

Changing Environmental Conditions and the New Look of Japanese Personnel Management and Industrial Relations.

Kazuo Kikuno

Contents :

- I . Introduction.
- II . Stereo-type of the Japanese Personnel Management and Industrial Relations.
- III . The Actual Procedures of the Japanese Personnel Management and Industrial Relations System.....Its Eleven Characteristics.....
- IV . Recent New Conditions of the Personnel Management and Industrial Relations in Japan.
- V . Brief Concluding Remarks.

I. Introduction.

In the eyes of outside observers, Japan has two faces. One face is the oriental tradition colored by such exotic elements as Shinto shrines, Buddhist temples, Kabuki dramas, Sumo wrestling, Judo, Kimonos, etc. However, the other face is phenomenal industrial success which has produced such high quality goods as cameras, color TV (television) sets, micro-computerized compact cars, bullet trains, etc. Impressed by this seemingly irreconcilable contrast, foreigners are curious to know the magic that has produced these glittering industrial products in a remote country dominated by Oriental culture. To rephrase the puzzle, it is a question of how Western industrial technology, which provides the know-how of

contemporary industrial production, fits into an Oriental society with an entirely different cultural and historical background.¹

This is a natural and basic question. Indeed, this question was the primary motivation of an American scholar who wrote an epoch-making report on Japanese Personnel Management and Industrial Relations in the late 1950s.²

In this book, prepared with information from interview surveys of several large Japanese factories in the mid-1950s, James Abeglen describes Japanese Personnel Management and Industrial Relations as characterized by unique practices:

- 1) Japanese enterprises hire their employees directly after their graduation from school.
- 2) The decision to employ or not is based on personal qualification rather than the need to fill a certain job or function. The enterprise provides any special training which is necessary for specific jobs.
- 3) Employment in Japanese enterprises extends over the whole working life of the employee.
- 4) Pay is determined by the number of years of employment in the company.
- 5) For each enterprise there is one labor union (enterprise union).

Of course, there are exceptions to these five practices. For example, not all employees enter a company directly after graduation from school; some enter later—especially blue-collar workers. In small and medium-size enterprises, this also holds true for many of the white-collar workers. Also, it is not so unusual to hire a qualified person for a specific job. In speaking of Japanese employment relations, although the term “lifetime employment” is used, most enterprises specify retirement ages of between fifty-eight and sixty; employees are also free to leave the company at any time. Unlike in Europe and the United States, there is no layoff system

and it is generally very difficult to dismiss personnel, this happening only rarely when the business performance of company has become very unfavorable. While it is true that pay rises according to the length of employment, this does not mean that two employees who entered the company at the same time will be receiving the same salary when they retire. Salary does not increase at the same rate, but differs according to position and job within the company. Still, although there are some exceptions such as these, the principles of Japanese employment relation pointed out by James Abegglen are generally valid—especially as they compare with those of other countries.

Since James Abegglen published the report in 1958 and especially in recent years, the Japanese Personnel Management and Industrial Relations system has received world-wide attention. Perhaps the single most important factor to understand the remarkably successful performance of the Japanese economy both during the period of rapid economic growth up to the early 1970s and the painstaking period of adjustment in the wake of the world oil crises in the 1970s is due to the Japanese Personnel Management and Industrial Relations system itself. Particularly noteworthy is the fact that in the latter period the Japanese economy has absorbed the impact of quadrupled (four times) prices and rampant fluctuations in exchange rate and yet successfully maintained nearly full-employment and relatively mild inflation.

And, as I will show on several tables and charts;

- 1) the unemployment rate is very low (see Table 1 and 2),
- 2) the growth of the productivity is higher than that of the other advanced nations (see Table 3; Chart 1 and 2),
- 3) the number of labor disputes is fewer than that of the other advanced nations (see Table 4 and 5),
- 4) the number of working hour is longer than that of the other advanced countries (see Table 6, 7, 8, 9, 10 and 11; Chart 3

三
三
三

and 4),

In view of Japan's poor endowment of natural resources, the Personnel Management and Industrial Relations system, utilizing human resources, is Japan's ace in the hole.

Table 1: The transition of standardized unemployment rates. (%)

Year	Japan	USA	G. FR	France	U. K	Italy	Canada
1956	2.3	4.0	3.5	1.2	1.4	9.7	3.1
57	1.9	4.1	3.0	0.9	1.7	8.5	4.2
58	2.1	6.5	3.1	1.0	2.7	7.5	6.4
59	2.2	5.3	2.2	1.4	2.7	6.8	5.5
60	1.7	5.3	1.0	1.3	2.0	5.5	6.4
61	1.4	6.5	0.7	1.1	1.9	5.0	6.5
62	1.3	5.3	0.6	1.3	2.5	4.4	5.4
63	1.3	5.5	0.7	1.5	3.1	3.8	5.1
64	1.1	5.0	0.6	1.2	2.2	4.2	4.3
65	1.2	4.4	0.5	1.4	1.9	5.3	3.6
66	1.3	3.6	0.6	1.5	1.7	5.7	3.3
67	1.3	3.7	1.3	1.9	3.3	5.3	3.8
68	1.2	3.4	1.5	2.6	3.3	5.6	4.4
69	1.1	3.4	0.9	2.3	3.0	5.6	4.4
70	1.1	4.8	0.8	2.4	3.1	5.3	5.6
71	1.2	5.8	0.9	2.6	3.9	5.3	6.1
72	1.4	5.5	0.8	2.7	4.2	6.3	6.2
73	1.3	4.8	0.8	2.6	3.2	6.2	5.5
74	1.4	5.5	1.6	2.8	3.2	5.3	5.3
75	1.9	8.3	3.6	4.1	4.7	5.8	6.9
76	2.0	7.5	3.7	4.4	6.0	6.6	7.1
77	2.0	6.9	3.6	4.7	6.3	7.0	8.0
78	2.2	5.9	3.5	5.2	6.2	7.1	8.3
79	2.1	5.7	3.2	5.9	5.5	7.5	7.4
80	2.0	7.0	3.0	6.3	6.9	7.4	7.5
81	2.2	7.5	4.4	7.3	11.0	8.3	7.5
82	2.4	9.5	6.1	8.0	12.7	8.9	10.9

Source: OECD, *Economic Outlook*.

