THE WORKING LIFE OF JAPANESE WORKERS:
HOW HAS IT BEEN AND WHERE WILL IT GO?

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This paper seeks to illustrate the quality of working life for Japanese workers through an examination of three factors. Firstly, from around the age of twenty to sixty-five, a worker has to find employment, work under the direction of management, receive remuneration, and maintain a family. This spans a period of about forty-five years of working life. Opportunity and the will to work are the two determinant variables assuring stability of employment. We will examine these through our empirical findings. Secondly, any economic organization, such as in the case of a private business firm, in its nature has to be congruent with society. The nature of Japanese society thus has to be examined. Thirdly, we must analyze the bridge between workers and society. The bridge in this sense is the management system, whose variables also must be congruent with those of the society. We will examine the so-called Japanese-style management system in this context.

Part 1. The Determinant Variables of Working Life

Section 1. Prevailing Long-Term Employment Customs in Japanese Firms

Securing employment is obviously one of the most important aspects of working life. Lifetime employment security, though not guaranteed by any written contract between management and workers, has been widely noted as a unique feature of Japanese employment. It is commonly asserted that this custom has been practiced only in large firms and that the workers represented are only a small portion of workers in Japanese industry as a whole. This is a fallacy, however. Data to prove this contention can be found in the Ministry of Labor's "Basic Survey on Wage Structure," conducted in 1961, 1964, and each successive year. Although the firms answering the survey varied slightly every year, the number of workers covered exceeds one million at the minimum, and they are classified by sex, occupation, age, length of service, final formal school education, firm size, and industry. I first used this material in the mid-1970s and little attention had been paid to this data before that date.

Unfortunately, the data for 1961 and 1964 only concern manufacturing industries, and there are no conclusive materials comparable to this Survey before 1961. Further, the Survey annually covers only those firms employing more than ten persons, and those
employing between five and nine persons have only been sporadically surveyed. This does not significantly challenge my thesis, however.

Figures 1, 2 and 3 graphically depict data from the Survey for the years 1961 and 1964–1985 for manufacturing industries. Classification is by formal school education and firm size of the employer (Figures 1 and 2 are for white-collar employees and Figure 3 is for blue-collar workers). The lines in the figures represent the proportion of employees entering the firm immediately after formal school education and staying in the same company. It should be noted that the results for 1973 appear rather unusual; this is because the effects of the first oil shock in 1973 are not shown and there are egregious errors made by the Survey itself that year. The impact of the oil shock is seen after 1974.

From the above tables we find that:

1. Despite annually different samples, we can see a clear trend from 1965 up to the present period. Employees staying within a single firm and employed immediately after school graduation have clearly existed in Japanese firms regardless of their size.

**Figure 1. Proportion of Long-term Settled Employees (University Graduates, Male, Professional, Technical and Clerical Employees in the Manufacturing Industry from 1961 to 1985)**

**Figure 2. Proportion of Long-term Settled Employees (High School Graduates, Male, Professional, Technical, and Clerical Employees in the Manufacturing Industry from 1961 to 1985)**
2. As for white-collar employees who are university graduates, around 70 percent of them belong to the category "long-term settled employees," and whereas in the firms employing more than 1,000 (hereafter referred as "large firms") the proportion has remained fairly stable at around 80 percent, in the firms employing between 100 and 999 (hereafter referred to as "medium-sized firms") the proportion has been around 70 percent. Even in those firms employing between 10 and 99 (hereafter referred to as "smaller firms"), the proportion has consistently reached around 50 percent.

3. Concerning white-collar employees who are high school graduates (Figure 2), the proportion has maintained itself at a little more than 60 percent of the total. In the larger firms the proportion has been about the same as that for white-collar employees who are university graduates—around 80 percent. While in the medium-sized firms it has run around 55 percent, or a little less than the figure for white-collar employees who are university graduates, in the smaller firms the proportion has been between 40 and 30 percent, fairly lower than the figure for university graduates. From the view of personnel management of the smaller firms, however, they are regarded as the core employees, and personnel management primarily concerns itself with these workers. Although they only represent 30 percent of all employees of the firm, they are quite significant to the organization as a whole.

4. Of high school graduates in blue-collar production and maintenance workers, who together comprise the overwhelming majority of factory workers, the proportion of long-term settled workers has been around half. In the large firms, the proportion has been about 60 percent, while in the smaller firms it has been as low as around 30 percent. It should be again noted, however, that this 30 percent is still very significant, for this is the group that the management of the smaller firms regards as the core of its operations.
From the foregoing observations, it is clear that the long-term employment practice can be seen in not only the large firms but also in the medium-sized firms employing more than 100 persons. It is also a very important factor in the smaller firms.

Section 2. The Mature "Company Man"

Staying within a single company for a long period is not necessarily a manifestation of the employee's loyalty to the company. The person may not leave because he is unable to find a more attractive job or because he does not have the ambition to face a more challenging line of work. Age may also influence workers in this regard, however. In 1983 we conducted a survey of the loyalty changes of workers by age groups. The sample included 4,081 production workers in the steel, shipbuilding, metal, chemical, electric, and automobile manufacturing industries. These were the key industries involved in Japan's postwar rapid economic growth.

