

LIFETIME EMPLOYMENT AND SENIORITY-BASED WAGE SYSTEM

By MASUMI TSUDA*

I. *Definition of Lifetime Employment and Seniority-based Wage*

1. Definition of Lifetime Employment

For a definition of lifetime employment, it seems most appropriate to quote “Manpower Policy in Japan” edited by the Organization for Economic Cooperation and Development in 1973 as below:

“*Lifetime Commitment*” “This Japanese employment system is characterized by three principal elements, the best known of which is the lifetime commitment. The worker commits himself to lifetime employment with a single employer who endeavours to provide him with lifetime job security, subject to ordinary good behaviour, until compulsory retirement, usually at the age of 55.

.... In principle, recruitment for expansion of a firm is exclusively by hiring new school graduates, who are taken on as regular employees without necessary any specific skill and are trained during life by the employer to meet the changing needs of the firm. Mobility within the firm is in principle unlimited, virtually determined on by individual adaptability, although subject in large measure to the level of education on entry.’

2. Definition of Seniority-based Wage

For a definition of seniority-based wage also, it is suitable to quote the same report¹ prepared by the O.E.C.D. as follows: ‘The second element of the Japanese employment system is the seniority-wage structure, with rather steep increases of wages according to length of service. Persons with different educational background start at different levels, and the steepness of the seniority ladder is higher for those with higher education. Age as such is also a determining factor: somebody entering a new enterprise does not start absolutely at the bottom, but usually somewhat lower than those of the same age who came to the same company directly from school. Promotion and some form of informal merit rating..... also influence the annual increases. Individual family responsibilities may also be taken into consideration.’

3. Statistical Exemplification of Lifetime Employment Patterns

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¹ OECD, *Reviews of Manpower and Social Policies: Manpower Policy in Japan*, (Paris, 1973), page 98-99. What is pointed out by OECD as the third feature of the Japanese employment system is the enterprise unionism. As the nature of Japanese unionism is strongly restricted by lifetime employment and seniority wage, the present report will not refer to the theme.

Table 1 shown below exemplifies the popularity of lifetime employment system in Japanese industrial labour.

TABLE 1. DATA FOR LIFETIME EMPLOYMENT SYSTEM
(MANUFACTURING INDUSTRY)

Table 1-A. Ratio of University Graduate Male Salaried
Employees Classified by Age and Length of Service

Age	Total	Length of Service (years)						%
		0-1	2-4	5-9	10-14	15-19	20-19	
25-29	100.0	14.7	<u>55.0</u>	29.4	1.4	—	—	—
30-34	100.0	0.3	8.8	<u>58.9</u>	<u>27.2</u>	0.6	—	—
35-39	100.0	3.7	7.3	16.7	<u>53.8</u>	<u>17.5</u>	0.9	—
40-49	100.0	4.1	5.2	9.5	14.1	<u>36.0</u>	<u>30.7</u>	0.5

Remarks: Those of the age from 20 to 29 and older than 50 are excluded.

Source: Basic Survey of Wage Structure, 1971, Ministry of Labour

Table 1-B. Ratio of High School Graduate Male Salaried
Employees Classified by Age and Length of Service

Age	Total	Length of Service (years)						%
		0-1	2-4	5-9	10-14	15-19	20-29	
20-24	100.0	20.8	<u>55.8</u>	23.4	23.4	—	—	—
25-29	100.0	8.7	12.8	<u>54.8</u>	<u>23.7</u>	—	—	—
30-34	100.0	3.2	9.0	21.6	<u>51.7</u>	12.3	—	—
35-39	100.0	5.9	8.3	14.1	21.6	<u>39.4</u>	10.6	—
40-49	100.0	5.2	7.8	12.9	13.2	14.3	<u>43.3</u>	3.3

Remarks: Those of the age from 18 to 19 and older than 50 are excluded.

Table 1-C. Ratio of High School Graduate Male Production
Workers Classified by Age and Length of Service

Age	Total	Length of Service (years)						%
		0-1	2-4	5-9	10-14	15-19	20-29	
20-24	100.0	28.8	<u>56.6</u>	14.6	—	—	—	—
25-29	100.0	15.9	21.0	<u>47.4</u>	<u>15.7</u>	—	—	—
30-34	100.0	12.3	14.8	26.4	<u>40.5</u>	<u>6.1</u>	—	—
35-39	100.0	15.0	17.4	20.2	21.9	<u>20.8</u>	4.6	—
40-49	100.0	17.1	18.3	18.3	15.2	11.8	<u>18.8</u>	<u>0.5</u>

Remarks: Those of the age from 18 to 19 and older than 50 are excluded.