Table 2 : The unemployment rates (Sex and age).

(%)

Nations	Year	male					female				
		total	—19	20—24	25—55	55—	total	—19	20—24	25—54	55—
Japan	1965	0.7	1.5	0.8	0.5	0.9	1.1	1.6	1.2	1.2	0.0
	73	1.4	3.8	2.2	1.1	1.8	1.3	1.8	2.3	1.0	1.0
	81	2.3	6.8	3.6	1.7	3.6	2.2	4.2	3.7	2.0	1.4
U. S. A	1965	3.8	12.5	5.2	2.6	3.3	5.5	15.7	7.3	4.3	2.8
	73	4.0	12.9	6.5	2.5	2.5	6.0	15.2	8.4	4.4	2.8
	81	7.2	19.0	12.2	5.3	3.5	7.9	18.9	11.1	6.3	3.8
G. FR	1967	1.4	0.2	0.1	0.8	1.5	1.2	0.2	0.3	1.2	0.5
	73	0.6	0.7	0.6	0.5	1.3	1.1	1.4	1.3	1.1	1.0
	81	3.7	6.4	5.7	3.0	4.6	6.2	9.2	8.0	5.5	5.7
France	1968	1.5	3.8	2.1	1.1	1.6	2.5	5.4	3.3	2.2	1.6
	73	1.5	4.1	2.5	1.0	2.1	3.1	8.0	4.5	2.4	2.2
	81	4.8	17.2	9.8	3.5	4.4	9.9	42.8	18.8	7.1	5.6
U. K.	1965	1.2	1.2	1.0	1.0	2.1	0.7	0.8	1.1	0.6	0.5
	73	2.9	3.8	3.6	2.2	4.5	0.9	2.5	1.8	0.6	0.6
	81	11.4	14.9	17.4	9.2	13.5	6.6	12.5	12.9	6.9	3.3
Italy	1965	3.6	10.3	7.5	2.6	0.6	3.7	10.4	6.7	1.8	0.0
	73	3.0	15.8	10.3	1.5	0.3	4.7	15.7	10.7	2.0	0.0
	81	5.4	29.3	19.4	1.9	3.2	14.4	41.9	26.9	7.7	11.3
Canada	1965	3.7	10.1	4.7	2.7	3.9	3.4	7.2	3.5	2.5	1.5
	73	4.9	12.5	8.2	3.3	3.9	6.6	11.4	7.4	5.6	4.4
	81	7.1	17.0	12.4	5.0	3.7	8.3	15.5	10.0	7.1	3.7

(Source) OECD, *Labour Force Statistics* 1965—1981.

Table 3: *Economic Indicators of Major Industrialized Countries* (Unit: %)

		1975	1976	1977	1978	1979	1980	1981
Japan	Real economic growth	2.4	5.3	5.3	5.1	5.2	4.8	3.8
	Wage increase	14.8	12.5	8.5	6.4	6.0	6.3	5.3
	Consumer price increase	11.8	9.3	8.1	3.8	3.6	8.0	4.9
	Unemployment rate	1.9	2.0	2.0	2.2	2.1	2.0	2.2
U. S.	Real economic growth	-1.1	5.4	5.3	5.0	2.8	-0.4	1.9
	Wage increase	9.3	8.1	8.8	8.6	8.6	8.5	9.9
	Consumer price increase	9.1	5.8	6.5	7.7	11.3	13.5	10.4
	Unemployment rate	8.5	7.7	7.1	6.1	5.8	7.1	7.6
Germany. F. R.	Real economic growth	-1.6	5.6	2.8	3.5	4.0	1.8	-0.2
	Wage increase	8.4	6.8	7.6	5.3	5.4	6.6	5.6
	Consumer price increase	6.0	4.3	3.7	2.7	4.1	5.5	5.9
	Unemployment rate	4.7	4.6	4.5	4.3	3.8	3.8	5.5
U. K.	Real economic growth	-0.6	3.6	1.3	3.7	1.6	-1.9	-2.0
	Wage increase	26.4	12.7	8.2	14.7	16.9	18.4	10.7
	Consumer price increase	24.2	16.5	15.8	8.3	13.4	18.0	11.9
	Unemployment rate	4.1	5.7	6.2	6.1	5.8	7.4	11.3
France	Real economic growth	0.3	4.9	3.7	3.8	3.3	1.1	0.2
	Wage increase	15.3	15.7	12.5	12.0	11.8	16.2	15.1
	Consumer price increase	11.8	9.6	9.4	9.1	10.8	13.6	13.4
	Unemployment rate	3.8	4.1	4.8	5.1	5.9	6.3	7.6

Sources: Japan—Economic Planning Agency, National Accounts; Ministry of Labor, Monthly Labor Survey;

Prime Minister's Office, Statistics Bureau, Consumer Price Index and Labor Force Survey.

U.S. & Europe—ILO, Year Book of Labor Statistics and other statistics from the countries concerned.

Note: Rates of real economic growth, wage increases and consumer price increases indicate percentage changes from the previous year.

Table 4 : Number of Days lost Due to Strikes(1978)

	Days Lost per 1,000 Employees	Rate (Japan=100)
Japan	36 days	100
U. S. A.	428	1,189
Britain	414	1,150
Germany F. R.	203	564
France	125	347
Italy	720	2,000

Sources : For Japan; Ministry of Labour, Labour Disputes Statistics.
For other countries; ILO, Year Book of Labour Statistics,
supplemented by statistics of the respective countries.

Table 5 : Number of Days Lost Due to Strikes (1980)

	Days Lost per 1,000 Employees	Rate (Japan=100)
Japan	25 days	100
U. S.	343	1,372
U. K.	532	2,128
Germany F. R.	6	24
France	97	388
Italy	979	3,916

Sources : For Japan; Ministry of Labour, Labour Disputes Statistics.
For other countries; ILO, Year Book of Labour Statistics,
supplemented by statistics of the respective countries.

Table 6 : Working Hour in Various Nations in 1980
(Manufacturing industry, full-time worker).

