. This contrasts sharply with Japan, which had a corresponding figure of about 60 percent (*Koyo shokugyo sogo kenkyujo*, 1989). The American figures are complemented by those from a number of other studies, including Holzer's recent study of employers' recruitment strategies for less-educated workers in four major U.S. metropolitan areas (Holzer, 1996). Holzer found that the most common method used to recruit a firm's most recently hired non-college educated employee was newspaper advertising, followed by referrals from current employees. Only 3 percent of the most recently recruited employees came through school referrals. While this particular study did not focus exclusively on the hiring of new graduates, it nevertheless demonstrates the extremely low use of high schools' social capital by less-educated workers in the U.S. labor market.

The small amount of research in English on the Japanese high school-work system leads to provocative questions concerning the system's operation and the role played by social capital. Why do Japanese high schools constitute a source of institutional social capital for their workbound students, whereas American high schools generally do not? In addressing why schools constitute a source of social capital for their students, it is necessary to take into account the demand side of the labor market (employers). If employers did not tend to hire new graduates through the schools but did so instead through other methods, then institutional social capital would not play such an important role in the Japanese labor market. Why do Japanese firms prefer to recruit many graduating seniors (new labor market entrants) rather than older workers, and to recruit them from schools with which they have ties? In other words, why do Japanese firms often hire young people at the point of graduation, and do so by advertising directly to schools rather than using other channels of recruitment that involve job applicants' personal social ties (what I have termed private social capital)?

Given the focus of the present volume, in this paper I examine the interrelations between institutional social capital and public policy in the Japanese context. I first address how Japanese high schools came to have a stock of social capital as a by-product of government labor policy. Second, I explore the cultural, educational, and economic underpinnings of the use of high school social capital by workbound students. Third, I examine two externalities of high school social capital, one positive and one negative. The positive externality has to do with the social control over students that Japanese high schools have conventionally been able to exert. The negative externality, on the other hand, involves the possibility of students' rejection and bypassing of institutional social capital altogether because of their access to this social capital depending upon acquiescence to the academic and disciplinary demands of teachers. This appears to be increasingly occurring in the economic setting of present-day

Japan. This phenomenon is important because it shows that when external circumstances (such as the economic environment) change, social capital that had benefited society because of its positive social control effects may decline in importance. This can occur if individuals (in the present case, students) perceive the cost of accessing social capital to be too high, i.e., if they can get the same benefits (jobs) by going outside the system of social capital controlled by the institution (the school) to which they belong and thereby forgo having to play by the rules set by the institution (teachers).

Schools' institutional social capital: Policy design or policy by-product?

The reason that Japanese high schools have a stock of institutional social capital is murky if one has only the scant English-language literature to go on. Some scholarly reports imply that Japanese high schools are highly involved in job placement activities due to direct top-down government policy. The implication here is that high schools and employers communicate and coordinate recruitment with each other because of the centralized dictates of the Ministry of Education or Ministry of Labor. OECD reports and many American labor economists' references to school-work in Japan give this impression. For example, Freeman notes: 'Both Japan and Germany create incentives for youths who do not obtain a university degree to perform well in secondary school by linking their ensuing progress in the job market to their school or apprenticeship record' (Freeman, 1994).

This suggests the purposeful designation of schools as sites of institutional social capital by some governmental authority. But this is misleading, as would be the contrasting 'bottom-up' assumption that Japanese high schools purposively and independently developed their capacity to have institutional social capital. It is more accurate to see the Japanese youth labor market as the outcome of two sets of forces: the development of a national legal framework governing the way that firms recruit graduating junior high school or high school seniors, and the evolution of norms that give the primary responsibility to schools for student placement in the labor market. As I will argue below, the delegation of responsibility to schools for job placement is best seen as a policy by-product rather than a direct policy outcome.

