

## PERSONNEL MANAGEMENT IN JAPANESE BUSINESS ENTERPRISES\*

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### I. *Introduction*

The purpose of this paper is to clarify the characteristics of personnel management in Japanese business enterprises after the Second World War, and, specifically, after the Korean War (1950–1953). When we look at the historical development of Japanese personnel management in retrospect, we find that it has changed before and after 1965. To explain this more concretely, we will point out the transition of a Japanese personnel management system based on seniority to one based on ability. We can therefore look at the year 1965 as a kind of watershed in the history of Japanese management, because it was in that year that The Japan Federation of Employer's Association (Nippon Keieisha Dantai Renmei) held an annual general meeting and adopted the resolution that Japanese industry replace the existing seniority-oriented management system with a system based on merit or ability.<sup>1</sup>

In 1973 Japan experienced the so-called "Oil Shock," which had a great impact on business. One can now look at the period before the oil shock as the stage of a "high growth economy" and the period after the oil shock as a "low growth economy". We should keep in mind, however, that these changes have not lessened the need for the introduction of an ability-oriented personnel management system, but, in fact, have made it more imperative, even though we cannot deny that Japanese enterprises were forced to carry out radical changes when the period of high growth ended.

In the following section we will first clarify the characteristics of Japanese personnel management in the period prior to 1965; that is, those of a seniority-based personnel management system. We will then clarify the characteristics of an ability-based personnel management system in the periods of high and low growth. Lastly, we will turn our attention to "employee evaluation," which constitutes the core of the Japanese personnel management system and define the characteristics and problematic aspects of the system.

### II. *Seniority-Based Personnel Management in the Period Prior to 1965*

When we try to clarify the characteristics of the Japanese personnel management system

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<sup>1</sup> For the use of the year 1965 as a watershed, cf. Shinichiroh Kimoto; Rohmu Kanri To Rohshi Kankei (Labor Management and Industrial Relations), Moriyama Shoten, Tokyo, 1986, Chapter 6.

in the period prior to 1965, we should not overlook the fact that manpower in a Japanese enterprise is divided into two distinct groups; permanent or regular workers and temporary or non-regular workers. We will look first at the management of permanent workers. The characteristics which apply to permanent workers are as follows: 1) lifetime employment, 2) periodic hiring, 3) in-house education and training, 4) regular job rotation, 5) promotion from within, and 6) seniority-based wage system.

1) In any study of the management of permanent workers we should first look at the practice of lifetime employment, which is provided to both blue and white collar workers. "Lifetime employment is not an explicit contract between the worker and the enterprise but is, in fact, no more than a long-standing custom. Lifetime employment does not necessarily mean that employment is assured for the life of the worker. It is a tacit understanding between the enterprise and the employee that once hired as a regular employee, the employee will remain on the payroll unless he or she reaches the mandatory retirement age, assuming that the employee does not express a desire for an early retirement, does not commit some gross error, and the enterprise is not faced with serious economic problems."<sup>2</sup>

2) In large business enterprises, the main source of new regular workers is from among the pool of recent school graduates. The hiring of these recruits takes place each spring of every year. At the time of hiring, the applicant's school record and the ranking of the school attended is taken into consideration. The applicant's potential contribution to the prosperity of the company is determined, and an estimation of the applicant's ability to cooperate with his or her coworkers within the enterprise is made. This latter ability is valued higher than the technical skills, knowledge or other qualifications, even if they are of vital need to the organization. If workers with special skills are required they are sought on the general labor market. The hiring of these specialists is generally exceptional, specially among large corporations."<sup>3</sup>

3) "Based on the premise that these unskilled new employees will be employed until the mandatory retirement age, the company conducts the necessary training to make the new-comer more useful in terms of his or her contribution."<sup>4</sup> "The process of training and developing new recruits into productive employees has always been a special problem for any Japanese company. However, while long-term, thorough manpower development programs exist in many large companies, most instruction and guidance is provided at the workplace by the immediate supervisor. In Japanese enterprises the workers immediate supervisor is responsible for providing suitable and proper instructions and training to the subordinates."<sup>5</sup>