Nations	Actual weekly working hour	Legal weekly working hour	Actual annual working hour	Absenteem rate
1. Japan	45.7	48	2140	2
2. Germany FR	42.0	48	1720	9
3. Austria	41.0	42	1760	6
4. Belgium	36.6	40	1550	10
5. Denmark	41.1	40	1760	7
6. Spain	42.0	43	1780	10
7. Finland	41.0	40	1820	NA
8. France	41.3	39	1750	9
9. Greece	41.9	43	1800	NA
10. Ireland	41.9	48	1830	7
11. Italy	41.2	48	1650	13
12. Luxenbourg	40.6	40	1700	9
13. Norway	40.8	40	1670	12
14. Netherland	41.0	48	1660	12
15. Portugal	41.8	NA	1760	8
16. U. K.	41.8	40	1800	7.5
17. Sweden	40.6	40	1580	14
18. Swiss	43.8	46	1930	6
19. Canada	42.0	40	1900	4
20. U. S. A.	42.1	40	1930	4
21. Average	41.5	41	1760	8.5

(Source : Yoshio Sasajima, Employment and Unemployment in Japan, the U.S.A. and Europe, Tōyokeizaishinpusha Book Co., 1984, p. 21)

***Table 7: Annual Hours Worked: Some International Comparisons
(Production Workers in Manufacturing Industry)***

(Unit=hours)

Countries		1975	1978	(excluding part-time workers)
Japan	Average	2,059	2,146	(2,164)
	Over 1,000 workers	1,948	2,050	—
	500—999	1,940	2,051	—
	100—499	1,993	2,095	—
	30—99	2,096	2,197	—
	5—29	2,167	2,214	—
U. S.		1,882	1,934	(1,987)
U. K.		1,923	1,957	(2,031)
France		1,830	1,799	(1,813)
Germany, F. R.		1,678	1,728	(1,766)
Italy		1,518	—	—

Source: Ministry of Labour, The White Paper on Labour, 1980.

Table 8 : Ratio of Firms Offering Days-Off Other Than Weekly Days-Off

(Unit: %)

Size of Firm	Total	1 ~ 4 days	5 ~ 9 days	10~14 days	15~19 days	20~24 days	25 days or more	Average number of days-off per company (days)	
Total	1970	100.0(96.0)	7.0	25.6	25.1	34.9	6.1	1.3	—
	1972	100.0(98.0)	4.8	16.0	17.9	48.6	11.9	0.8	14.5
	1973	100.0(98.9)	5.1	11.6	18.2	45.7	17.0	2.4	15.3
	1974	100.0(97.6)	4.2	10.0	11.8	48.0	23.0	3.0	16.2
	1976	100.0(96.6)	5.1	10.9	10.5	48.5	21.9	3.1	16.1
	1977	100.0(96.7)	5.1	9.5	13.8	43.5	24.0	4.1	16.2
	1978	100.0(96.3)	4.1	9.8	12.1	43.9	26.4	3.7	16.5
	1979	100.0(97.1)	4.1	8.9	12.1	42.9	28.2	3.7	16.7
	1980	100.0(96.9)	4.7	8.2	12.2	42.8	27.9	4.7	16.8
	1981	100.0(96.9)	3.8	8.5	11.7	43.7	28.8	4.0	16.9
	1982	100.0(96.9)	3.8	8.8	10.9	44.6	27.9	4.2	16.9
1,000 employees or more	1982	100.0(98.9)	2.4	4.2	11.8	50.9	26.3	4.3	17.4
100~999	1982	100.0(97.0)	3.8	5.8	9.3	44.4	31.1	5.7	17.5
20~99	1982	100.0(96.8)	3.5	10.2	11.5	44.5	26.7	3.5	16.6

Source: Ministry of Labour, *General Survey on Wages and Hours of Work*. /Days off=holidays in a year

Notes: 1) Figures in parentheses indicate the ratio of firms offering one or more days-off other than weekly days-off

2) Figures for 1974 and preceding years are based on 8 major industries excluding service industry, but those for 1976 and thereafter are based on 9 major industries including the service industry.

3) The average number of days-off is the quotient of total number of days-off divided by the number of firms offering extra days-off.

Table 9 : Ratio of Firms Adopting Extra Days-Off and Average Number of Extra Days-Off

Size of Firm	Total	National Holidays		Year-end and New Year's Holidays		Special Summer Holidays		Others	
		Ratio of Adoption	Extra Days-Off	Ratio of Adoption	Extra Days-Off	Ratio of Adoption	Extra Days-Off	Ratio of Adoption	Extra Adoption
Total	16.9	(%) 93.8	(days) 9.8	(%) 93.9	(days) 4.2	(%) 78.1	(days) 3.1	(%) 34.9	(days) 2.2
1,000 employees or more	17.4	97.3	10.6	95.4	3.7	58.6	3.2	56.3	2.5
100~999 employees	17.5	94.6	10.4	94.1	4.1	74.3	3.3	40.1	2.2
30~99 employees	16.6	93.4	9.6	93.7	4.3	80.3	3.1	32.2	2.2

Source : Ministry of Labour, *General Survey on Wages and Hours of Work* (1982).

Notes : 1) "Others" include foundation anniversary, local festivals, May Day, etc.

2) January 1 is not included in the year-end and New Year's holidays.

**Table 10: Rates of Attendance and Absenteeism
(Manual Workers at the Workshop)**

Plants Surveyed	Attendance Rates %	Absenteeism %	Paid Holidays %
Auto Assembly •	96.0	0.9	3.1
Ship Building •	90.3	2.3	7.4
Ship Building ⁽¹⁾ •	90.0	1.7	8.3
Steel ⁽¹⁾ •	92.2	0.2	7.6
Textile ⁽²⁾ •	96.5	1.0	2.5

Source: Quoted from Koshiro, K. "Work Incentives and Labor-Management Relations of Large Firm Employees in Japan(in Japanese)" in M. Sumiya ed. *International Comparison of Industrial Relations (in Japanese)*, Tokyo: University of Tokyo Press, 1978.

Notes: (1) Figures are average for the first half of 1977.

(2) The very high attendance rate in textile industry reflects the fact that a large number of female workers have relatively few paid holidays because of their short duration of service.