Legal framework

The Japanese Employment Security Law, written in 1947 and revised in 1949 by the newly-founded Ministry of Labor, specifies that employers' recruitment of graduating seniors from junior or senior high schools must be regulated by the local Public Employment Security Offices (hereafter PESOs). (Currently, there are about 500 such offices in Japan.) In concrete terms this means that employers are legally required to submit to the local PESO their descriptions of job open-

ings for which they wish to recruit graduating seniors. The job description is filled in on a standardized form used throughout Japan, including information about the size, age, location, and capitalization of the firm, job content, work hours and vacation days, wage/bonus/benefits information, and skill and certification requirements, if any. Employers also generally write in the names of the schools from which they hope to recruit, although they are not legally required to do so. The PESO then approves the job and working conditions before the employer is allowed to interview applicants who are currently in school and will graduate the following March and begin work in April.

Theoretically, students could walk into the local PESO, survey the jobs available to graduating seniors, and even contact employers directly by themselves. This is not illegal. But in fact it almost never occurs. If it did, it is almost certain that the student would not be successful in securing a promise of employment from a firm. As I discuss below, employers rely heavily on schools' recommendations as to which students to interview; schools essentially screen potential job candidates on behalf of the employer. Discussions of the 1949 Employment Security Law in English typically state that the law 'forbids' direct contact between students and employers (Naganawa, 1999), but from reading the original Japanese text as well as discussing the law with PESO officials, it is clear that a more appropriate translation into English is 'discourage.' What the law does forbid is private employment agencies acting as the intermediary between employers and graduating seniors. Instead, the law designates that the PESO will perform this role, and it 'encourages' the PESO to share some of its responsibilities with schools in managing the youth labor market.

The 1949 revision of the law outlined the process of labor recruitment of graduating seniors from schools (junior high schools, high schools, junior colleges, upper specialized training schools, and universities) in the following three provisions:

> Article 25, Section 2: The public employment security office will cooperate with schools in providing to students information about labor demand and supply conditions, offering necessary assistance in job selection, and (through communication with other public employment security offices) making available as many job openings as possible and appropriate; it must endeavor to guide students into jobs appropriate to their abilities.
>
> Article 25, Section 3: When the public employment security office sees a necessity to smooth out the employment introduction process, it can get permission from school principals to share some of the work with the school.
>
> Article 33, Section 2: At the instructions of the Labor Minister, schools can provide free introduction services to employers for their graduating students.

The language of these provisions is interesting in that it specifies what the public employment security offices need to do, but then goes on to say that

they can essentially off-load their work onto schools either through their own judgment or per the suggestion of the Ministry of Labor. It thus gives a legal basis for a sharing of the placement function between the PESOs (as local specialized offices of the Ministry of Labor) and schools. The first provision above originally applied to junior high schools whereas over time, the second provision came to apply to high schools and the third to institutions of higher education.

As Kariya, et al., state, the overarching purpose behind the law specifying PESOs' responsibility towards workbound graduating seniors was to protect youth labor from illegal and unethical recruitment practices (1997, p. 139). They go on to cite the interpretation of the law offered by the Japan Employment Guidance Association, an association of teachers, bureaucrats in the ministries of labor and education, and scholars, in 1950:

> The secret for the success of employment guidance is understanding the candidate's background and carrying out the work with sincerity and enthusiasm. School personnel are the most appropriate to do this from the standpoint of knowing the candidate for several years and understanding the person and his or her record. If this responsibility is left with the *shokuan* (PESO), we cannot expect that the person's record extending over several years will be fully taken into account. There is a danger that judgments will be based on just a short interview. Moreover, compared to school personnel, *shokuan* personnel will have a more bureaucratic attitude towards students. As for employers, they prefer to receive a recommendation for a candidate from a school rather than from a *shokuan*. This is because they historically have had a feeling of trust in the schools and they also know that the school personnel are sincere and enthusiastic (Kariya, et al., 1997, p. 140).

This document goes on to speak of the 'naturalness' of schools taking up the responsibility of providing employment guidance to the students that have 'been under their tender care.' Labor Ministry documents from the mid-1950s also discuss the role of schools in 'watching over the future of graduates' as well as educating them (Kariya, et al., 1997, p. 141).