Table 1-D. Ratio of Middle School Graduate Male Production Workers Classified by Age and Length of Service

Age	Total	Length of Service (years)							%
		0-1	2-4	5-9	10-14	15-19	20-29	30 or more	
18-19	100.0	29.6	<u>70.4</u>	—	—	—	—	—	—
20-24	100.0	22.9	29.3	<u>47.8</u>	—	—	—	—	—
25-29	100.0	17.5	20.6	31.7	<u>30.2</u>	—	—	—	—
30-34	100.0	16.3	18.9	26.4	24.5	<u>13.9</u>	—	—	—
35-39	100.0	15.3	17.5	21.1	20.5	13.6	<u>11.3</u>	—	—
40-49	100.0	14.2	15.9	17.8	13.3	11.3	<u>24.8</u>	2.7	2.7

Remarks: Those younger than 17 and older than 50 are excluded.

As defined above, Japanese employed persons are classified by working sectors and school educations. Thus, Table 1 consists of four tabulations corresponding to each class. Table 1-A is a nationwide statistics relating to university graduate male salaried employees. Provided that persons employed immediately after leaving school do not change the employing enterprises, those aged from 25 to 29 have three to seven years in length of service and the agers of 30 to 34, 35 to 39 and 40 to 49 must have service length of eight to twelve years, thirteen to seventeen and eighteen to twenty-seven respectively. The figures underlined in Table 1-A show the ratio of those so defined. This ratio, which is comparatively large, proves that the lifetime employment system has been established in Japan.

Table 1-B relates to high school graduate male salaried employees, demonstrating the entirely same fact as mentioned above. Table 1-C is a nationwide statistics as to the relation between ages and service lengths of high school graduate male production workers. It should be noted that the same trend as Table 1-C is found from an overall standpoint. Compared with salaried employees, however, the figures are rather small, especially in the age from 35 to 49, the reason of which may be classified into three; first is an increasing tendency of younger generation's mobility from firm to firm. The second is a result from the large scale dismissal and difficult employing situations seen immediately after World War II, for the age from 40 to 49. The third is that 35 to 39 years old persons encountered with difficulties to be employed owing to their school leaving years when Japan was economically depressed in postwar days. Table 1-D relating to middle school graduate male production workers, shows a more strong tendency for the above-mentioned three factors than high school graduates. The figures, if looked at from top to bottom for the same length of service, are found getting smaller and smaller in that order. This also may be considered to have resulted from the lifetime commitment system.

4. Statistical Exemplification of Seniority-based Wage Patterns

The statistical patterns as to the seniority wage system will be referred to below in terms of nationwide figures. Table 2 is prepared concerning Japanese workers with the same attention as Table 1 paid to.

Table 2-A shows the wage difference between those high school graduate male salaried

employees, whose ages and length of service are restricted by the lifetime commitment, and other classes of workers, with the monthly salary of the former reckoned for 100.

In addition, the monthly pay has a strong tendency to vary according to the scale of enterprises. Therefore, the above-mentioned wage difference should be observed in a classified scale of enterprises. As referred to in the OECD's report, the retirement age is prevailing 55 in Japan and official statistics mark the salary only corresponding to the employees of the age from 50 to 59. Accordingly Table 2 excludes the employees older than 50.

TABLE 2. DATA FOR SENIORITY-BASED WAGE SYSTEM]

Table 2-A. Wage Difference among High School Graduate Salaried Employees Classified by Age and Length of Service (Manufacturing Industry)

Age	Length of Service	Scale of Enterprises (1961) (employees)			Scale of Enterprises (1971) (employees)		
		1,000 & more	100-999	10-99	1,000 & more	100-999	10-99
18-19	0	100	100	100	100	100	100
20-24	3- 4	148	157	161	139	140	156
25-29	5- 9	207	217	226	177	176	191
30-34	10-14	280	302	306	221	226	231
35-39	15-19	373	375	352	269	259	267
40-49	20-29	489	480	434	314	296	300

Remarks: Wage Difference by reckoning at 100 the salary of the 18 through 19 years old employees having their service length less than a year, excluding those older than 50.

Source: Basic Survey of Wage Structure, 1961 and 1971, Ministry of Labour

Table 2-B. Wage Difference among Middle School Graduate Male Production Workers Classified by Age and Length of Service (Manufacturing Industry)

Age	Length of Service	Scale of Enterprises (1961) (employees)			Scale of Enterprises (1971) (employees)		
		1,000 & more	100-999	10-99	1,000 & more	100-999	10-99
17 and younger	0	100	100	100	100	100	100
18-19	3- 4	167	177	159	139	138	141
20-24	5- 9	228	247	211	178	177	183
25-29	10-14	325	333	264	221	232	235
30-34	15-19	411	401	286	268	267	250
35-39	20-29	515	497	334	292	286	263
40-49	30 & more	656	512	323	345	299	252

Remarks: Wage difference by reckoning at 100 the salary of 17 years old and younger employees having their service length less than a year, excluding those older than 50.