4) In regard to the job placement of workers, we should note that workers are regularly rotated to different jobs and sites throughout the company, which is a characteristic of Japanese personnel management. This job rotation consists of two types: regular permanent transfers and temporary transfers. "The wholesale transfer of employees is usually conducted on a company-wide basis once a year. These transfers are made to create positions for new recruits, and as the result of promotions and the need to fill vacancies. While this

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<sup>2</sup> Cf. Tadao Kagono and Kansai Productivity Center (ed.); *Middle Ga Kaita Nippon No Keiei* (How Japanese Companies Work), Nihon Keizai Shinbunsha, Tokyo, 1984, pp. 138-139.

<sup>3</sup> *Ibid.*, pp. 140-141.

<sup>4</sup> *Ibid.*, pp. 140-141.

<sup>5</sup> *Ibid.*, pp. 142-143.

system results in massive job changes they also provide an opportunity for further learning and personal development and may lead to promotions in the future.”<sup>6</sup> On the other hand, “Job rotation provides the employees with experience in performing a variety of duties so that they will be capable of filling a number of different types of position within the enterprise. During this period of job rotation the employee is given the training necessary to qualify for promotion to a higher position.”<sup>7</sup> There exists, then, an intimate connection between the job transfer, training and future promotion.

5) Employees are promoted to higher positions from among the pool of workers who have developed as a result of the in-house training and education programs. Promotion from within the organization is therefore prevalent in most Japanese enterprises.

6) Another characteristic of the Japanese wage management system is that it is based on seniority (*Nenko Chingin Seido*), and has the following features; 1) the basic wage is dependent on the length of service and age of the worker. 2) It is also dependent on the school background. The wage curve in a particular enterprise is multiple, rather than single. 3) In addition to seniority, age and school background, the basic wage is also dependent on the employee evaluation. The wage increases of a worker can differ, depending on the type of evaluation he or she receives.

As we have pointed out, Japanese personnel management of regular workers prior to 1965 can be characterized by 1) lifetime employment, 2) periodic job transfers, 3) in-house training, 4) regular and company-wide transfers, 5) promotion from within, 6) seniority-based wage increase. “The key department for administration of this system in a Japanese enterprise is the personnel department. This department exercises great influence in terms of hiring, transfers within the company, and promotions to the positions of section chief (*Kacho*) or department head (*Bucho*). The personnel department controls the human resources within the company, maintains long-term employment, ensures fair and equitable promotions and is responsible for maintaining company morale, development of employee skills and the effective use of employee capabilities.”<sup>8</sup> This, then, is the essence of the seniority-based Japanese employment system. It should be stressed, however, that in the employee’s evaluation, his or her ability and willingness to contribute to the prosperity and well being of the company are weighted most heavily rather than the other factors mentioned above. It should also be noted that the evaluation is judged on a long-term basis, relative to the lifetime employment of the individual.

We shall now look at the problem of the requirements and effects of the seniority-based management system. Why it was introduced may best be understood in terms of the following facts: there are a lack of vocational educational and training facilities (outside the enterprises) in Japan from which companies can draw new workers. The enterprises have therefore been forced to provide the necessary training and development programs. After expending time and money in training new workers it is in the company’s best interest to retain these workers. From this emerged the Japanese personnel management system, under which the longer the worker remains in the same company, the greater the benefits he or she receives. Seniority, therefore, has come to be the effective criterion of the system.

<sup>6</sup> Nippon Steel Human Resources Development Co., Ltd. (ed.); NIPPON, *The Land and Its People*, Third ed., Gakuseisha, Tokyo, 1989, pp. 142–143.

<sup>7</sup> Tadao Kagono and Kansai Productivity Center (ed.); *ibid.*, pp. 142–143.

<sup>8</sup> *Ibid.*, pp. 142–145.

In addition, the ranking of the school from which the worker graduated was also an important criterion as it was felt to reflect the latent ability of the worker.