Underlying the text of the Ministry of Labor documents and the Japan Employment Guidance Association's interpretation, then, is a logic that schools are a highly appropriate site for carrying out the guidance of students into jobs. In other words, schools are the logical site of social capital from which students can draw as they try to enter the labor market. Another subtext is that the Labor Ministry and its local organs can specify the duties that schools should perform. Finally, there is a pride of place granted to schools both in the degree to which the public supposedly holds them in high regard (charging them to 'tenderly care for youth') and the degree to which employers place confidence in them.

While the wording of the law itself may appear to give wide scope to what the Labor Ministry and PESOs can do, it is consistent with many other such legal

provisions in Japan and is a good example of administrative guidance (*gyosei shido*; Upham, 1987). That is, it provides wide scope for administrative action based on bureaucratic judgments about 'necessity' and 'appropriateness.' In this sense it is eminently practical but also grants considerable power to the bureaucrats who formulate and direct the interpretation of the law. Another implication is that norms consistent with the law can evolve over time and take on a life of their own.

The evolution of set practices is illustrated well in interviews I conducted in 1995–1996 at three PESOs and 20 urban public high schools in Kanagawa prefecture, immediately southwest of Tokyo.[1] I was told by officials at the Kawasaki-kita PESO that the PESOs delegate the recommendation and placement function to schools for a practical rather than a legal reason: 'they [the teachers] know individual students well, whereas we [civil servants] do not. This means that teachers can do a better job of guiding them into jobs.' The evolution of a norm dictating that schools provide the function of sorting and recommending students to employers was reiterated in my interviews with teachers. Using a semi-structured interview format, I asked teachers in the *shinro shidobu* (guidance section) of high schools why the school was responsible for providing this function. To my initial surprise, teachers told me that they did not know why! A typical response to my questioning was the following: 'The public employment security office gives us the task of sorting through jobs, making contact with employers, and recommending students to jobs. We don't know why we are supposed to do this. We just do it.'

Formation of a norm

The distinction between an overarching political-legal framework requiring the schools to serve as repositories of institutional social capital vs. the evolution of a norm that makes them the loci of institutional social capital is important. In effect, what we see here is, in Dery's terms, 'policy by the way' (Dery, 1999). As mentioned above, a driving purpose behind the formulation of the provisions of the Japanese Public Employment Security Law pertaining to youth was to protect youth labor. This policy purpose stemmed from the considerable exploitation of youth labor by labor brokers in late 19th and early 20th century Japan, exhibited in its most extreme form in multi-year labor contracts between labor brokers and young women from poor rural areas that were tantamount to indentured servitude (Tsurumi, 1990). The regulation of Japan's post-World War II youth labor market by the Labor Ministry must be understood in the context of this rather dramatic historical backdrop. Japanese labor law is national in character, not local. All Japanese employers planning to hire new graduates submit job opening notices to the government for approval because they are legally required to do so, and they recruit youth labor from schools rather than through using private employment agencies because the only intermediaries legally permitted are the PESOs and the schools. The devolution of

responsibility from PESOs to schools occurred for the practical reason that teachers know students well whereas government officials do not know them at all. Thus one could say that *Japanese high schools came to develop institutional social capital as a by-product of government policy*.

This trajectory problematizes the transferability of the phenomenon of high school institutional social capital to other national contexts such as the U.S.; institutional social capital was not the result of purposive social policy. Rather, it resulted from the evolution of a norm within a specific overarching labor law framework and a social and moral context in which schools were held in high regard. Employers and schools can both be seen as responding to government policy and in the process of doing so, creating new norms. The taken-for-grantedness of the norm of schools in effect acting as employment agencies is evidenced by teachers' own lack of knowledge about why or when schools historically came to play this function.

It is also important to distinguish the actual historical processes through which schools' institutional social capital developed from a bottom-up explanation that would imply that with the proper mix of incentives, firms naturally turn to schools as repositories of institutional social capital. Instead, Japanese firms turn to schools as a sort of employment service because it is illegal for them to use private employment services as intermediaries to reach students. Likewise, schools must somehow systematically handle the job opening notices that employers send to them. To do this, each school gives the responsibility of counseling to a subset of teachers on a multi-year rotating basis.