TABLE 2-C. RATIO OF EMPLOYEES CLASSIFIED BY SCALE OF ENTERPRISES

Scale of Enterprises (Employees)	All Industries	Manufacturing Industry
500 and more	30.4	37.7
100-499	16.0	19.1
30- 99	16.7	16.9
20- and less	36.6	26.2

Source: *Labour Force Survey*, Prime Minister's Office, 1971.

The figures shown in Table 2-A expressly demonstrate that the wage difference reflects upon the seniority regardless of the scale of enterprises. The same data is shown by the figures listed in Table 2-B, but corresponding to middle school graduate male production workers. This also holds true with respect to the relation between wage difference and seniority. Besides, another two facts may be inducted from the above two tables; one is that a comparison of the figures for 1961 with those for 1971 prove that the wage difference has been reduced recently because of shortage in young workers, and the other that a comparison of the figures for large enterprises with those for minor ones demonstrates that the formers have a greater wage difference than the latters, a reason of which is due to the fact that minor enterprises have been influenced by the shortage of young workers more directly than big ones.

Table 2-C shows the distribution percentage of Japanese employed workers classified by the scale of non-governmental employing enterprises. According to the figures in Table 2-C, only 30% of all the workers are employed by the enterprises whose scale may be ranked at a middle or higher class, having the number of employees more than 500. This class of enterprises demonstrates a typical lifetime commitment system and seniority-based wage established in Japan. As for the latter, however, the system can be said to have been completely founded in this country, as shown in Table 2-A and 2-B.

5. Implication of Lifetime Employment and Seniority-based Wage

Most of the workers in an industrialised society are those who are working, being employed by organisations. Consequently, the employment and wage patterns offered by the organisations tend to fix manner of living for most part of the persons in the society.

Organisations in an industrialised society develop a wide variety of staffing policies to attract workers. Included in this variety of staffing policies are those that are commonly seen in the society and specifically in a single or a few organisations. The lifetime employment and seniority-based wage are the features commonly found in Japan, an industrialised society. Since they cannot be compared with the characteristics universally seen in the world, the lifetime employment and seniority-based wage systems have been considered as "Specific Features of Japan". The OECD's report, as cited precedingly, also gave a definition to the Japanese employment and wage systems from such viewpoint as mentioned above.

Lifetime employment and seniority-based wage, however, are not so exceptional as seen only in Japan. This could be given evidence by the following facts. First of all, national and local public service employees are subject to the commitment of long tenure

employment and the rise-in-pay system supported by seniority-based wage probably not only in West Europe but also in every part of the world. Especially German and British public officials have firmly maintained the systems traditionally. Second, in a certain stage of industrialisation, large-scale private enterprises had recommended employees to commit themselves to a long-term employment and promoted a personnel policy to give favourable treatments to those employees who would have a long-term service. This tendency had appeared in large scale enterprises of West Germany and the United States of America. In consequence, the Japanese are forced to be at a loss to hear such impressions of surprise that were expressed in the OECD's report.

Now that lifetime employment and seniority-based wage systems have been existing more or less in foreign countries anyway, why do the Japanese systems attract such a world-wide attention? The reasons are two; first, Japan is a single industrialised country other than European and American countries. They could understand one another based on a standard common to their existing systems and cultures. Their long-conserved belief in that industrialisation could not have been achieved without their systems and cultures has been destroyed by the successful industrialisation of Japan. It seems that they want to accentuate the nature of Japanese lifetime employment and seniority wage systems as a non-occidental feature, because Japan has a culture different from occidental countries. Second, it is more important that Japanese lifetime employment and seniority systems are prevailing not only in public service officials but also generally in the existing private enterprises. Japanese leading industries and enterprises, in particular, have adopted the lifetime employment and seniority wage systems without exceptions. Besides, these systems are not past but present facts in this country and have been maintained historically for more than sixty years in a close contact with the Japanese social circumstances. The reason why the various systems originated in the social circumstances of Japanese tradition, though taken for anachronism in a certain stage, have become the center of world-wide attention, seems that such Japanese systems have achieved a level of modern industrialisation equal to that of occidental countries.

II. *Formation and Establishment of Lifetime Employment and Seniority-based Wage System*

1. Formation

Employment and wage are the fundamental elements in the labour market of modern industries. And modern labour requires a principle for such elements. The modernisation policies developed by the Meiji Government that had a political power newly after the feudal Tokugawa Shogunate had collapsed, covered freedom of vocation, of residence and vocational mobility, and gave lawful security to labour contracts. And school education was opened to all the people. Based on such modernisation of various systems, modern industries were introduced into Japan from occidental countries. During the period from 1870 to 1900, Japan developed a lateral labour market of the same nature as that of occidental countries.

