

Firm-Specific Human Capital and Employment Period

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Abstract

Lifetime employment and employee training within large enterprises are distinctive features of the Japanese employment system. Young people mainly have been hired by large enterprises immediately after graduation, and their career paths are based on Japanese employment practices. We consider whether firm-specific human capital and employment period have made Japanese companies grow. We use the risk of obsolescence to analyze the relationship between firm-specific training and employment period. We find that firms that yield large returns on training investment employ regular workers for long periods but firms that yield small returns on training investment employ regular workers for short periods.

Keywords: firm-specific human capital, employment period

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