School-work in Japan: Social capital in the workplace

In addition to the context of a national government policy restricting the social institutions involved in the youth labor market, Japanese high schools as sites of institutional social capital need to be understood in the context of the contemporary work culture, educational system, and economic environment of Japan. I would argue that the Japanese school-work system (and schools' stock of social capital) is embedded in an employment environment and work culture where social capital is in fact highly valued. The pride of place given to social capital *inside* the business firm arguably constitutes a source of support for the practice of firms engaging in long-term relationships with particular high schools.

Seniority wage policies, the practice of in-firm training, and heavy emphasis on recruiting new workers into the firm at the beginning of their work lives have all been widely discussed in the literature on Japanese workplaces (Cole, 1979; Hashimoto, 1994; Brown et al., 1997; Rohlen, 1979). Employers' preference to hire young rather than mid-career workers plus workers' incentives to remain with the firm long enough to reap the rewards of a seniority wage system mean that the average Japanese worker's tenure in a firm is longer than his American counterpart (Hashimoto and Raisian, 1985). (Women constitute a distinct and

generally impermanent segment of the labor market in Japan, so I restrict the discussion here to men.) This long-expected tenure means that employers are heavily invested in choosing new employees who can be properly socialized into the norms of that particular workplace. Recruiting year after year from the same high schools ensures that new recruits come from the same school 'culture' as recruits in previous years. Why is this important to employers?

The emphasis on new workers' common background in Japan is built on the perceived desirability of constructing a workplace in which employees have long-term ties with each other and with their employer. This came out clearly in Japanese employer responses in a survey I conducted in 1997. Respondents to the survey were a sample of employers in the Yokohama–Kawasaki area who regularly recruit new high school graduates for their workplace. The sampling frame consisted of 874 employers in this local area who had filed forms for employment openings in the 1994–1995 recruitment year with the local public employment security office. In this sample of 126 firms, approximately 2/3 of personnel officers answered affirmatively to the question, 'Does your company view it as desirable to recruit from the same high school(s) every year?' The reasons given by respondents for their answers proved quite revealing in their emphasis on institutional social capital – the networks between firms and schools. Responses also highlighted employers' conscious creation of social capital in the workplace (social ties among workers). Among respondents who prefer to recruit from the same high school every year, the most commonly given reason (39 percent of respondents) was that having employees who come from the same school helps new employees adapt to their jobs and ultimately reduces turnover. Phrased in the language of social capital, firms feel that they can benefit from maximizing the amount of social capital inside the firm. This shows both the value they put on social ties inside the workplace as well as their efforts to capitalize on *existing* social capital (over-time recruitment ties with certain schools) rather than to start from scratch on creating bonds among new employees who do not have a shared background. Typical comments by employers who emphasized the profitability of the seemingly inherent and taken-for-granted relationships between their employees who had graduated from the same school were as follows:

> Recruitment from the same schools cultivates companionship in the work organization.
>
> Senior employees can guide junior ones, if they are from the same school.
>
> The senior employees tend to help the junior ones when necessary, if they come from the same school.
>
> Senior employees will help junior employees from the same school to adapt to the work organization.

These comments illustrate the feeling on the part of many employers that their relationships with schools (and by implication, students' reliance on the institutional social capital of their school) contributes to the human capital development and training that occurs inside firms, and reinforces the social capital within the firm (interpersonal social ties) that employees can draw upon to effectively accomplish their work.

I also asked employers their opinion of the government-mandated system. They were asked to specify which of the following they viewed as the most desirable, 'hiring high school graduating seniors with the school as the intermediary, as is the current practice' or 'making hiring decisions by dealing directly with the applicants, as is the current practice in the case of university graduating seniors' (where the main provisions of the Japanese Employment Security Law do not apply). Seventy percent chose the current way of hiring high school seniors as the most desirable. The most frequently given reason for this preference by employers was that high school applicants are minors and therefore need help. This implies a view of adolescents as being young and unworldly, a view frequently expressed in my interviews with teachers at the 20 high schools I studied. While there is not space here to go into the cultural view of adolescence in Japan, the perception that high school students *need* to be shepherded into the labor market buttresses the norm that it is highly appropriate for schools to serve as a source of institutional social capital.