Answers to 15 cluster questionnaires have been arranged according to certain key subject groupings, as shown in Figure 4. The answers were clustered by age group and scores plotted in Figures 5-8. The vertical axis scores display an orientation toward individualism, while the horizontal axis reflects companyism.

These show that workers in their twenties have an ambivalent attitude toward work; they are more absorbed in outside activities and less attuned to the work environment. Sometimes their individual interests overwhelm work entirely.

**Figure 4. Attribution Values of Workers**

![Diagram of Attribution Values of Workers](image)

*Note:* Covering 4,081 production workers in steel, shipbuilding, metal, chemical, electric and automobile industries.

FIGURE 5. Attribution Values of Production Workers in Large Enterprises

FIGURE 6

FIGURE 7
When workers reach their thirties (Figure 6), we witness a major change in attitudes. While their ambivalence toward work remains, all of the answers fall within the fourth quadrant, reflecting the fact that workers are now beginning to view all of their life within their work life.

When they reach their forties (Figure 7) another important change can be observed. Their attitudes come to focus more and more on work in the company and their interest
in life outside of the firm almost fades entirely. They have become veritable "company men." Workers in their fifties (Figure 8) display surprisingly little difference in attitudes than those in their forties.

From the above we can make some generalizations about the attitudes of workers toward working life. This is depicted in Figure 9. It is clear that the basic motivation toward working in a company only becomes firmly entrenched when workers enter their thirties. But even then, when they identify themselves as the core employees of the firm, they still remember the independence of their youth. Workers in this age cohort thus display some degree of liminality. If the firm fails in its management practices, they may leave the firm and seek more fulfilling employment in another firm. The thirties is thus the most critical and challenging period in a worker's working life.

In contrast, workers over forty want to stay in the same firm and have the attitude of "company men." They want to secure a stable life for themselves and their families, and even when their firm faces an adverse economic climate, they put forth strenous efforts on behalf of the firm. They become the most reliable workers in the firm.

**Part 2. A Society of the "Middle class"

**Section 1. Middle-Class Consciousness

The ill feeling of the poor in regards to social inequality has always been a source of turmoil in society. In any society there exists to one extent or another differences between the rich and the poor, and varying accessibility to power among the people. This very much determines how an individual views his life in comparison with others. In Japan the Prime Minister's Office since 1958 has conducted a nationwide opinion poll, entitled "Survey on Public Opinions," in which the surveyed have been asked to which class their standard of living belongs. Though the questions themselves and the survey method have changed slightly over the years, the annual results are recorded in Figure 10. In the years 1962 and 1963 no survey was conducted.

In "mass society" the majority of the people feel that they belong to the middle class. This is the case in Japan, but the fact that upper- and lower-class consciousness has almost faded away is also worthy of serious attention. Ninety percent of the Japanese people for more than twenty years have continued to feel that they belong to the same middle class. This would indicate that Japan has become a "society of the middle class."

**Section 2. Society Established for the "Middle Class"

Seven years of military Occupation by the Allied Forces after Japan's unconditional surrender in August of 1945 led to the dismantling of the prewar imperial institutions and the enactment of New Deal-inspired democratic laws and institutions. These changes are depicted in Table 1.

These new institutions have not been fundamentally challenged since Japan's independence in 1952, and they now serve as the basis of the Japanese polity. The sovereignty
of the emperor was replaced by the sovereignty of the people, the zaibatsu (the massive family concerns) were forced to dissolve, large nonfarming land ownership in agriculture was abolished, labor standard and trade unionism protection laws were enacted for the first time in Japanese history, a higher education system for a small number of elites was replaced by a system of mass education, and the extended family system and the legally-sanctioned supremacy of the family patriarch were terminated—the list of such changes is endless. In many respects these changes appeared to bring about a major social revolution—a hierarchical aristocratic society was suddenly transformed into an egalitarian society. Since that time, egalitarianism has become an important social creed of the Japanese people.
Table 1. Changes in Social Institutions Before and After the Occupation