Such a long continuance of lateral labour market in the beginning of modern industrialisation signifies that the lifetime commitment and seniority-based wage have been intentionally

formed later. The Japanese lifetime commitment and seniority-based wage systems began to be formed in the second half of 1900s and were established in 1930s after many turns and twists. The systems were never formed so easily. The factors that made it difficult to form the systems were strong influences of the lateral labour market which had been already established. The reason why Japan succeeded in establishing the lifetime employment and seniority systems is that various ever-improving staffing policies could be drawn up by making use of and re-interpreting those factors extracted from traditional social and cultural circumstances, which are appropriate for the labour of modern industries. Japanese lifetime employment and seniority-based wage belong to examples representing such staffing policies.

2. Theory of Formation

What did the Japanese private enterprises extract from the traditional social and cultural circumstances as factor necessary to form the lifetime employment and seniority-based systems? It was "IE" [ie], which was defined in the Tokugawa Era formally as a legal family system. In Tokugawa Era, "IE" developed in three aspects. First, it ruled the relation between master and servant and the family system of the feudal samurai society. Second, "IE" provided for the relation between feudal business owners and their employees and the work control of employees based on business-ruling ethics. Third, it functioned as a rule to govern a village community based on the relation between land-owners and peasants in feudal agricultural districts. These three aspects incorporated in a system are called "IE" system and it was modified in great measure by the Meiji Government, the rules of the feudal samurai society were applied to the organisations and administration of the governmental bureaucracy. The practices of the feudal business owners were succeeded by urban enterprises. And village communities in the agricultural districts were maintained almost unchangedly. The overall "IE" system was governed by the Tennoism and used to try to compose Japan of a logic so-called, a "Family Nation".

3. Attempt to Establish Lifetime Commitment and Seniority-based Wage Systems

The attempt to form the lifetime commitment system was started around 1904-5 after the Russo-Japanese War, Japan's first collision with one of the occidental countries. After the Russo-Japanese War, a great number of workers' vigorous uprisings occurred in mines and factories owned by leading enterprises in Japan. These uprisings resulted from commodity price rise during the war, long working time and lowered real wages. The workers' uprisings in Japan are characterised by not only a great number of severe strikes never seen before since the beginning of the Meiji Era but also the great amount and speed of information that was rapidly transmitted among workers. The Japanese leading enterprises, who had fixed their eyes upon the facts, took out of the "IE" system the various elements applicable to the industrial labour management so as to prevent uprisings and to develop a harmonious system lacking in the occidental society.

Such movements appeared in the railroad companies, a key industry in those days, which had a great number of workers employed. By the reason that railroads were a key industry, the Government acquired private railroad companies and incorporated them into the Japan National Railways after the Russo-Japanese War. In the second half of 1900s, the JNR drew up a personnel administration policy as follows: 1. To launch out into

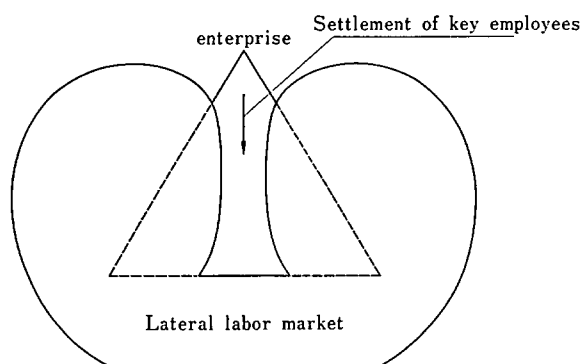
employment of new school graduates and to train these unskilled employees in its own training facilities so as to have them fullfledged. 2. To take care of employees in their overall aspects of living by providing welfare facilities, such as residential means, messes, meeting halls, shops to sell living necessities, etc. And 3. To establish an employees' mutual aid system in preparation for marriage, sickness of their family members, etc. These personnel administration policies by the JNR came rapidly to be adopted by other leading enterprises.

The World War I (1914-1917), however, brought about a surprising boom to the Japanese economy, resulting in mobility of workers employed and trained with much trouble. Thus, the personnel administration policies started in the second half of 1900s, which had been made perplexed by the force of the lateral labour market, began to be really launched in 1920s after the World War I and were settled overall in 1930s.