Table 11: Absenteeism Rate in Major Countries

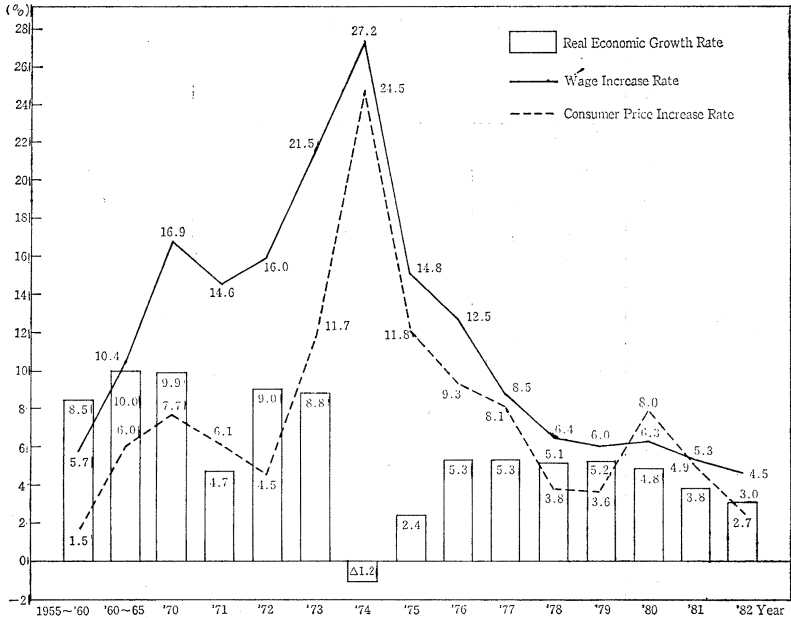
	Absenteeism Rate (%)
Japan (1977)	1.95
U. S. (1978)	3.5
Germany, F. R. (1979)	7.7
France (1975)	8.3
Italy (1978)	10.58
Sweden (1978)	13.8

Source: Japanische Industrie-und Handelskammer zu Düsseldorf. V.

Notes: 1) $\text{Absenteeism} = \frac{\text{Number of Days Absent}}{\text{Number of Annual Scheduled Days of Work}} \times 100$

2) Absenteeism here includes absence for personal reasons and due to sickness.

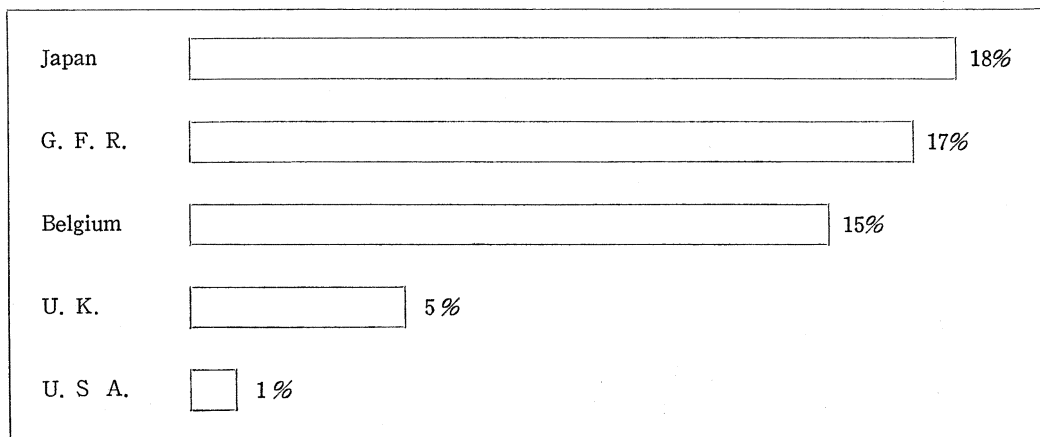
Chart 1: Changes in Real Economic Growth Rate, Wage Increase Rate and Consumer Price Increase Rate (in Japan)



Source: Real economic growth rates are from Economic Planning Agency, *National Income Statistics*. Wage increase rates are from Ministry of Labor, *Monthly Labor Survey*. Consumer price increase rates are from Bureau of Statistics, Office of the Prime Minister, *Retail Price Statistical Survey*.

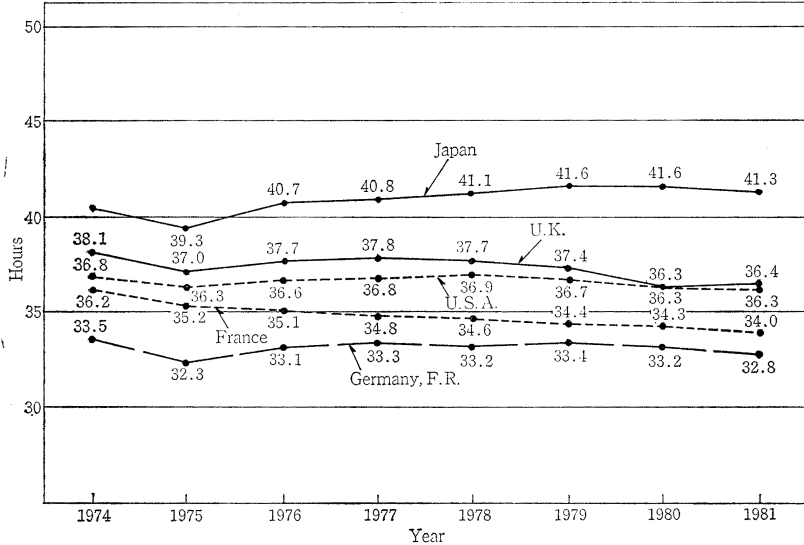
- Notes: 1) Real economic growth rates based on new SNA data since 1970.
 2) Services not included in wage increase rates for the period from 1955 to 1970.

Chart 2 : Growth Rates of the Labor Productivity during 1973~1979.



Source : *The English Journal*, 8th August, 1983, p. 179.