<table>
<thead>
<tr>
<th>Social Institution</th>
<th>Before the end of World War II</th>
<th>Period of change</th>
<th>After World War II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polity</td>
<td>Constitutional Monarchy</td>
<td></td>
<td>Constitutional Democracy (Emperor as &quot;Symbol&quot;)</td>
</tr>
<tr>
<td>Sovereign of Nation</td>
<td>Emperor; The Ruler of Diet and Military Forces.</td>
<td>1945. 9-1946.11</td>
<td>National Citizens System of 2 Diets</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Landlord as the ruler</td>
<td>1945. 9-1946.10</td>
<td>Cooperatives of Land-owning Farmers</td>
</tr>
<tr>
<td>Industry</td>
<td>For Government and Military Forces; Zaibatsu Families</td>
<td>1945. 9-1947.12</td>
<td>Dissolution of Zaibatsu; Anti-Monopoly Law</td>
</tr>
<tr>
<td>Labour</td>
<td>Protective Legislation Covering only Women and Miners</td>
<td>1945. 10-1947.2</td>
<td>Labour Standard Law</td>
</tr>
<tr>
<td>Trade Unionism</td>
<td>Mediation Act of Labour Disputes only</td>
<td>1945. 10-1946.9</td>
<td>Trade Union Law, Labor Relations Adjustment Law</td>
</tr>
<tr>
<td>Formal School Education System</td>
<td>6-year Compulsory Education, Multi Senior Education. Imperial Universities</td>
<td>1945. 10-1947.3</td>
<td>9-year Compulsory Education, Single Senior Education, Mass University Education</td>
</tr>
</tbody>
</table>

Section 3. The Top Management of Japanese Large Firms in Conformity with Middle-Class Society

1. The Concerted Action of Government and Industry on Behalf of the Economy

The Occupation force's policy of thoroughly dismantling the Japanese economy abruptly ended in 1948 as a result of international developments and attention now shifted to assistance in reconstruction. After long years of preparation by the high bureaucrats of industrial ministries and the top management of large firms (zaibatsu families were expelled from business and politics, leaving the top management of large firms exclusively in the hands of former high-level employees of the firms), renewed moves to industrialize sprouted immediately after the termination of Occupation rule in 1952. Though extremely poor at the time, the concerted action of political and economic organizations worked to build a highly industrialized society. Government investment was focused so as to help export industries, prop up the heavy, chemical, and energy industries, and to construct an industrial infrastructure. The government also established a system to provide funds to private firms, who were constantly faced with a shortage of capital. In order to smooth overall operations,
the government set up a tremendous number of tripartite economic councils authorized by the Cabinet and with the purpose of reaching concerted action in their respective areas. Such councils were comprised of Diet members, former high bureaucrats, academics, top management, trade union leaders, and journalists, and thus represented the primary decision-making institutions of middle-class society.

2. The Separation of the Management Functions of Firms from Ownership

Before the end of World War II, ten zaibatsu owned more than one-third of the total capital of joint-stock companies in Japan. Occupation authorities confiscated all of the stock certificates of these concerns and turned them over to the Stock Exchange. Large firms once owned by the zaibatsu were forced to restrict operations; they now resembled a number of medium- or small-sized firms.

During reconstruction after 1952, private firms suffered from a severe shortage of funds and were forced to rely on the government's assistance. Banks, insurance companies, and government investment banks, credited by the government, supplied funds not only in the form of acquisition of capital stock but also by financing part of their everyday operations. But because the Anti-Monopoly Law prohibited financial institutions from owning more than 5 percent of the capital of a firm, they were unable to acquire these companies. Moreover, in order to help firms increase their investments, the government directed financial institutions to be satisfied with low dividends and to charge low rates of interest on the loans. This meant that financial institutions, as owners of capital and as the lenders of working funds, did not directly manage outside industrial firms, leaving the latter to be run by their top management almost independently of financial institutions. Let us now look at a couple of interesting examples of the above relationship.

Table 2 shows the 10 largest owners of capital by sector of 9 representative large Japanese firms. From this we learn that no private capitalist or family-owned foundation controls the total capital of any single firm, nor does any single financial institution. The Table further shows that banks are major holders of stock in manufacturing firms. Insurance companies, in particular life insurance companies, are not incorporated and their managing funds are provided by their insured, their customers. There are no signs of any owner capitalist or capitalist family. Matsushita Kohnosuke, for example, the founder of the giant Matsushita Electric Industry, Inc., owned only 2.6 percent of the firm's capital.

As shown in Figure 11, the capital ownership of private firms has been increasing. As already observed, leading large firms and their large subsidiaries are non-family concerns, where private capitalist ownership is only nominal. Turning to smaller companies, however, there are more private capital owners and there has been an increase in the share of the capital that they own in these firms. The Japanese economy is obviously a market economy where private capitalists freely invest and manage firms.

One question may arise from this, however: Why do only large firms lack private ownership? There are two answers to this question. Firstly, there are still former zaibatsu corporations and many of them are representative large firms which maintain a number of major subsidiary companies. They all lack private ownership. Secondly, a firm that wants to be listed on the Stock Exchange, under the regulations of the Stock Exchange Law must sell at least 70 percent of its stock to outsiders (including financial institutions) and the owner can only hold a maximum of 30 percent. Further, at the time of capital increase
Table 2. Primary Ownership of Large Firms