In regard to the effects of the seniority-based system on the company and worker, we should first point out that stable employment, as afforded by lifetime employment and wage and promotion policies, resulted in a high degree of collaboration between management and worker, and allowed for the smooth and timely introduction of technological innovations and rapid growth of the company. If the practice of lifetime employment had not been introduced and wages were strictly based on job performance, necessary job transfers and the introduction of new technology would have been more difficult to accomplish. With the introduction of lifetime employment the employee is guaranteed a job, income is assured regardless of the position, and the worker's evaluation is judged over the long-term, rather than on a short-term basis.

However, we should not overlook the fact that the benefits received by regular workers in terms of regular wage increases, guaranteed employment, company training, retirement at a fixed age and the equal treatment of blue and white collar workers would never have been possible without the hiring of non-regular part time or temporary workers, who can be discharged during economically slack periods. This provides the company with an effective method of regulating its labor costs in accordance with market conditions without affecting the number of regular employees. In essence, the lifetime employment system is only possible if the company makes use of temporary workers.

### *III. The Transition from a Seniority-Based to an Ability-Based Employment System During the High Growth Economic Period (1965-1973)*

As has been pointed out, the Japan Federation of Employer's Association recognized the need to adopt an ability-based personnel system in 1965. This change in attitude was brought about by certain "environmental" changes in Japanese businesses. These changes are as follows:<sup>9</sup>

- (1) The decrease in the number of available workers (1962-1963), the aging of the Japanese population, and the number of workers with higher levels of education have all contributed to a general increase in wage levels.
- (2) The desire to attend a university: "Because of the huge numbers of people attending universities and colleges, differences in the quality of these institutions, as well as in the abilities of the graduates, have become more pronounced. As a result, the mere fact that a worker possesses a university degree is no proof of ability."<sup>10</sup>
- (3) The rapid development of technological innovations: When the rate of technological change is slow an experienced worker normally has the ability to cope with the requirements

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<sup>9</sup> Nippon Keieisha Dantai Renmei, Nohryokushugi Kanri Kenkyukai (Japan Federation of Employer's Association, The Group for the Study of an Ability-based Management System) (ed.); *Ability-centered Management—Its Theory and Practice—*, Nippon Keieisha Dantai Renmei Honbu, Tokyo, 1969, pp. 19-20 & Chapter 4.

<sup>10</sup> Nippon Steel Human Resource Development Co., Ltd., *ibid.*, pp. 172-173.

imposed by the newly introduced technology. If the rate of technological change is rapid, experience, per se, is no guarantee of ability.

(4) The liberalization of trade, capital transactions (since 1967), the introduction of new technologies (since 1968) and the development of domestically produced technology rather than its importation from foreign companies, intensified international economic competition and the need for a more efficient utilization of manpower.

(5) The transition from excess demand to excess supply has intensified international competition in business, and required that all companies expand their research and development activities, strengthen their marketing efforts, rationalize their management and develop more capable employees.

(6) Changes in worker attitudes, especially on the part of younger workers: "In a seniority-based system a capable young worker cannot be promoted ahead of an older worker. This has caused resentment on the part of younger, talented workers."<sup>11</sup> On the other hand, as the labor market tightened up, younger workers were provided with a greater number of opportunities of moving to other firms which could offer them a better chance of advancement. As a result, worker turn-over has increased.

These changes in the business environment have caused management to take the worker's abilities into consideration, rather than simply the length of seniority and school background. Given these changes, the Japan Federation of Employer's Association advanced the need for an introduction of an ability-oriented employment system during its annual meeting in 1965. In October of 1967 the Association established a subcommittee called the Group for the Study of an Ability-based management System. This group conducted studies over two year period and in February 1969 published a report title "Ability-Centered Management—Theory and Practice."

According to this report, "Ability-Centered Management" is a general term for personnel management policy which seeks to increase worker efficiency. It is a policy which will allow companies to operate with fewer, but more capable, workers by identifying those workers with greater ability and using them more efficiently, and assisting them in adapting to the new business environment, in which the labor pool is contracting, wages and the rate of technological innovation are increasing, the Japanese market is being opened to imported products and services and worker attitudes continue to change. This policy also sought to depart from the traditional, uniform, collective personnel system under which management judges a worker solely on the length of service in a company and the education background. An ability-based personnel system is therefore not uniform and collective, according to this definition, but is individual and selective, in that it allows management to judge the individual worker as objectively as possible and to use the evaluation as the primary criterion.<sup>12</sup>

In this system, worker ability is given priority over seniority or school background. By "ability" is meant the level of competency of the worker to perform a specific job or task within the company, so that the company can achieve its targets and goals. While ability is generally considered to be an individual attribute it is normally evaluated in terms of physical strength, aptitude, knowledge, experience, personality and will, which can be

<sup>11</sup> Ibid., pp. 140–141.