4. Settlement of Lifetime Employment and Seniority-based Wage

The lifetime employment settled in 1930s had the following features: First of all, Fig. 1

FIG. 1. SETTLEMENT OF LIFETIME EMPLOYMENT

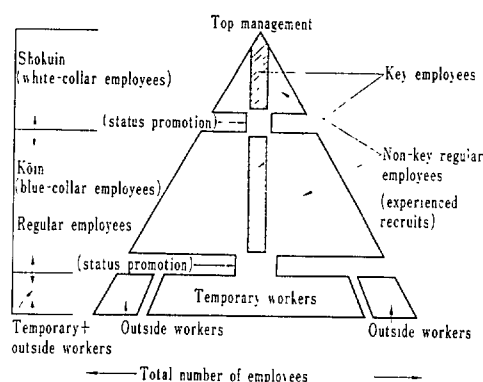


above will help think of the lifetime employment system in relation to the lateral labour market. In other words, leading enterprises in a development of the lateral labour market will employ new school leavers directly and instantaneously and begin to have them trained in training centers or work sites within the enterprises. In short, the leading enterprises will drive a wedge in the lateral labour market to create particular workers, so that these workers may be made employees of an enterprise. Such workers are given security for lifetime employment, which covers the care for re-employment after retirement or the payment of retirement allowance. And, the increase in an employee's service length signifies the increase in his experience and knowledge, so that his promotion in the enterprise will be secured and his wage rate also will increase proportionally. This is the seniority-based wage. Moreover, priority is given to such employees to use the welfare facilities and the mutual aid system is so organised as to provide advantages for such employees. Employees favoured with those personnel administration policies are called, "Key employees". The

lifetime employment and seniority-based wage are provided for the key employees. Other employees corresponding to the lateral labour market are workers who are employed more or less temporarily by enterprises. Of such workers, those employed as regular employees are called, "experienced recruits or mid-term employees" and those employed as temporaries are called, "temporary workers".

In addition, the personnel class composition of enterprises was based on the graduation of employees' school career. Therefore, the key employees were classified by school career and assigned to a position in the enterprises. Fig. 2 shows a typical complete composition

FIG. 2. THE EMPLOYEE COMPOSITION OF A JAPANESE FIRM



of employees in a Japanese firm.

A quantitative proportion of such employees is referred to below. Table 3 shows

TABLE 3. RATIO OF KEY EMPLOYEES IN YAWATA STEEL PLANT (1934)

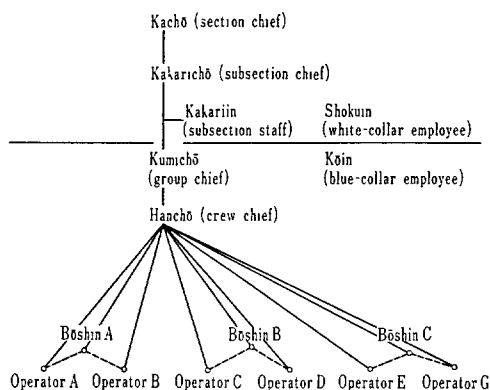
Length of Service	Total Male Factory Workers	Number of Key Employees	Ratio
0- 9 years	1,778	619	34.8
5- 9	5,164	2,056	39.8
10-14	4,198	1,421	33.8
15-19	3,633	1,123	30.9
20-29	972	325	33.4
25-29	306	271	88.5
Total	16,557	5,871	35.5

the number of the regular workers of all the factory workers employed by the government-operated Yawata Iron and Steel Plant in 1934. According to the figures shown in Table 3, key employees are found intentionally kept occupying about one third of the class in the respective service lengths. Thus, the remaining two-thirds are occupied by mid-

term employees. This gives due evidence to the existence of the lateral labour market.

How was the order of work-sites organised under such labour composition as mentioned above? The lifetime employment system settled in 1930s may be considered maintained as scarcely changed. Fig. 3 shows a plant organisation of a large enterprise, which manu-

FIG. 3. A PLANT ORGANISATION OF A LARGE MACHINERY FIRM



factures diesel engines in the Tokyo-Yokohama area. The organisation is clearly divided by white-collar and blue-collar employees. The classes of the organisation consist of group-chief, crew-chief and operator in order. A leadingman in operators works as pace-setter.

Table 4 shows the age, service length and wage rate of one group of the factory workers

TABLE 4. CHARACTERISTICS OF FACTORY WORKERS UNDER LIFE-TIME COMMITMENT SYSTEM

Job Title	Key Employees				Mid-term Employees				
	Age	Length of Service	Length of Experience	Daily Wage Rate	Job Title	Age	Length of Service	Length of Experience	Daily Wage Rate
Group Chief	33	26	25	250	Leadman B	36	14	14	198
Crew Chief	32	19	19	219	Operator G	42	4	22	177
Leadman A	30	16	16	188	Operator D	37	3	20	169
Leadman C	25	10	6	140	Operator C	32	2	17	146
Operator E	18	5	5	109	Operator A	27	9	5	139
Operator F	19	4	4	109	Operator B	25	6	6	134

and demonstrated that key employees are secured with the status promotion to leadingman, group-chief and crew-chief mostly and that the wage rate is based on the seniority-based wage system. Accordingly, the wage rate is settled rather favourably to the key employees. This kind of work organisation is so-called, "Seniority-based work group".