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shin-Nittetsu Steel</td>
<td>332</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>23.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Heavy Industry</td>
<td>198</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1.8</td>
<td>3.4</td>
<td>3.5</td>
<td>9.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Hitachi</td>
<td>178</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>28.9</td>
<td>2.5</td>
<td>2.6</td>
<td>12.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Toyota</td>
<td>134</td>
<td>1</td>
<td>4</td>
<td>3.2</td>
<td>10.8</td>
<td>4.4</td>
<td>17.4</td>
<td>10.4</td>
<td>3.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Matsushita</td>
<td>144</td>
<td>2</td>
<td>3</td>
<td>6.5</td>
<td>3</td>
<td>30.6</td>
<td>3.3</td>
<td>7.5</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Chemical</td>
<td>67</td>
<td>2</td>
<td>1</td>
<td>5.2</td>
<td>4.8</td>
<td>40.5</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Tokyo Electric Power</td>
<td>656</td>
<td>3.2</td>
<td>2.4</td>
<td>3.8</td>
<td>4.4</td>
<td>25.7</td>
<td>4</td>
<td>2</td>
<td>12.6</td>
<td></td>
</tr>
<tr>
<td>Nihon Investment Bank</td>
<td>212</td>
<td>1.0</td>
<td>1</td>
<td>1.3</td>
<td>5</td>
<td>23.5</td>
<td>4</td>
<td>14.4</td>
<td>9.1</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Bank</td>
<td>171</td>
<td>1</td>
<td>4</td>
<td>2.3</td>
<td>13.7</td>
<td>27.1</td>
<td>4</td>
<td>95.0</td>
<td>1.7%</td>
<td></td>
</tr>
</tbody>
</table>


Figure 11 Proportion of Number of Firms Divided by Family Concern or Nonfamily Concern, and Divided by Amount of Capital Stock (1986)
the Exchange recommends to the owner that he decrease his own share of the company. The foregoing observations reflect the relationship between Japanese society and the market economy, the market economy and private firms, and the capital ownership of the large firms and smaller firms in today's middle-class society.

3. Management by Former Employees

The Commercial Law stipulates that the board of directors should take the responsibility of running the business of the firm. The board of directors is of course officially elected biannually at the general meeting of stockholders and, since the large stockholders of financial institutions have no relationship to the firm's business, the directors come from inside the firm. This means that they can run the company's business almost independently of the capital owners. This is quite in contrast to the situation in large companies in other countries.

Table 3 shows the proportion of the directors of 260 large Japanese firms promoted from within. More than 80 percent of the directors were promoted from lower positions in the firm, perhaps after a long length of service for the company. This implies that boards of directors are comprised of former employees who are mature "company men." They are very much the representatives of employees sharing "classless" companionship in a middle-class society.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Firms</th>
<th>Number of Directors</th>
<th>Number Promoted from Within</th>
<th>Proportion Promoted from Within</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>31</td>
<td>834</td>
<td>508</td>
<td>60.9%</td>
</tr>
<tr>
<td>Foods</td>
<td>25</td>
<td>417</td>
<td>328</td>
<td>78.7</td>
</tr>
<tr>
<td>Textile</td>
<td>12</td>
<td>235</td>
<td>213</td>
<td>90.6</td>
</tr>
<tr>
<td>Paper-Pulp</td>
<td>5</td>
<td>94</td>
<td>87</td>
<td>92.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>37</td>
<td>747</td>
<td>721</td>
<td>96.5</td>
</tr>
<tr>
<td>Oil Refining</td>
<td>7</td>
<td>143</td>
<td>78</td>
<td>54.5</td>
</tr>
<tr>
<td>Steel</td>
<td>11</td>
<td>282</td>
<td>241</td>
<td>85.5</td>
</tr>
<tr>
<td>Machinery</td>
<td>21</td>
<td>401</td>
<td>295</td>
<td>73.6</td>
</tr>
<tr>
<td>Electric Machine &amp; Appliances</td>
<td>33</td>
<td>626</td>
<td>460</td>
<td>73.5</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td>5</td>
<td>154</td>
<td>117</td>
<td>76.0</td>
</tr>
<tr>
<td>Automobiles</td>
<td>9</td>
<td>268</td>
<td>204</td>
<td>76.1</td>
</tr>
<tr>
<td>Trade</td>
<td>12</td>
<td>414</td>
<td>377</td>
<td>91.1</td>
</tr>
<tr>
<td>Department Store</td>
<td>8</td>
<td>144</td>
<td>117</td>
<td>81.3</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>14</td>
<td>376</td>
<td>358</td>
<td>95.2</td>
</tr>
<tr>
<td>Stockbroking</td>
<td>4</td>
<td>136</td>
<td>133</td>
<td>97.8</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6</td>
<td>92</td>
<td>44</td>
<td>47.8</td>
</tr>
<tr>
<td>Private Railway</td>
<td>7</td>
<td>139</td>
<td>105</td>
<td>75.5</td>
</tr>
<tr>
<td>Electric Power &amp; Gas</td>
<td>8</td>
<td>178</td>
<td>167</td>
<td>93.8</td>
</tr>
<tr>
<td>Insurance</td>
<td>5</td>
<td>109</td>
<td>104</td>
<td>95.9</td>
</tr>
<tr>
<td>Total</td>
<td>260</td>
<td>5,789</td>
<td>4,657</td>
<td>80.4</td>
</tr>
</tbody>
</table>