Japan's centralized educational system

Not only do elements of the Japanese cultural context such as ideas about peer relations in the workplace and ideas about the fallibility of youth support the role played by high schools in the job placement process and the centrality of high schools' institutional social capital, but Japan's centralized educational system gives employers a predictable environment in which to select the schools from which they wish to recruit. Admission to public general high school is based on residence in a school district and on the combination of students' junior high school grades and their performance on the prefectural standardized high school entrance examination. The same is true for public vocational high schools, except that only residence in the prefecture rather than in the specific school district is required. The lowest score (*hensachi*) with which any junior high school senior gained admission to each school (public or private) in a current year is reported in high school entrance guidebooks published by private companies and available at local bookstores each year. Employers are highly familiar with the statistics for each school; along with the general public, they use these to compare the 'quality' of different schools' students. Given the structure of the high school admission process, Japanese high schools are much more homogeneous in terms of student ability than most American high schools; within-school variation in student 'quality' is low. This makes it easy and advantageous for employers to use the school rather than the open labor market as a recruitment frame.

[300]

A large volume published each year by the Employment Security Bureau of the Ministry of Labor also serves as a guide for employers' choice of schools from which to recruit employees. This volume shows the number of graduates from each high school in Japan in the previous year who got jobs, breaking this number further into those who got jobs locally (in the prefecture) or in other parts of the country.

In short, Japanese employers have readily available, highly reliable sources of information about the ranking of high schools in their local area and in fact anywhere in Japan. In addition, Japanese high schools are internally highly homogeneous. These features of the educational system and its management remove the uncertainty and difficulty that American employers presumably would have were they to try to figure out how and with which high schools to establish ties. In the U.S., schools and employers are left to their own wits and initiative to form alliances with each other. The typical result is that they do not do so (as demonstrated by the statistics cited earlier in this paper, showing how few American high school seniors rely on their school's social capital for securing an introduction to their first job). In contrast, such alliances are natural in an environment where employers know from year to year which high schools produce large numbers of workbound graduating seniors and know also what the academic quality of these graduates is likely to be.

The job market for high school graduates

A final source of support for Japanese high schools' provision of institutional social capital to workbound seniors was the continued strength of the Japanese economy through the early 1990s, in particular, the abundance of manufacturing jobs. Employment growth in Japan from the 1960s through the mid-1990s was lower than that of North America and higher than that of the European Community. But significantly, the type of job growth that occurred in Japan during those three decades was in sectors that traditionally welcomed high school graduates. Notably, Japan was one of only two OECD countries in which the numbers of manufacturing jobs grew in the 1980s. (During this decade the U.S. experienced large losses in this sector.) The Japanese economy also experienced greater growth than the American economy in parts of the service sector where a high school education was likely to be sufficient, while growth in the U.S. service sector was greater in finance, insurance, real estate, and business services, areas typically requiring a university degree.

This meant that there were, simply stated, more jobs for less-educated workers in Japan than in the U.S. in the 1980s. Under these conditions it is understandable that the institutional social capital of schools continued to play a large part in helping connect Japanese students to jobs.

Positive and negative externalities of schools' institutional social capital

As I have alluded to above, an extremely important function played by Japanese high schools' role in job placement is one that was emphasized strongly by Coleman in much of his work on social capital: social control (e.g., Coleman, 1988). While the protection of youth seems to have been the Ministry of Labor's explicitly stated purpose for allowing PESOs to share their role with schools, a latent function of Japanese schools' control over jobs is *control over students.* If schools have the monopoly on providing job placement services, and if employers are not legally permitted to advertise jobs for prospective high school graduates through private employment agencies, then workbound students are highly dependent on teachers' information and judgments. Grades and discipline records play a strong role in teachers' choice of which students to recommend for which jobs (Kariya, 1998; Rosenbaum and Kariya, 1989). This is a positive externality for society, provided by schools' monopoly over the provision of institutional social capital to students entering the labor market.