<sup>12</sup> Nippon Keieisha Dantai Renmei, *Nohryokushugi Kanri Kenkyukai* (ed.), pp. 52–55.

qualitatively and quantitatively determined based on the workers efforts and environment. Ability, therefore, can be developed, but may also degenerate. As such it is flexible and relative in nature.<sup>13</sup>

According to the report, an ability-based personnel system is comprised of two parts: (1) management of the individual worker, (2) management of small groups of workers. In (1), the abilities required by a particular job and position are analyzed, and a worker who possesses these particular abilities is assigned the position. In (2), the objective of study is the small work group or team in which the goal is to have the team manage itself in such a way that the overall corporate goals are met.<sup>14</sup> In the following section we will look at these two components in more detail.<sup>15</sup>

Let us attempt to clarify the concept of individual management in regard to six elements: (1) determination of the number of workers required, (2) employment, (3) job placement, (4) education and training, (5) promotions, and (6) wages.

(1) One of the goals of an ability-based personnel system is the operating of the company with fewer workers of superior ability. In order to put this principle into practice, a "profitable personnel plan" must be introduced. According to this plan, the number of workers required can be obtained by means of the formula shown below:

$$\text{Added value} \times \text{relative share of labor/unit labor cost}$$

If a difference exists between the number derived using this formula and the number of workers required by each work unit or department, there is the need to introduce rationalization policies, such as the integration of work units, the use of labor-saving equipment, the transfer of part of the work to outside vendors, corporate restructuring, job simplification, automation of the paper work and billing, etc.

(2) When seeking new workers, companies normally conduct recruiting activities at colleges and university campuses. They should also consider utilizing people with special talents who are employed in other companies, especially in light of the rapid introduction of new technologies, which requires the expenditure of large sums of money for in-house training. the use of part-time workers and retirees can also provide a good source of productive workers. Regardless of where the prospective worker comes from, the accent should be placed on the worker's conceptual and technical skills rather than on other intangible assets, such as the ability to work well with the group.

(3) Traditionally, Japanese enterprises have placed great importance in providing the worker with broad-based career opportunities. It was felt that in such an environment the worker would take the opportunity to further his or her personal development and knowledge, through periodic job transfers and promotions, as part of the long-term manpower development plan. However, given the rapid technological changes that characterize the business environment, it is of vital importance that the worker have the capacity to quickly adapt to job requirements. In addition to long-range manpower development, enterprises must also address the question of short-range manpower utilization.

(4) The company's success in developing the ability of a worker is dependent in part on

<sup>13</sup> Nippon Keieisha Dantai Renmei, Nohryokushugi Kanri Kenkyukai (ed.), pp. 55-63.

<sup>14</sup> Ibid., pp. 68-74.

<sup>15</sup> Ibid., Part 2.

the worker's attitude toward the company and his place in it, especially in terms of developing a sense of self-responsibility. The company should make efforts to develop a role model of its ideal company employee, to provide the employee with the opportunity to develop his abilities, and to create the workplace environment that is conducive to allow the worker to realize his potential by means of a merit rating system or through "management by objective."

(5) Traditionally, advancement in an enterprise has been thought of in terms of promotion to a higher level in the corporate hierarchy. We now need to consider promotion to be an advancement to a higher level of responsibility, but also the willingness of the worker to accept greater challenges and responsibilities. To achieve this goal, enterprises will have to create the opportunity for advancement into professional positions and positions requiring special qualifications. This requires the introduction of some type of "qualification plan" (Shikaku Seido) and "functional hierarchy plan" (Shoku Kai Seido). In the former, the worker is evaluated and ranked according to his or her ability to perform the assigned task. In the latter, the position is evaluated and ranked according to its degree of difficulty, complexity and the amount of responsibility entailed.