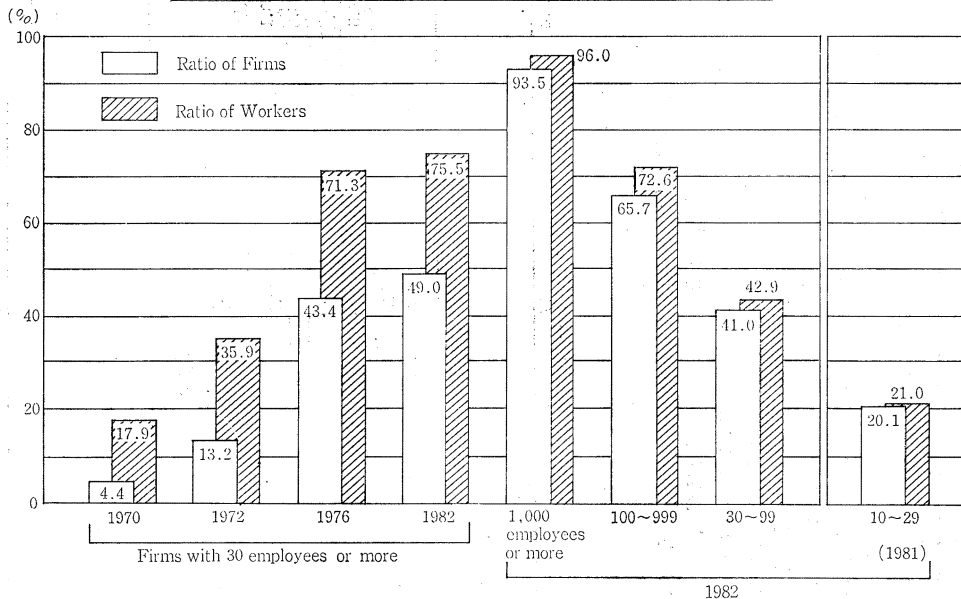
**Chart 3 : Trend in Net Weekly Working Hours of Major
 Advanced Countries (Estimates, Production
 Workers in Manufacturing Industries)**



Sources: Japan - Ministry of Labor, *Monthly Labor Survey* (covering firms with 5 employees or more)
 Others - EC Bureau of Statistics, *Labour Costs in Industry 1975* and ILO, *Bulletin of Labour Statistics*.

Note: In order to make possible a comparison between Japan and other countries, the relevant data of EC countries were derived from the yearly total net working hours of EC Bureau of Statistics for 1975 and, for the years other than 1975, the corresponding figures were extrapolated by applying to the 1975 figures the rates of change in the hours paid for which had been announced by each country and then dividing the derived figures by 52 weeks. As for the U. S. A., hours paid for were converted to net hours worked based on the *Labor Costs Survey*.

**Chart 4: Ratio of Firms Adopting Five-Day Workers under the System
(As of End of September Each Year) in Japan**



Source: Ministry of Labor, *General Survey on Wages and Hours of Work*.

Notes: 1) The service industry is excluded from the figures for 1970 and 1972, but it is included in the figures for 1976 and 1982.

2) The figures for firms with 10~29 employees are those for 1981.

(Footnotes)

- 1 Haruo Shimada, *The Japanese Employment System*, The Japan Institute of Labour, 1980, p. 6.
- 2 James C. Abegglen, *The Japanese Factory; Aspects of Its Social Organization*, Free Press, 1985.

II. Stereo-types of the Japanese Personnel Management and Industrial Relations.

There are stereo-types about Japan which emphasize Japanese cultural uniqueness, paternalism, loyalty, commitment, harmony, group cohesiveness, etc. And some popular stereo-types concern Japanese Personnel Management and Industrial Relations.

There are three institutional components :

- 1) a lifetime employment system,
- 2) the Nenko (reward and promotion by the length of service) wage and promotion system and/or Japanese seniority system, and
- 3) enterprise unionism.

The lifetime employment system is said to be the system through which the employer provides his workers with employment security throughout their occupational life, just like a father recognizes his child as a permanent member of his family; and the worker in return offers unlimited commitment and loyalty to the employer.

The impetus for this system appeared in the beginning of the 20th century as a policy of employee maintenance in business organizations (particularly in big business). This system has developed to provide security for the employees in the company and has substituted for the poor system of government social security in Japan.

The following are some advantages and disadvantages of this system.

The advantages are (see Tables 12 and 13):

- ① establishment and maintenance of the employee's loyalty for his enterprise,
- ② stability of good team work and communication among employees,
- ③ maintenance of formal and informal secret information of the enterprise.

The disadvantages are :

- ① personnel adjustment with little flexibility or mobility such as the long-term consintenance of aged workers,
- ② ineffective and nonproductive organizations because of maintenance of inefficient workers.

The Nenko (reward and promotion by length of service) system and/or the Japanese seniority system, is based not on job evaluation but on educational background and number of years of continuous service at the same company. With this system, the worker is assured of enough earnings to cover his life-time needs. So the worker is willing to commit himself to the firm over a long period of time. This system has been peculiar to Japan since World War II, in order that each company protect the employee's disposable income from violent inflation during the period of occupation by the American military (from 1945 to 1952)².

Enterprise unionism is based on a type of organization which organizes employees of the same firm irrespective of whether they are blue- or white-collar workers. Although such a union differs essentially from the so-called "company union" in that it is organized by the workers' free choice and initiative, it has a certain quality favored by employers in that all union members are employees of the company. As result, employers can expect workers to share similar interests with the management and therefore be less apt to strike.

Table 12: Some Advantages of the System of Lifetime Employment
(Based on a Questionnaire from Some Companies)

		1*	2*	3*	4*	5*	6*	7*	8*
Total		46.9	20.4	31.8	20.0	52.7	9.4	14.1	0.9
Size of Assets	Under 5 billion	39.9	23.8	35.7	19.0	50.6	10.7	17.3	—
	5 to 10	48.0	17.3	36.0	22.7	52.0	5.3	12.0	1.3
	10 to 20	43.3	20.9	40.3	16.4	49.3	11.9	13.4	—
	20 and over	56.6	17.6	20.6	21.3	57.4	8.8	11.8	2.2
<p>1*.....Basis for cooperative paternalistic ideology. 2*.....Increase in loyalty. 3*.....Basis for confidence between Labor and Management. 4*.....Stabilization of hiring. 5*.....Increase of worker's feeling of relief and security. 6*.....Maintenance and development of customs and traditional management methods. 7*.....Development of Personnel Management based on long-term viewpoints. 8*.....No answer.</p>									

Source: Keizai Doyukai Employer Association ed., *The Changing of Labor and Management*. IV, April 1963, p. 25.