But what is to prevent students from finding jobs through social contacts (private social capital, such as friends who work at local businesses and recommend them to their employers), thus circumventing teachers entirely? If employers refuse to hire in this way, that is prevention enough. But if the number of employers willing to hire workers through such channels increases, then students' reliance on institutional social capital – and the requisite willingness to accede to schools' authority – may weaken. The fact is that only about 60 percent of Japanese high school graduates in the 1989 comparative survey searched for their first full-time job through their school is evidence that even in the 1980s some employers did rely on recruitment methods other than ties with schools.

Recent reports suggest that economic changes in Japan in the past decade may be leading more and more employers and students to deal directly with each other in the labor market without reliance on the high school as an intermediary. The recession that began in the early 1990s has meant that high schools receive information about many fewer job openings than used to be the case. When I interviewed teachers in the guidance section of high schools in 1995–1996, many spoke of the 'ice age of employment,' the beginning of which they traced to the bursting of Japan's 'bubble economy' in 1991. Teachers' ability to offer a range of attractive job opportunities in local firms to students has been further compromised by changes in the mix of jobs available to high school graduates at all. As in the U.S., the jobs that were considered 'good' in the recent past, when manufacturing dominated the economy – jobs in automobile manufacturing or other heavy industries – have declined in number, as they have been moved offshore to other locations in Asia that offer the advantage of much lower labor costs than Japan. Moreover, Japanese young people have increasingly come to regard such jobs as undesirable. Even if schools do control access to these jobs, then, many students aspire to work in a service sector industry rather than in manufacturing. This is particularly the case for work-

bound graduates from general high schools; those from vocational industrial high schools remain more focused on technical jobs in manufacturing industries.

Along with the loss of many traditionally 'good' manufacturing jobs for new high school graduates, the shift from a manufacturing base to a service sector base appears to have had a second major impact on schools' ability to continue to engender students' reliance on institutional social capital. A plethora of low-skilled, low-wage service sector jobs that require little on-the-job training and job commitment have developed. Many employers are willing to hire high school *students* (rather than graduates) into these jobs. Such hiring occurs not through the PESO or the school but through word-of-mouth and through job advertisements; labor law only requires jobs for prospective *graduates* to be approved by the PESO. While few jobs open to students offer the promise of long-term employment, social insurance, or other benefits, many adolescents do not care. As one high school teacher lamented, 'Many of our students just want a chance to earn spending money and to work in a glitzy section of the city, where they can spend their leisure time spending their earnings from these jobs.' As more and more students from low-ranking high schools do *arubeito* (part-time work) while still in school, their dependence on the school's institutional social capital – its linkages with local employers – becomes weaker. Many *arubeito* can potentially continue once a student graduates, perhaps converting into positions with full-time hours.

In sum, the lower numbers of jobs controlled by schools, the perceived undesirability of some of these jobs, and the increased availability of part-time jobs for students all seem to be weakening Japanese high schools' ability to control the incentives for students to work hard in school and to rely on the school for post-graduation job placement. This raises important questions concerning the rigidity of a school-work system that relies so heavily on institutional social capital. To wit, it raises the issue of whether there may also be an important *negative* externality implied by a situation where institutions are structured in such a way that people are highly constrained to rely on institutional social capital: when changes exogenous to the system occur, people may be all too willing to 'defect' from their situation of dependence on the institution.