5. Interpretation of Seniority-based Wage

The criticism by occidental peoples on the seniority-based wage has been poured to the assumption that the wage rate does not reflect properly upon the difference in job and the ability of individual workers. The comment is based on a hypothesis that one job must correspond to a wage rate through a transaction of the job supplied by an employer and the occupation and personal ability that belong to an employee-to-be. The OECD's report precedingly cited, which is also based on the same hypothesis, gives criticism to the seniority-based wage system as follows:

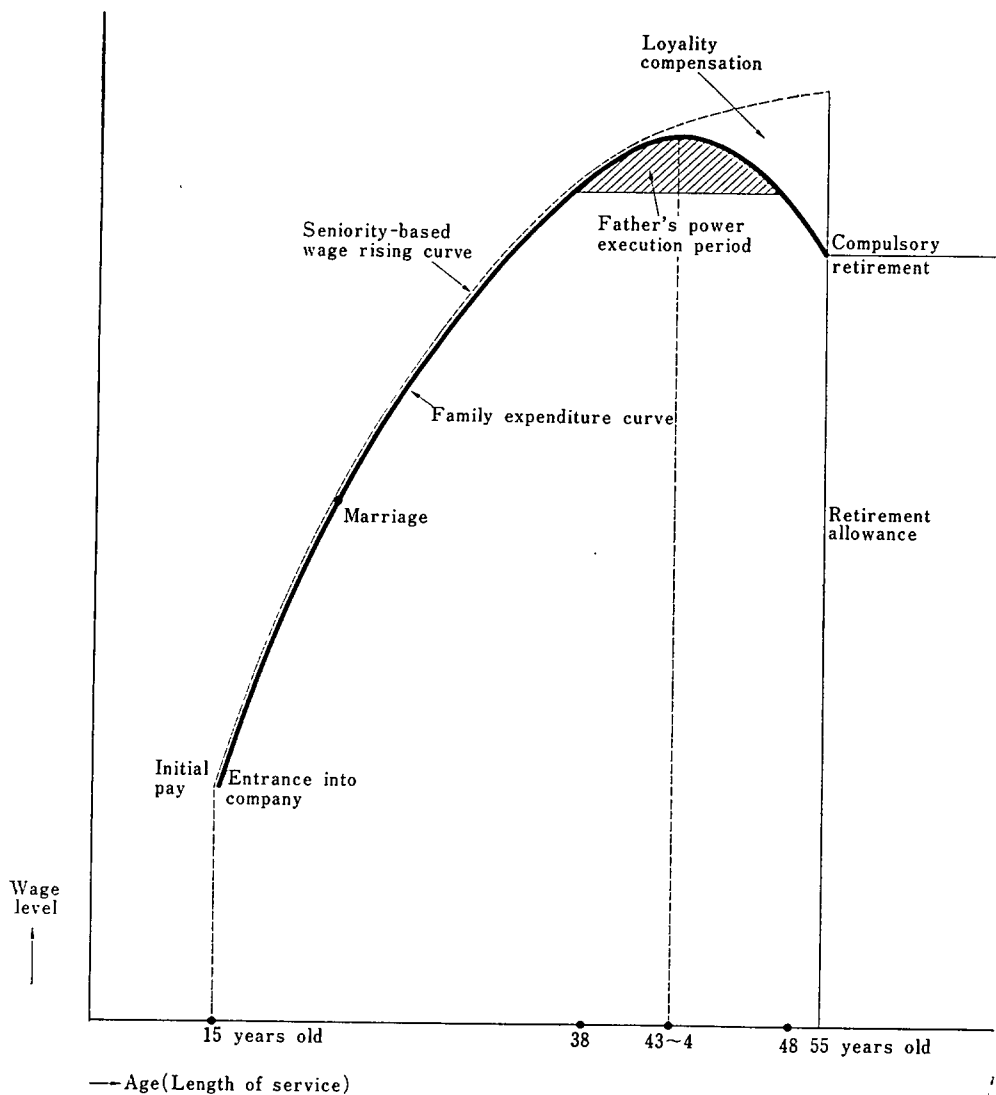
'Except for the first years, when normal improvement through maturity and experience lead to an increase of individual performance, the development of a person's wage under this system deviates clearly from the development of his work capacity, particularly among blue-collar workers. The young are thus "cheaper" than the old, up to retirement at the usual 55.'

Such criticism, however, is in too occidental a way of interpretation. The assertion that only the occidental standards are normal is nothing but a dogma. If the Japanese wage system were anachronistic, the industrialisation achieved by Japan would be also anachronistic.