Table 13): Some Disadvantages of the System of Lifetime Employment
(Based on a Questionnaire from some Companies)

		1*	2*	3*	4*	5*	6*	7*	8*
Total		59.0	11.9	12.1	52.5	15.5	14.1	29.1	1.1
size of Assets	Under 5 billion	54.2	17.3	14.3	46.4	16.1	14.3	30.4	1.2
	5 to 10	62.7	8.0	16.0	42.7	28.0	13.3	26.2	1.3
	10 to 20	61.9	9.0	9.0	53.7	13.4	17.9	32.8	—
	20 and over	61.8	8.8	8.8	64.7	8.8	12.5	27.2	1.5
1*.....Retention of old and incompetent workers. 2*.....Difficulty of strict personnel appraisal. 3*.....Decline of competent worker's morale. 4*.....Retention of the Japanese seniority system (Nenko wage and promotion system). 5*.....Dependence on special human relations based on family ideology. 6*.....Lack of a fair competitive spirit. 7*.....Increase in "flatter and/or apple-polishing" and conservative behavior. 8*.....No answer.									

Source: Keizai Doyukai Employers Association ed., Ibid, p. 27.

These three building blocks of the stereo-type model of the Japanese Personnel and Industrial Relations system are often called the “Three Sacred Treasures” of Japanese industrial relations by employers during the years of rapid economic growth in the sense that they together assured Japanese industries extraordinary worker commitment, high motivation, peaceful labor-management relations and above all high productivity.

However, these three stereo-type concepts are too abstract and rough to describe the actual conditions of the Japanese Personnel Management and Industrial Relations system. And they contain many puzzles when examined more carefully. For example, how can a firm ever survive economic fluctuations with this rigidity of the Personnel Management and Industrial Relations system? So, I would like to explore in more detail the Japanese Personnel Management and Industrial Relations system.

(Footnotes)

- 1 Kazuo Kikuno, “Koyo Kanri (Employment Management)” in *Roumu Kanriron (Personnel Management)* edited by Goro Mori, Yūhikaku Book Co., 1974, p. 120.
- 2 Ibid, pp. 120—121.

III. The Actual Procedures of the Japanese Personnel Management and Industrial Relations System—Its Eleven Characteristics—.

I will show a chart of the traditional Japanese Personnel Management and Industrial Relations system with its eleven factors and/or characteristics. These are :

- 1) On the one hand, Japanese enterprise hire graduates direct from

schools (e. g., university, college, high school, etc.) as long-term employees. On the other hand, they also hire temporary workers, outside workers and/or subcontracted workers and part-time workers as "half-way" workers who come to the firm in mid-career from other firms or from agriculture, and who might have worked for several employers.

- 2) Japanese enterprises train long-term employees through continuing on-the-job training (OJT) and assign them to various positions through their careers.
- 3) Personnel evaluation is carried out with the perspective of career-long employment by the enterprises. And the enterprises utilize the Nenko promotion and/or Japanese Seniority (promotion by length of service) system.
- 4) The Nenko wage-and-salary (wage-and-salary by the length of service) system.
- 5) A large bonus; Japanese long-term employees receive a large bonus twice a year, in June and December, totally 3 to 5 times their monthly income.
- 6) Japanese workers diligently and systematically work overtime, despite the fact that the labor law has a provision stating the maximum number of working hours, in principle, is eight hours a day and forty eight hours a week. The average overtime per worker was 13.4 hours (Cf. manufacturing industry was 16.2 hours) a month in 1983. Although almost 90 per cent of all firms in the U.S.A. and the advanced countries in Europe have introduced the 2-day weekly rest system, this system is used by only 75 per cent of Japanese firms (including 2-day biweekly rest system). As employers have to pay at a higher hourly wage for work that exceeds the set number of hours, companies like to try as far as possible to efficiently dispose of the work within the normal working hours. Labor unions are also against too much over time. For these reasons, Japanese

by no means constantly work longer than the normal hours. However, when impending delivery dates make rapid action necessary, it is a fact that ordinary workers, as well as management, raise few objections to working overtime. And Japanese workers get very little annual vacation. (See, Tables 6 ~11)

- 7) Most Japanese enterprises have the lifetime employment system, but specify retirement ages of between fifty-eight and sixty.
- 8) Because of the family-oriented lifetime employment system, the employee benefit programs are more than adequate to supplement the needs of workers. Many workers live in company-owned houses or flats. Most hospital services are free, cheap meals are served in the company cafeteria, and some of the supermarkets are company-owned. Moreover, workers can go to company-owned inexpensive recreation centers at the mountains and beaches. Therefore, there is low employee turnover and absenteeism, and many co-operative workers.
- 9) Japan's firms have had the traditional "Ringi system" in which the lower echelon of staff managers propose suggestions, plans and ideas for new policies, and submit them for long-term and even short-term planning at meeting in a process which Peter Drucker called "decision by consensus". This decision-making process is flexible, supporting technological change.
- 10) When the work group to which one is attached is faced with difficulties or problems that require urgent action, the usual thing for each member of the group is to give priority to the work, rather than to personal considerations, in order to arrive at an early solution. So, Japanese enterprises have been able to utilize "small group management" due to Japanese group consciousness, e. g., the Quality Control (QC) Circle, the Zero Defects (ZD) Circle, etc.
- 11) Although Japan's firms have labor unions and collective bargain-

ing systems, they are very different from those of western countries. Most of Japan's labor unions (except the seamen's union) are enterprise unions. So, collective bargaining is held on the enterprise level. Moreover, there is another type of bargaining system in addition to collective bargaining, that is, the Joint Consultation System between the employer and the enterprise union, which is comparably more informal than collective bargaining. Why is such a system easily established in Japanese enterprise? In contrast to the situation in Western countries, where labor union are usually formed outside the enterprises, Japan's employee representatives, who participate in the Joint Consultation System, are almost always union officials while at the same time employees of the company. For this reason, the boundary between the Joint Consultation System and Collective Bargaining is generally unclear, and it is not unusual for Joint Consultation to precede collective bargaining or to serve as an alternative to it. In most cases, the same items are discussed in both systems, and if an agreement is not reached in the Joint Consultation process, the issues are referred to collective bargaining. One difference, however, is that there are no strikes during the Joint Consultation process. Joint Consultation serves as an effective instrument in the search for mutual understanding and cooperation at the enterprise level.

According to factor No. 1 mentioned above, we could understand that Japanese firms can even survive economic fluctuations by utilizing temporary workers, outside and/or subcontract workers, etc.