Section 4. The "All Aboard" Management System

When Japanese companies were almost destroyed by the policies of the Occupation forces, many raised the cry of "boys in the same boat should row struggling against the thrashing waves." Since the labor movement was flourishing at the time, with assistance from the Occupation forces, the cry failed to attract the majority of workers. But the idea of "management by all members of the firm" took shape in various forms as early as the beginning of the Occupation period, and further developed as the number of employees in top management increased. One of the first advocates of this idea is said to be Sakurada Takeshi, President of Nisshin Cotton Spinning Corporation, when he expressed his theory of the five functions of the private company to the management audience of the Keizai Do-yukai (Japan Association of Corporate Executives). He emphasized that private capitalist ownership disappeared from large enterprises and the responsibility of management was now in the hands of the employees now in top management. Because the company is owned by the people in society, an individual company should select the most able, healthy, and honest people from among the employees, he asserted, and all employees should work with this person in keeping the company vibrant.

The goal of economic reconstruction at the time was high rates of industrialization, and the manufacturing industry was naturally the key industry in this. New equipment and machinery were one after the other imported, new management methods were successively introduced. "All aboard" was the unanimous call of staff and workers, especially in the manufacturing firms. Various types of teams, comprised of managers, technical engineers, supervisors, foremen, and workers, has spontaneously come into being for the purpose of evaluating energy utilization, materials and machinery, for starting up production as quickly as possible, for exploring ways to increase productivity, lowers costs, and improve the quality of products and production processes. Though such teamworking is thought to be representative of the "groupism" of the Japanese employment system, the phrase "necessity is the mother of invention" also applies to this situation. This employment system stands out all the more when contrasted to Japanese factories in other countries.

In a Japanese factory there is a fairly large room attached to the production line in the same building, and it is there that the factory head and managers, technical engineers, and production line heads gather. There is a good number of these people; if there are 3,000 workers on a production line, about 100 staff members are often in the room. They primarily work with the production line, though not directly engaged in production itself. They are more concerned with the improving line. It is not unusual that they squat by the machines and discuss various methods for making improvements.

Because all of the individuals can equally participate in the organization's business and can maintain harmony in the team, the "all aboard" management system may be the best suitable system to a middle-class society like Japan.

Section 5. The "Thinking" Work Group

While a variety of "all aboard" methods have been developed, it may be instructive to discuss here one of them in detail. This is depicted in Figure 12. Firstly, management
Management by goal, which was originally imported from the U.S. and fundamentally amended, is a commonly accepted practice. In the U.S., the method was used for leading individual employees toward company needs, but the amended Japanese method has been used for combining the efforts of individual shops with the goals of the firm. The Japanese method is bi-directional.

After reviewing the reports in regards to the new goals prepared by their subordinate groups, the department heads send a revised set of goals to their boss, the division head. The division heads review, screen, and rearrange them and submit reports to the board of directors outlining the next year's goals of the division. The board of directors next discusses each of the division's goals and the CEO, listening to these discussions, drafts the next year's goals of the firm. Usually on or around New Year's Day, the CEO announces them.

The direction now goes through the reverse channel. The board of directors subdivides the goals into specific tasks which groups are to accomplish, the division heads do the same for the groups under them, and department heads in turn allocate their tasks and relays them to the individual workgroups. Though complex in appearance, because much of what was contained in the CEO's instructions was originally drafted by the workgroup, the basic unit of the organization, this system enables it and its members to fully understand the firm's goals. Management by goal thus can be considered a type of participatory management.

Secondly, Figure 12 suggests that the workgroup must think through various aspects of their work. As described in Section 4, from the beginning of the postwar period of rapid economic growth the production workgroup has had to think about methods to improve production. "Thinking" about work on the job on the part of individuals and groups in a firm has been an accepted practice of Japanese workers. This custom soon spread to the entire organization. In the middle of the 1960s the QC circle came into being and spread to many production sites; these were very much the product of the foregoing process. This "thinking workgroup" has been the core of the "all aboard" management system.
Section 6. Egalitarianism in Remuneration

A middle-class society like Japan has a powerful propensity to narrow income differentials regardless of occupation. When the highly progressive income tax system and high rates of inheritance and gift taxation were established, the drafter frankly declared that excessive private property should be returned to the government so that the next generation inherits none of the founder’s wealth. This is an outstanding example of the philosophy of egalitarianism.

Let us look at some further examples of this egalitarian approach. Table 4 depicts the annual income of the presidents (the head of the CEO) of large firms. Before World War II, differentials of annual income in large firms between the presidents and new employees who graduated from universities were around 100 times; such monetary differentials conformed with the social distance between these two distinct status groups. Now, the differentials have been highly constricted to less than fifteen times before taxation. The president gets only 7.5 times the pay of the new employee in take home income.