The Japanese wage system originates in the employment system founded on the "IE" system. From this very point of view, the seniority-based wage system should be interpreted. In an "IE", its blood-related members have classes—difference in age and status—such as parents and children and elder and younger brothers. Furthermore, an "IE" community has age groups formed, where the rank of the young and the old helps maintain the overall order of the "IE". This age group ranking does not only mean the superiority of the older to the younger, but also facilitates to give job to each member of the community. Seniors, symbol and opinion leader to consolidate a community, teach its history to the young. Middle agers in the community educate, train and control the young to get them fully acquainted with the rules of the community. Middle agers by themselves contribute to achievement of the purposes of the community. Their overall capabilities and ability to educate and control the young are cultivated in their long-term experiences and exercises in the community. These abilities correspond to a skill of "seniority". This point of view was overlooked by the OECD's report, which reckoned the workers' capability for a simple manual skill. Seniority-based skill is not a simple manual skill but an overall mental and physical skill originated in a community. Accordingly, these abilities are completely obtained by the middle agers older than 35. The process equals that of forming a skill.

The seniority-based wage could be interpreted by Fig. 4. In other words, the wage rates are so settled as to reach the peak in middle age, so that they may correspond to the difference in the seniority-based skill of an "IE" community. The figures also demonstrate that the wage increase under the lifetime employment system corresponds to the expenditure trend of key employees' families. What is important in the seniority-based wage is not that the young are "cheaper" but the middle-aged are "expensive." To say, the seniority-based wage system is such that a middle aged employee may get income increased at the time when all of his children go to schools higher than compulsory edu-

FIG. 4. SIGNIFICANCE OF SENIORITY-BASED WAGE



(Worker's Standard Life Cycle)

Entrance into company	27 years old: marriage	32: Third child	30: Second child	28: First child	55: Retirement	54: Third child's marriage
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cation and have a burst of increased desires at the age from 15 to 18 and at that very moment when his wooden house inherited from his parents is required to be repaired in great measure. The period shown by oblique lines is called, "the time when a father executes his power in his family". In other words, the father has the power to make decisions in such a manner that he appropriates his own limited income for the expenses of all the family members in consultation with his wife. Such execution of a father's power makes children learn how important the home is and how to discriminate things of use from those of no use. And through the conducts of their father, children learn the meaning and role of labour in a society to get prepared for a new labour force. It is the duty of enterprises to secure that individual key employees could pass smoothly through the time when their "IE" has encountered with the increase in expenditures. And a materialisation of such duty is the seniority-based wage system.

III. *Actual Significance of Lifetime Commitment and Seniority-based Wage Systems*

1. Transition of Systems

As a result of the defeat in World War II, Japan was occupied by the occidental allied forces and occupation policies were developed mainly by the U.S.A., as a major occupation power. These occupation policies characterised by those to westernise Japan had the following features: First was a complete destruction of the "IE" system that had been the traditional social and cultural practice of Japan. The farm-land reform policy aimed at destruction of the village communities by breaking down the relation between land-owners and tenant farmers and changing the latter over to landed farmers. The dissolution of the big financial combines had an intention to destroy the "IE" communities in the urban commerce and industry. Promotion and protection of labour unions were intended to have enterprises deprived of the nature as "community" by workers' organising unions to permit all the employees in an enterprise to have close relationship with the labour market outside the enterprise. The above-mentioned three policies were the most representative occupation policies. To cope with these policies, the Japanese Government adopted various reforms. Especially, the revision of the civil law relating to family and inheritance was a fundamental destruction of the "IE" system. And liberalisation of higher education, an imitation of the American system, cleared away the traditional European-type education system of Japan.

These reforms adopted from the second half of 1940s to the first half of 1950s gave rise to great changes in the lifetime commitment system. First of all, the lifetime employment system and the seniority-based wage that had been applied only to key employees, came to cover all the regular employees. Secondly, the seniority-based wage influenced by the above-mentioned change got affected not only by the length of service but also by the difference in age employees. Thirdly, the retirement allowance came to be limited to the amount covering the aid for an employee's and his wife's living expenses after his retirement, instead of for all the members of his family. Fourthly, with labour unions organised under the legal protection, working conditions came to be framed by collective bargaining

with the equal right of both labour and management.

Despite the dissolution of the "IE" system, however, the lifetime commitment system has survived still. The system presently has the meaning of securing the employment of all the employees. Contrary, the lateral labour market has begun to be reduced. The seniority-based wage has not changed in essence, though modified. Labour unions have remained as organ of enterprises, taking attitude to develop a joint consultation system rather than the collective bargaining. And they have not been so interested in the lateral labour market as European and American countries.