IV. Recent New Conditions of the Personnel Management and Industrial Relations in Japan.

As a result of the world oil crises (1974 and 1979), a great many social, economic, technological and political conditions have changed drastically, for instance,

- ① a decelerating economy and belt-tightening management since the world oil crisis in 1974,
- ② changes in industrial and employment structures (see Table 14 and 15),
- ③ an increase in the number of older workers in an aging society (see Chart 5 and 6; and Table 16)
- ④ an increase in the number of people with higher education (see Table 17 and Chart 7),
- ⑤ use of Micro Electronics (ME), e.g., factory automation with numerical control machines and industrial robots, and office automation with word processors, facsimiles, photocopiers and micro-computers,
- ⑥ decrease of unionisation rate (see Table 18) and reinforcement of labor-management cooperation,
- ⑦ an increase in intensive international competition particularly in the automobile industries and in electronics and balance of payments disequilibrium among the industrialized countries, due to political and economic conditions.¹

Due to these changing conditions, the Japanese Personnel Management and Industrial Relations system have changed somewhat recently; for example,

A)*increase in white-collar workers (particularly in the tertiary industries);

*decrease in blue-collar workers (in 1980, white-collar workers numbered 25 million and blue, 20 million);

- *increase in part-timer workeres;
 - *increase in “steel-collars” (industrial robots)—see Table 19;
 - *increase in “silicone-collars” (office automation machines);
- B)*transfer of long-term employees to subcontract companies;
- *recomendation for re-entry into employment for long-term employees (particularly for middle and old age workers);
 - *emergence of “Madogiwa Zoku” (window “tribe”) as surplus workers (these are people in stagnant or decling industries who have nothing to do but come to work and read a novel or, sometimes, stare aimelessly out the window);
- C)*promotion not by the Nenkei (Japanese seniority system) but by competence for work in middle and old workers (after about 45 years old);
- *selection of managers and specialists according to competence for work after about 45 years old;
 - *age limit system for managers;
- D)*wage-fixing not according to the Nenkei system but competence for work after about 45 years old;
- *change from a lump-sum payment upon retirement to an annuity or pension system;
- E)*a rise in the mandatory retirement age from 55 to 60 years old, as well as introduction of early retirement system.
- F)*A strengthening of “Japanese small group management” from the QC (Quality Control) circle to the TQC (Total Quality Control) circle. QC circle (or QC groups) were introduced in Japan around 1960 and the ZD (Zero Defects) movement began in 1965; both are modeled on American techniques. The recession in 1965 and the impact of the liberalization of international trade and direct foreign investment on Japan in the late 1960s and early 1970s generated a “crisis consciousness” among employers and workers. Among the establishments studied, shipyards introduced QC circles in 1966, the same year steel plants began

Table 14: The Transition of the Structure of Employment in Japan.

(%)

	1950	1960	1965	1970	1975	1980	1983
The Primary Industries	48.4	30.2	23.5	17.4	12.7	10.4	9.3
The Secondary Industries	21.9	28.0	31.9	35.1	35.2	34.8	34.1
The Tertiary Industries	29.1	41.8	44.6	47.5	52.1	54.8	56.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Labour Force Survey*, edited by The Bureau of Statistics in The Prime Minister's Office (Japan)**Table 15: The Structure of Employment in Various Countries.**

	Japan (1983)	U.S.A (1981)	U.K. (1980)	G.F.R. (1981)	France (1981)	Italy (1980)	Pakistan (1982)	Korea R.O.K. (1981)	Brazil (1976)	Aust- ralia (1982)
The Primary Industries	9.3	3.5	2.7	5.7	8.6	14.2	52.7	34.2	36.2	6.3
The Secondary Industries	34.1	29.6	36.7	43.1	34.4	36.7	19.5	27.5	23.2	28.6
The Tertiary Industries	56.6	66.9	60.5	51.2	57.0	49.1	27.8	38.3	40.6	65.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Investigation of the I.L.O.

Table 16 : The Age Distribution of Hired Workers in Japan.

Ages Years	15-29	30-39	40-54	55-64	65 and over	Total
	1965	46.8%	24.8%	21.0%	5.9%	15.5%
1970	43.0	24.0	24.2	6.8	2.0	100.0
1975	36.2	25.0	28.9	7.5	2.4	100.0
1980	29.3	27.7	32.0	8.4	2.6	100.0
1983	27.4	27.4	33.4	9.4	2.4	100.0

Source: *The Labour White Paper in 1984*, edited by the Ministry Labour in Japan.

Table 17 : Level of Higher Education^{a)}

	Year	Percentage of Relevant Age Group ^{b)}		
		Total	Male	Female
U.S.A.	1931	e45.5 ~50.7	e46.3 ~51.4	e44.6 ~50.0
Japan	1983	35.1	37.9	32.2
France	1980	26.4	21.5	31.5
Germany, F.R.	1979	19.4	21.5	17.2
U.K.	1977	22.1	25.3	18.9
(ref.) Rate of junior high school graduates continuing on to senior high school (%)				
Japan	1983	94.0	92.8	95.2

- a) Higher school education means: USA-figures of new entrants at university level; France, Germany F. R. -figures of those qualified for higher school education (university level); Japan-total figures of new entrants at university level, junior college level, national training institute for nursing teachers and senior level of technical colleges.

b) Percent of equivalent age population.

Source: Ministry of Education, Japan, *Statistical Abstract of Education, Science and Culture*. 1982: *Asahi Shinbun*.

Table 18 : The Transition of Number of Union Members, Number of Hired Workers and Percent of Organized Workers in Japan.

Years	number of union members	Number of hired workers	percent of organized workers
1965	10, 147 thousands	29, 140 thousands	34.8%
1970	11, 605	32, 770	35.4
1975	12, 590	36, 620	34.4
1980	12, 369	40, 120	30.8
1983	12, 520	42, 090	29.7

Source ; *The Labour White Paper in 1984*, edited by the Ministry of Labour in Japan.