(6) It is necessary that the share of added value labor costs in an enterprise remains stable even though the wage level increases. A wage management policy must therefore accomplish three goals: 1) allow for the retention of capable workers, 2) motivate the workers, 3) ensure effective utilization of the workers. Wage levels should therefore be determined according to the following principles: 1) equal pay for equal work, 2) equal pay for equal efficiency, 3) wages should be adjusted according to a cost of living index. Put another way, wage management policy should be shifted so that priority is placed on achievement and ability rather than on length of service, age or ranking of the schools attended.

Up to this point we have clarified the characteristics of an individualized form of management as part of an ability-centered personnel management system. It should be stressed that this system is based primarily on the effective evaluation of the worker. In the past, Japanese enterprises evaluated their employees on the basis of age, length of service and the ranking of the schools they attended, as well as on personality and character. In the future, the Japan Federation of Employer's Association felt that the evaluation system should be based primarily on achievement. In more concrete terms, the evaluation system should focus on the requirements of a particular job and rate the worker in terms of achievement, potential ability and personality. It should also be pointed out that the worker's immediate superior evaluates the worker in terms of these three areas, and on a self-assessment report provided by the worker.

In regard to small group management as part of an ability-based management system, the study report contains the following statement: "An ability-based management system is founded on an individual's ability at self-management. On the other hand, Japanese society is homogeneous in nature and the concepts of loyalty and a sense of belonging to a group tend to be stronger than in other nations. 'Management by objective,' 'quality control circles,' and 'zero defect group activities' all contribute to the achievement of goals. They provide the worker with a sense of job satisfaction and the will to work. This sense of harmony and group cooperation is founded on the ideal of team work, in which each member of the group makes an individual contribution and where each member is recognized for that contribution. An ability-based management system must take into account

that self-motivation and active participation by all employees in helping reach corporate goals can best be achieved on the small group level."<sup>16</sup>

While the Japanese management system is often characterized as being based on seniority, it should be pointed out that the need for evaluating employees based on their abilities and the need to reduce the overall number of employees while retaining those with superior capabilities was recognized as early as the late 1960's.

We should also not overlook the fact that the period of rapid economic growth can be divided into two distinct parts. The year 1962-63 represents a type of watershed. The period prior to 1962-63 can be characterized by an adequate labor supply, while the period after 1962-63 can be characterized by an inadequate labor supply. We must also note that two types of workers exist, permanent employees and part-time or temporary workers. Prior to 1963-63 the number of part-time workers utilized by Japanese enterprises increased remarkably. After 1962-63 their numbers decreased as the enterprises made much greater use of subcontractors and affiliated companies. During the post 1962-63 period the number of permanent employees remained stable. This suggests that Japanese enterprises coped with the labor shortage and change in markets by better utilizing existing permanent employees (for example, by cross-training workers, job rotation and transfers of employees to newly created divisions) and by making full use of subcontractors and affiliated companies. This adaptation to the changing labor market allowed Japanese enterprises to continue the practice of lifetime employment for permanent employees.<sup>17</sup>

#### IV. *Ability-Based Personnel Management During the "Low Economic Growth" Period (after 1973)*

We have pointed out that the need for an ability-based management system was recognized and gradually put into practice by Japanese enterprises. The problem we must now address is clarification of the characteristics of Japanese personnel management during the so-called "low growth" period, which began with the "oil shock" of 1973. Two stages can be discerned in regard to this period: (1) the period immediately following the oil shock itself and (2) the period after 1976. In the former period, most enterprises were forced to implement cost reduction programs. Many enterprises reshuffled marginal workers such as part-time workers, temporary workers and women employees, and reduced the overtime hours of their permanent employees. Most enterprises did not attempt to reduce the number of permanent employees at this time.

After 1976 many enterprises have attempted to rationalize their labor force by transferring permanent employees to subcontracting and affiliated firms and by hiring more part-time and temporary employees, especially women.<sup>18</sup>

We must also take into account other factors which exerted influence on the labor sector, such as aging of the work force, the rapid pace of technological innovations and shortened

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<sup>16</sup> Ibid., p. 21.