Why have these facts appeared in Japan? At least, the following two reasons seem reasonable: First, the business owners in those days were those who took office for management of enterprises in place of those forced to retire by the order of the occupation forces on account of the war responsibilities. These new management groups, who entered enterprises during the period from 1920s to 1930s, gave themselves body and soul to their works under the lifetime commitment system. They could not have self-confidence in the westernized reform nor think of any responsible personnel administration policies without the standpoint based on their own accumulated experiences. This seems to function as a leading factor in maintaining and reconditioning the lifetime commitment system.

Second, it should be pointed out that employees who had experience to be frightened by fears of the poverty and the dismissal in the postwar disastered economy asked for nothing but employment secured and protected by the employer. The motive of such desire on the part of employees may be considered based on their accumulated experiences of previous employment security.

2. Gradually Increased Changes of Lifetime Employment System

Political and economic changes seen up to 1950s, which gave some effect to the lifetime employment system, were not so drastic. Another effect brought about by the occupation policies began to penetrate gradually into the Japanese society. In other words, the occupation policies aimed at the destruction of "IE System", as well as the introduction of the free market mechanism instead into every corner of the economic society of Japan. The big financial combines were disorganised into numerous small enterprises and cooperative associations were organised in a nation-wide scale for the landed farmers in the Japanese agricultural districts. And through promotion and protection of labour unions, the occupation policies were intended to establish a mechanism in the Japanese labour market. Such establishment of a free labour market mechanism in Japan was successful almost completely.

The free labour market mechanism thus established in this country built up the foundations for the high economy growth that continued over twenty years since 1955. All the Japanese potential capital formation capacity was thrown into private enterprises through the policies adopted by the Japanese Government. Coupled with such capacity Japan had a plenty of high quality labour force available.

The rapid expansion of scale in economy, however, caused a complete absorption of the plentiful labour force and the demand for labour got excessive especially in the young workers, who were "cheaper" and has flexible working abilities, resulting in a very rapid rise in their wage rates. Such situations in the Japanese labour market accelerated mobility

from firm to firm of the young labour force, while making the seniority-based wage curve high in the young and low in the middle-aged.

And a boom occurred in introduction of western advanced machinery and equipment and continued for a long time in this country. Under such circumstances, technology worship penetrated into the Japanese enterprises. And irritation toward those middle and high aged workers who had been too matured to get promptly acquainted with new foreign machinery began to be markable among business owners and management of enterprises. Such irritation became so vigorous that in the second half of 1960s the Japanese employers' associations put forward the contra-seniority system in which dismissal by priority be applied to long-served employees.

3. Prospects of Lifetime Employment System

A phenomenon that has been presently aroused in the relationship between labour and management is a reflection upon the criticism toward the lifetime employment system and the seniority-based wage during 1960s. It is pointed out that such criticism was aroused by the too accelerated policy for production preference. Japan has already achieved a high level and a large scale in economy but encountered with deficiency in labour, one of the elements indispensable for economy. Of the developed countries in the world, Japan is the only country that cannot be supplied with external labour so easily as western countries. Accordingly, this country needs to prepare a particular labour policy.

In European countries, three great changes have begun to appear since the beginning of 1970s. First is that the participation of labour unions in management has been widened. With European labour unions thus modified, the industrial relations systems established in 1950s are about to be re-organised newly. The second is a pursuit to "humanisation" in relation to the man-work combination, as truly demonstrated in the disuse of beltconveyor systems. This will require a drastic reconsideration on the concept "job" that has been the traditional social and cultural situation of Europe. The contents of a job will become indefinite gradually in human works, resulting in being "humanised." The flexible working hours system is based on the concept that the conventional "portal to portal" hours should be decided independently by workers themselves to cope with their own developed private lives. If the complete flexible working hours system proposed by Miss Christel Kömmerer goes on being popularised, changes will occur not only in working hours but also in working methods. In other words, works to be done by person will be forced to run short gradually and all the works will become group or team works.

Such changes will give great effect to the wage system. The wage rate corresponding to job may need a re-examination.

The lifetime employment system has been set up in the society of Japan, coming from its traditional "IE" system. Now that the "IE" system disappeared in this country, the Japanese employment system has come to be based on the "groupism" represented by the "IE" system. The "groupism" is so defined that any work should be done by the work group by asserting that the work is an integral part of the work composition in an enterprise. And it is also asserted that wage should correspond to the wage rates based on not only job performance capability but also status of employees. The present seniority-based wage system in Japan is going to be re-conditioned, with the above-mentioned

two factors taken into consideration.

So long as the lifetime employment system has adaptability to circumstantial changes, its life will be maintained. Moreover, the Japanese employment system covers a partial method of solving the changes appearing presently in Europe, Doesn't it?