As wage differentials between those at the top and those at the bottom have narrowed, the differentials between managers and their subordinates have naturally followed suit. Figure 13 shows an international comparison of salary differentials between managers and non-managerial white-collar employees. Japan shows the smallest differentials.

Figure 14 illustrates the monthly wage income differentials between white collar employees and blue-collar workers by age cohort. The differentials are the lowest in Japanese firms at all age cohorts, and these differentials are far less in large firms than smaller firms.

The fact that no employee is grossly underpaid in comparison with top management or that no employees at any level has an excessively higher salary than others can be considered an expression of egalitarianism. Whereas a young, able, and ambitious person may be unsatisfied or frustrated with this egalitarian approach, the people of the “middle class”, bearing no such feelings of discrimination, identify themselves with the company, referring to it as “our company.”

### Table 4. Comparison of Annual Incomes Among Large Company Presidents and Newly Employed

<table>
<thead>
<tr>
<th>Year</th>
<th>Income before Taxation</th>
<th>Income after Taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>President (A)</td>
<td>Newly employed (B)</td>
</tr>
<tr>
<td>1927</td>
<td>165,000</td>
<td>1,500</td>
</tr>
<tr>
<td>1963</td>
<td>6,082,000</td>
<td>257,900</td>
</tr>
<tr>
<td>1973</td>
<td>15,676,700</td>
<td>825,500</td>
</tr>
<tr>
<td>1980</td>
<td>23,593,000</td>
<td>1,623,000</td>
</tr>
</tbody>
</table>

*Note:* (B) and (D), male university undergraduates newly employed immediately after graduation. (A) and (C), Large companies listed on Stock Exchanges.

Figure 13. International Comparison of Wage Differentials between Managers and White-Collar Employees

(Average Salary of Male White Collar Employees)

Division Chief
Department Head

100
150
200

Japan
W. Germany
France
Italy
Netherlands
Belgium

Note: Manufacturing, 45–54 years old, Male employees.

Figure 14. International Comparison of Wage Differentials by Age between White-Collar Employees and Blue-Collar Workers

Note: Male monthly wage incomes of Blue-Collar workers = 100.
Japan (A): Firms employing between 10 and 999 employees.
Japan (B): Firms employing more than 1,000 employees.

Section 7. Generalists and the Cultivation of Generalists

Except in such areas as law, science, and medicine, Japanese formal school education gives students only a broad knowledge about nature and society, and the students after grad-
uation from all levels of school education enter firms without any work experience. The Japanese firm employs them as "generalists" and brings them through their years of service to the company as "generalists."

After new entrants complete a training course, they are assigned to a shop (the basic unit of organization). The latter is depicted in Figure 15, where each square fenced by dots represents an element of work in the shop. A person (represented by a small circle) who enters the shop upon employment is assigned to a task, something easy to complete and with little responsibility, and is placed under the tutorship of a more experienced worker. As shown by the arrows in the illustration, the worker is gradually reassigned to tasks that are more difficult and bear more responsibility. Some who stay a little longer in the shop than others may be assigned to do proxy work for the manager or be assigned to liaisonal work with neighbor shops in order to increase their skills.

**Figure 15. Workers and Work in a Shop**

After a person stays in the shop and gets skilled in a couple of tasks, he is later assigned at intervals to other parts of the company. This is known as periodic rotation. As shown in Figure 16, every three or four years the person moves to other shops to get skilled in other types of work. Through this he meets many bosses, workmates, and subordinates, all of whom become useful to him in forming his own personal network within the company.

**Figure 16. Generalist and General Promotion**
After 10 or 15 years of such transfers, when the person reaches around the age of thirty-five, there comes a chance of promotion to department head, the lowest managerial position. A general principle of selection is the so-called two-six-two ranking, by which the best 20 percent of the employees entering the same year get the first promotion. The second 60 percent of them get a promotion one or two years later, and the last 20 percent may get no promotion at all.

The department head is assigned to a shop as the manager. After getting skilled in this position, he is again moved around to various parts of the company in the same position. Around the age of forty-five there is further change of promotion to a higher managerial position, that of division head. The selection principle here is even more restrictive that that for department head, because among the division heads the board of directors is chosen.

In a Japanese firm a task is a unit of work and an individual employee does not stick to a specific job. By periodic rotation an individual employee is expected to become a well-rounded player and a well-rounded manager—in essence, a “generalist.” The workers do not hesitate to change their work, and blue-collar workers are expected to become multi-skilled members of the firm.

Section 8. A Singular Attitude Toward Working Life

High rates of industrialization fortunately continued for more than fifteen years and in this period the firms both enlarged in size and expanded their scope of operations. From the scarcity and poverty of the immediate postwar period, Japan has now transformed into an affluent society. Under such a favorable situation, a singular attitude toward work has come to be held by the majority of Japanese workers, namely the belief that “It is correct that workers devote themselves to work for our firm. Loyal work for the firm is not only for the firm but also for ourselves. Working for the firm is the single source of improving our life and of providing products for society at large.”