That more and more Japanese high school students are doing this appears incontrovertible. A recent report by the Japan Institute of Labor put it this way:

> '…now that there are only six vacancies for every 10 young job seekers, high schools can no longer play the role of job placement coordinators. In rural areas, the deficiency in the absolute number of job vacancies is a serious problem, while in large cities attractive vacancies are becoming scarcer. As a result, job-seeking high school students tend to choose part-time or non-regular employment, thus creating a new social problem.' (Japan Institute of Labor, 1999)

Conclusion

This chapter has explored why high schools in Japan have constituted a source of what I have termed institutional social capital for their seniors intending to enter the labor market. Japan has a national labor law framework that requires the local government (Public Employment Security Offices) to be a clearinghouse for the jobs employers wish to fill with new high school graduates. The provisions of this body of law also encourage high schools to play a role in student placement into jobs. This is predicated on beliefs about the detailed knowledge teachers accumulate about students, the assumed conscientiousness with which they advise students, and the trust that employers place in schools as screeners of labor. Schools are the institutions to which the Ministry of Labor turned in the early post-WWII period to support the effort to regulate the youth labor market. This is why I have described high schools' institutional social capital in this paper as a 'by-product' of policy rather than as a direct policy outcome.

That high school students have been more or less expected to rely on their schools' institutional social capital if they wish to enter the labor market (rather than go on for higher education) has generated a strong positive externality and, I have argued, a more recent negative externality. The positive externality is the reinforcement of teachers' authority, due to the very considerable power they have wielded through selectively recommending particular students to employers. Because the competition for jobs has been structured to take place mainly *within* schools rather than in an atomistic labor market, students have competed in a local microcosm and have needed to engage in disciplined and studious behavior in order to be selected by their school for a job interview with a 'good' employer. Many employers' purposes have been well served by this system, for Japanese work culture has valued the hiring of new employees socialized in common cultural environments (e.g., the same schools). Thus there has been a comfortable compatibility and complementarity between an environment where schools are a locus of institutional social capital and where employers strive to maximize the social capital inside their workplaces.

A legal framework that had as its central goal the protection and guidance of young workers thus gave rise to an institutional locus, the school, for social capital. This system gave leverage to teachers to control students through the very tangible 'carrot' of entry into a good job at the end of high school, and gave employers an easy mechanism through which to reinforce the social capital in their workplace-repeated recruitment from the same schools.

With strong exogenous changes in the environment, the legal system's and high schools' encouragement of students to rely on institutional social capital (and the strong norms that go along with that encouragement, such as allowing students to be recommended for application to only one job at a time), are now beginning to appear overly rigid. The new economic environment makes it more possible for students to opt out of using the institutional social capital for which they have always had to pay a price. The use of private social capital (personal social ties) or the willingness to search for a job without contacts of

any sort (e.g., by applying 'cold' to job advertisements) seems to be on the rise. If so, youth are circumventing a system they see as no longer useful and, on the contrary, as constraining. This increasing rejection of institutional social capital by its supposed beneficiaries poses a dilemma that Japanese educational policy makers will need to confront. On the one hand, the initiative of Japan's less-educated youth is most certainly increasing as they rely more and more on their own personal ties to forge their pathways into the future. On the other hand, the social control inside low-ranking Japanese high schools is declining – and taking with it many workbound students' motivations to be educated.

Acknowledgements

This research was funded in part by a grant from the Pacific Basin Research Center, through their program on 'Social Capital Formation in Asia and the Pacific.' The paper was written while I was a Fellow at the Center for Advanced Study in the Behavioral Sciences (1999–2000), where I was partially supported by a grant from the William and Flora Hewlett Foundation. I appreciate the comments of John D. Montgomery on an earlier draft.

Note

1. Because my research focuses on what happens to youth who go straight into the job market after high school, I included 14 low–level general high schools and 6 industrial vocational high schools in my sample. I use the term 'low-level' to signify schools that are at or near the bottom of the status hierarchy of schools in their respective school districts; such schools typically send 1–5% of their students to four-year universities, in contrast to top-ranked schools in their district that may send as many as 60% of their students on to university and produce another 30% who are *ronin* (graduates who study for at least one additional year in preparation for retaking university entrance exams). The low-level general high schools in each district along with industrial vocational high schools constitute the principal labor source for manufacturing and low-skilled service sector jobs in Japan, many of them in small businesses.

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