<sup>17</sup> For these points, see, Takashi Uchiyama, *Sengo Nippon no Rohdohkatei (The Labour Process in Japan after the War)*, San Itsu Shoboh, Tokyo, 1982, pp. 103-111.

<sup>18</sup> For these points, see Takashi Uchiyama, *Sengo Nippon no Rohdohkatei*, pp. 112-119.



product life-cycles, the globalization of markets, the change in attitude among younger workers, and the introduction of equal opportunity laws starting in 1985. All these changes required Japanese enterprises to intensify their efforts at establishing an ability-based employment system. In the following section we shall clarify this new system of personnel management.<sup>19</sup>

1) It should be noted here that while the Japan Federation of Employer's Association stated that life-time employment should be maintained, many companies have tried to limit the practice in the following ways:

- (1) by reducing the number of middle-aged and older workers, hiring fewer young workers and making more use of temporary workers.
- (2) by transferring excess permanently employed workers to subsidiary or affiliated companies or assigning them overseas.
- (3) by instituting voluntary and non-voluntary early retirement programs.

2) As the "graying" of the Japanese population continues at an increasing pace the need to raise the mandatory retirement age has intensified. While companies recognize this need, its implementation will also increase total labor costs if a seniority-based wage system is maintained. Some companies have responded to this problem by introducing a new wage system in which the employee's wage-increase curve peaks at a certain age (for example, at 45 or 50 years) and remains the same until retirement. This system has been adopted to allow the total labor costs to be reduced while maintaining the traditional seniority wage system.

3) In the period after 1976 many Japanese companies have placed more emphasis on the "self-managed work team." The aim here is to distill the wisdom and knowledge possessed by individual workers which they develop in the course of performing their assigned task so that it can be collected and used throughout the company, and to utilize this collective knowledge in order to improve product quality and productivity, reduce cost, and prevent accidents. Under this system small work groups are established. These groups then determine how their assigned targets will be met and how the work will be performed. They also analyze the cause of problems and develop countermeasures as required. They also monitor their group's efforts to ensure that goals and targets are met.

In addition to these obvious benefits which accrue from orienting production based on the small unit work team, these self-managed work groups have led to an improvement in human relations, an improvement in worker attitude toward their jobs and an improvement in the effectiveness of On the Job Training.<sup>20</sup>

4) The change in work attitudes among young employees and the introduction of laws to ensure equal treatment of men and women in the workplace have led some enterprises to adopt a multi-career path approach. Under this system employees seeking advancement accept the requirement for frequent job transfers and are evaluated using different standard from those employees who are not seeking advancement in the company.

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<sup>19</sup> For this new system of personnel management, see, Shinichiroh Kimoto, *Rohmu Kanri to Rohshi Kan-kei*, chapter 6, and Takashi Uchiyama, *Sengo Nippon no Rohdo Katei*, chapter 3.

<sup>20</sup> For the self-managed work groups activities, see, Michio Nitta, *Nippon no Rohdohsha Sanka (Workers Participations in Japan)*, Tokyo University Publishing Inc., Tokyo, 1988, chapter 1.

## V. *Personnel Management Based on Individual Employee Evaluation*

In seeking to clarify the Japanese personnel management we have looked at historical changes in the system itself and changes in the work environment. In this section we will turn our attention to the system of employee evaluation, which forms the basis for hiring, job placement, education and training, promotion, wage increases and dismissal.<sup>21</sup>

### 1) Employee Evaluation

The supervisor, normally the worker's immediate superior, is responsible for evaluating the workers under his or her control. This discretionary power that the supervisor wields exerts a strong influence over the quality of life of the employee.

### 2). The Objectives of Employee Evaluation

The employee evaluation can be divided into three parts: (1) determining the ability of the worker, (2) determining the worker's achievements and (3) determining the worker's attitude. When evaluating ability, both the actual and potential ability of the worker is taken into consideration. The supervisor evaluates the worker's level of knowledge, skills and ability to learn, as well as the worker's skill at judgment, negotiation, planning, and leadership qualities. Undeniably, there is an overlap between actual ability and achievement on the one hand, and latent ability and attitude and will on the other. The ability evaluation is conducted once a year and is used to determine promotions and job transfers rather than wages.