Let us turn to Figure 17. Living in a society where a middle-class consciousness has been strong among the populace at large for a long period, staying in the same firm from the time one graduates from school, receiving gradually increasing egalitarian remuneration, experiencing a variety of different types of work by rotation from shop to shop—all of this makes it rather natural for the majority of Japanese workers to maintain this particular attitude toward work. The majority who do not hold this belief are regarded as outsiders by the mainstream of workers.

Part 3. Concluding Remarks

I have talked here of how working life has been and is and not of what it is going to be. But the work environment of Japanese workers changes so rapidly and drastically that what is often said about the current situation appears obsolete before it goes to print. But we must not analyze the problems in isolation or interpret them outside of the context to which they belong. To forecast the future situation in regards to working life in
this period of radical change, it is necessary to first understand what the working life of workers was like in the past.

From the standpoint of the happiness of Japanese workers who have been able to maintain this singular attitude toward work, at least three favorable background factors should be noted. Firstly, the world political and economic environment has been favorable to Japanese industrial growth, and this has fortunately led to high levels of economic growth. The firm has expanded, employment has increased, and remuneration has improved. Secondly, technological progress has provided the means to Industrially expand, and senior workers unaccustomed to or unknowledgeable of new techniques were able to keep up by retraining programs or by refreshing their education. An ample supply of young workers was also not a problem during this period. Work rotation and gradual promotions were together possible for members of the firm.

All three of the above factors have rapidly declined in significance since 1971, however, when President Nixon of the U.S. declared an end to the convertability of the U.S. dollar to gold. The first oil shock followed in 1973. The world was now in a period of low econ-
omic growth and Japan became embroiled in sometimes bitter trade disputes. New information technology has also brought about a technological revolution, and new business methods have been introduced in succession. This has changed both the quality of and ability to work. Senior workers have found it difficult to adapt to the new technology. Finally, the younger generation has been rapidly decreasing in number, and Japan will become the world’s most aged society by the beginning of the twenty-first century.

It should be noted that since the first oil shock of 1973, large firms have embarked on excluding middle and old-aged employees from the core of the organization and transferring them to subsidiary firms or discharging them with premiummed retirement payments. The comparatively higher personnel costs of these employees have accelerated the firms’ aversion to keep them on.

Japanese top management is changing. Many firms now seem not to hesitate to abandon aspects of the past management system which their senior members had worked so hard for over the past forty years. The attached copy of my article in regards to lifetime employment practices clarifies the current position of Japanese top management. The attitudes of workers to these changes on the part of top management are not clear at this point. It will be interesting to see to what extent the top management retains aspects of the Japanese management system and what effects these changes will have on the attitudes toward work of the middle-aged employees.

The End of a Way of Life?
Japan’s famed lifetime employment system gives way to “half-life employment”

By Masumi Tsuda

Over the years, the lifetime employment system has proved impressively durable. The Nixon economic policy way back in 1971 was an important signal of fundamental changes afoot in the postwar economy, but Japanese enterprises carried on with their expansionary policies as before, and the lifetime employment system retained its air of invulnerability. The first cracks in the system didn’t start appearing until the prolonged slump which lasted from the first oil crisis in 1973 until the first half of 1978. During this period a total of 1,602 companies dismissed 310,000 employees, but perhaps more significant than the numbers was the fact that the targets for these enterprises’ cutbacks were almost exclusively veteran employees in their fifties.

From the second half of 1978 the government’s attempts to fine-tune the supply and demand of labor as part of its general demand control policy met with some success; inflation was brought under control and the Japanese economy put renewed vigor into its export drive: it managed to maintain 3% real growth by expanding exports to industrialized countries which were rehit by the second oil crisis of 1979-80 as well as the Third World countries. But throughout this generally prosperous period, Japanese enterprises were hard at work firming up and institutionalizing corporate practices aimed at allowing them to get rid of aging long-term employees.

Perhaps the most striking instance of this trend is early retirement policy. Companies first introduced the concept during the hard times of the first oil crisis, but later went all out to get early retirement established in a more refined way as a permanent feature of
employment policy. In the early 1980s many companies slowly started pushing up their official retirement age from 55 toward 60, in response to the stable growth of the economy and the gradual aging of the national workforce. But this was done mostly for appearances; the truth of the matter was that firms were pushing forward early retirement programs through such tactics as incentive payments for those willing to retire early.

In recent years, a further factor has made its presence felt—the response of Japanese industry to the communications technology revolution which took the U.S. by storm back in the 1970s. Particularly, the 1985 U.S. demand for Japan to open its financial and capital markets to the world has compelled finance, securities and insurance companies to install top-of-the-line information networks. New skills are required to run these systems, and some older skills have lost their value. The implications for older employees are all too obvious.