In the achievement evaluation the supervisor evaluates the qualitative and quantitative accomplishments of the employee for the period under review. In the case of the manager or supervisor the performance of his or her department and leadership qualities are evaluated twice a year and the results are used to determine bonuses and wage increases.

When evaluating worker attitudes, the supervisor judges the willingness of the worker to perform the assigned tasks and his personality. Normally, the evaluation consists of four points: (1) observance of corporate rules and regulations, (2) positive attitude, (3) acceptance of responsibility and (4) degree of cooperation. The attitude evaluation is conducted at the same time as the achievement evaluation and the results are used to determine bonuses, wage increases and promotions.

### 3) Application of the Evaluation

Managers, and all white and blue-collar permanent employees are evaluated under this system.

### 4) Time Span of the Individual Evaluation System

A unique characteristic of the Japan evaluation system is that it is looked upon by management as a long-term gauge of the employee's abilities. Short-term positive or negative changes in an employee's evaluation do not normally result in rewards or punishment. Rather long-term trends in the worker's evaluation over time are used as the basis for decision-making. Normally, it is only after 15 years or so of service in an enterprise that

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<sup>21</sup> For the man-evaluations, see, Makoto Kumazawa, *Nipponteki Keiei no Mei An* (The Brightness and Darkness of Japanese Management), Chikuma Shoboh, Tokyo, 1989, chapter 2.

an employee's cumulative evaluations are used to determine promotions, etc. It should also be noted that the employee is given ample opportunities over this course of time to improve areas of weakness.

#### 5) The Number of Evaluators

Individual evaluations are conducted at many levels within the workplace by numerous supervisors over a long time span. Under this system, the worker is evaluated by many different people during the course of employment, which allows a type of consensus to develop in terms of the ability and aptitude of the employee. This imparts the evaluation system with a degree of impartiality.

In summation then, the employee's evaluation can be characterized as being (1) impartial, (2) long-term in approach and (3) wide-ranging in the areas evaluated.

### VI. *Conclusion*

In this paper we have attempted to clarify the historical transition of the Japanese personnel management system from one based on seniority to one based on ability. Under this system, as it is presently constituted, priority is placed on ability rather than seniority, and length of service, age and school ranking can no longer be used to evaluate "ability." It must be pointed out, however, that even in the seniority-based evaluation system a worker's ability was taken into consideration. Therefore, we should not think of the change from a seniority-based evaluation system to one based on ability to be quite so radical in nature.

The fact that the evaluation system monitors achievement and ability, in addition to attitude, over the long-term, provides another facet for developing a clearer understanding of Japanese personnel management. This versatile and long-term personnel evaluation process is the bright side of Japanese personnel management.

We must also point out some of the negative aspects of this system. The system is designed to foster the so-called "company man" and its implementation has intensified competition among workers. We should also note that individuals who are classified as being "non-company" man, for example, those who place greater priority on their private lives and social activities can be identified over time and dismissed when necessary.<sup>22</sup>

In regard to the practice of life-time employment, we should also note that it is rather limited in scope, and is not provided to part-time or temporary workers, or those employed by affiliated or subsidiary companies. This suggests that in order to properly evaluate the true nature of the Japanese personnel management system we must take into account management practices which are applied to those groups of workers who do not fall under the protective umbrella afforded by life-time employment. We must acknowledge that these other groups play the role of a safety valve for Japanese enterprises, since they can be dismissed during periods of economic contraction. In one sense, they make it possible for the enterprises to continue to offer life-time employment to their permanent employees.

Lastly, we must point out that the most important characteristic of the Japanese personnel management system consists in its flexibility. Under this system an enterprise can

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<sup>22</sup> For this point, see, Makoto Kumazawa, *Nipponteki Keieino Mei An*, part 1.

transfer employees freely to different positions and locations throughout the organization in response to changing market conditions. This flexibility has contributed to the well-being of the enterprises, and in a sense, to that of the individual worker. In negative terms, however, it has increased the employee's dependency on the enterprise.

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