Then, too, the spectacular appreciation of the yen against the dollar since the 1985 G5 meeting has forced up the prices of Japanese products on foreign markets, and despite some benefits in the form of cheaper energy and raw materials, this has triggered a wave of dismissals among major exporting enterprises. Once again, the chief victims have been elderly employees—if 50 can be called “elderly”—with a long history of service to the company. Under the circumstances, there’s a growing recognition that lifetime employment as a standard practice is effectively dead, superseded by “half-life employment,” which the employee can only depend on till his early forties.

The third stage: “free employment”

Still it gets worse. As Japanese firms battle to cope with their loss of price competitiveness in foreign markets, they are moving as one to shift their production facilities abroad. Plants are being set up all over the world, and with particular zeal in the U.S., Europe and Southeast Asia. The full force of this mass migration will probably be felt later this year, and not surprisingly pundits foresee a corresponding fall in domestic employment.

Japanese firms seem to have suddenly realized that the transfer of technical know-how to foreign production bases brings with it a need to develop thoroughgoing technical policies toward domestic manufacturing and services. The techno-revolution has become a fixture in Japan. With 1985 as the turning point, industrial Japan has started out on the transformation from an industrial society to an information network society. The new society is going to require a new kind of labor, qualitatively different from that which has been the mainstay of the industrial age. And to manipulate the information technologies, new qualities are called for.

It is of course possible for enterprises to get workers retrained to handle these new skills. But where workers have mastered the old industrial skills and got used to jogging along with them from year to year, this kind of retraining will not come easily.

Companies are aware of this state of affairs, and rather than paying serious attention to the challenge of in-service retraining they are pouring investment funds into slimming down the mass production/mass sales mainline operations characteristic of the industrial society and instead developing a range of diversified operations suited to the information network society. This in turn has given an added impetus to the introduction of the most advanced information technology.

It is a fact of life that the older generation of employees has been left behind by these great and rapid changes. Particularly those enterprises which have been in the mainstreams of the industrial society have increasingly looked to employ young, mid-career types who can easily adapt to the new working environment of the information age. The old-timers, meanwhile, are being farmed out to fringe businesses in growing numbers. Where once workers would be sent out to affiliates and subsidiaries on temporary loan, nowadays they tend not to come back to the mother company. The new practice is named, with appropriate cynicism, “katamichi no shukko”—“a one way ticket.”

Against this background, the Japan
Association of Corporate Executives (Keizai Doyukai), a prominent employers' association, made the following declaration this January in its New Year Statement: “We must change our practices; we must start employing mid-career types rather than people just out of school or college, and pay our employees according to ability rather than seniority.” Clearly this influential organization is encouraging enterprises to take a further step away from the old ways—from “half-life employment” to “free employment.”

Towards a new industrial society

What about the unions? These of course are the institutions controlling the supply of labor, but here in Japan company-based unions have the power to decide their own approach, and the regional and industrial federations have never developed the authority to interfere with the enterprise unions. This has served as an important factor allowing companies to act flexibly in the industrial age, for these enterprise unions have in principle taken a cooperative stance towards their companies. This approach was born in the days when Japan enjoyed consistently high growth rates so that cooperation with management could in fact produce higher standards of living for union members.

Today, the far-reaching changes in industrial society, the growing feeling among management that older employees have outlived their usefulness, and the imminent demise of the lifetime employment system all mean that there is a critical need for the unions, too, to change their approach. So far, such a change has conspicuously failed to materialize. Instead workers are starting to feel that their union isn’t really relevant to them.

If the unions lack the strength to keep older workers in a job, that leaves the government’s labor policy as their only hope. And indeed, both the government and the ruling Liberal Democratic Party do take this problem very seriously. The Labor Ministry is pouring money and effort into a range of projects, including extended employment insurance for jobless older workers, wide-ranging job introductions for those of them seeking new work, and teaching of new job-related skills.

Enterprises are willing to support these government policies once these senior workers have left the company, however they are decidedly less enthusiastic about prolonging their employment through the offering of reduced hours and work-sharing programs. And as for taking on other firms’ cast-off workers when they come looking for new forms of employment, the companies just don’t want to be bothered. The result is a certain degree of friction between business and government.

Under circumstances like these, the management attitude toward employment naturally influences that of the workers. After Japan’s unconditional surrender at the end of World War II, enterprises were severely hampered during the occupation years by the activities of a radical left-wing labor movement. To deal with the problem, those enterprises put everything they had into forming policies which would make the workers cooperate. The result was that harmonious corporate lifestyle which came to be known as the lifetime employment system—cooperative workers were guaranteed a job, could live in company housing, enjoyed wages which increased steadily to match their changing lifestyles, looked forward to regular promotions, and had a company pension waiting for them at the end of it all.

It was a long, hard slog to build the system. But it worked in the end, and in the years of high economic growth that followed, lifetime employment won its reputation as an immutable feature of Japanese-style management.

That’s very well. But the generation of workers which grew up in the 1970s did so while witnessing the steady change of management attitudes toward employment, and will no doubt respond with the greatest sensitivity to the changeover to free employment. Japanese businesses are now in quite a hurry to come up with new personnel systems geared to this new generation of workers.