Table 19 : The Number of Industrial Robots in the World (in 1981)

	Number of Robots	Share in the World	Number of Robot-Producing Firms
Japan	14, 250	62.7%	75
U.S.A.	4, 100	18.1	16
Germany F.R.	1, 420	6.2	18
Sweden	940	4.1	7
France	600	2.6	8
U.K.	371	1.6	8
Italy	353	1.5	16
Canada	250	1.1	1
Others	495	2.1	—
Total	22.779	100.0	—

Source ; The Association of Industrial Robot-Producing Firm in Japan.

the ZD movement. The basic idea behind QCs, as explained by management, is to improve managerial efficiency, the quality of products, and working conditions as well as methods of work performance, with the participation of all employees of the shipyard. In promoting these activities, management encourages the participants to stress clear-cut objectives, to improve communication and cooperation among employees, and to utilize the techniques of scientific management. It is expected that through such activities the quality of products will be improved, a more human and interesting atmosphere in each workshop will be created, and self-development and mutual education among workers will be enhanced. Recently, many industries have introduced the TQC instead of the QC. The TQC is applied at the enterprise level, in comparison with the QC which is only at the workshop level.²

G)*Intensification of co-operation between labor and management at the enterprise level; Many has suggested that industrial relations are the primary cause of Japan's having overcome the Oil Crises despite the scarcity of resources; this attracted worldwide attention. The most basic factor bringing about such stable industrial relations has been the dialogue between labor and management. Coupled with company-based trade unions (enterprise unions), enhancement of intra-company communication activities has also contributed to such stability. Introduction of labor-management consultation meetings and corporate publications for internal circulation have been two such activities.

The current Japanese labor scene is unique in many respects. There has been substantial social mobility in Japan since World War II, as is illustrated from the statistics that 15.7 percent of those holding executive positions in thier companies now were once executive members of the labor union (see Table 20).

Discrepancies between labor and management in real take-home

wages have been narrowing remarkably in comparison with the pre-war period (see Table 21). Exchange of views among member of Nikkeiren (Japan Federation of Employers' Association), the National Labor Centers such as the General Council of Trade Unions of Japan, the Japanese Confederation of Labor, and the Industry and Labor Round-Table Conference (a private advisory body to the Minister of Labor) as well as various other dialogues at the national and local levels, have promoted communication between labor and management. Such exchanges have thereby made a substantial contribution to the stability of Japan's industrial relations. Such labor-management communica-

Table 20 : Percentage of Japanese Corporate Board Members With Union Leadership Background

		Total
No. of Firms Responding	(1) Total number of firms responding	352 firms
	(2) Number of firms with board members who were union leaders	235 firms
	Ratio ((2)/(1)%)	66.8%
No. of Board Members	(3) Total number of board members	6,457 people
	(4) Number of board members with union leadership background	1,012 people
	Ratio ((4)/(3)%)	15.7%

Source: Nikkeiren survey data.

Notes: (1) Surveys sent in August 1978 to 540 firms.

(2) 352 replies received by 16 September 1978.

(3) 65.2% response ratio.

tions will be even more broadened in the future.

(Footnotes)

- 1 Kazuo Kikuno, "Waga Kuni no Roumukanri to Sono Tokucho (The Recent Personnel Management in Japan)" in *Roumukanri (Personnel)* edited by Goro Mori, Hougaku Shoin Book Co., 1976, pp. 62-64.
- 2 Kazuo Kikuno, *Roumukanri no Kiso Riron (Personnel Management and Industrial Relations)*, Senbundo Book Co., 1982, pp. 196f.

**Table 21: Comparison of Annual Income (Including Bonus)
Between Presidents and Freshmen in Private
Enterprises in Japan** (Unit=thousand yen)

Year	Annual Income of Presidents A	Annual Income of Freshman (male graduate of universities) B	A/B
1927 before-tax	165	1.5	110.0
after-tax	151	1.5	100.7
1963 before-tax	6,082.0	257.9	23.6
after-tax	3,013.0	252.5	11.9
1973 before-tax	15,676.7	825.5	19.0
after-tax	7,181.4	797.4	9.0
1979 before-tax	22,018.0	1,462.9	15.1
after-tax	10,913.0	1,407.0	7.8

Sources: Pre-war (1927); Kamekichi Takahashi, *Japan's Enterprises and the History of their Executives*.

Post-war (1963 onward);

For presidents; Politics and Economics Institute, *Survey of Wages and Bonuses of Executives*.

For freshmen; Nikkeiren, *Survey of Starting Salary*.

Note: Presidents surveyed are of big enterprises in the private sector, with more than ¥500 million paid-up capital for 1963 and with more than ¥3 billion for 1973 and 1979.

Chart 5: The Age Distribution in Total Population

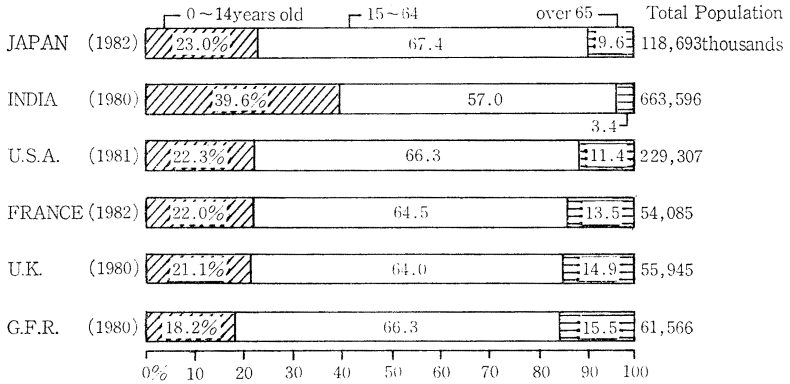


Chart 6: The Transition of Aging Society.

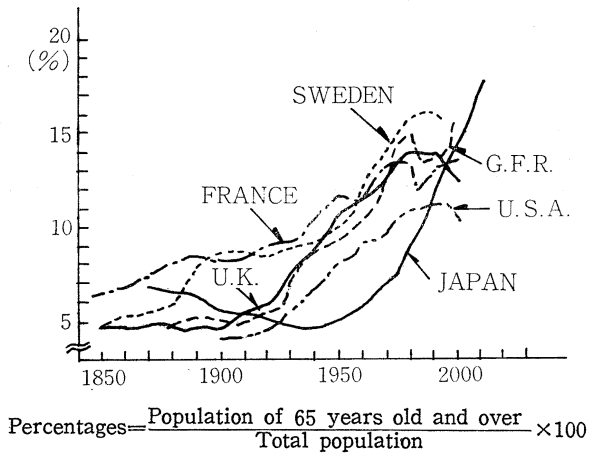
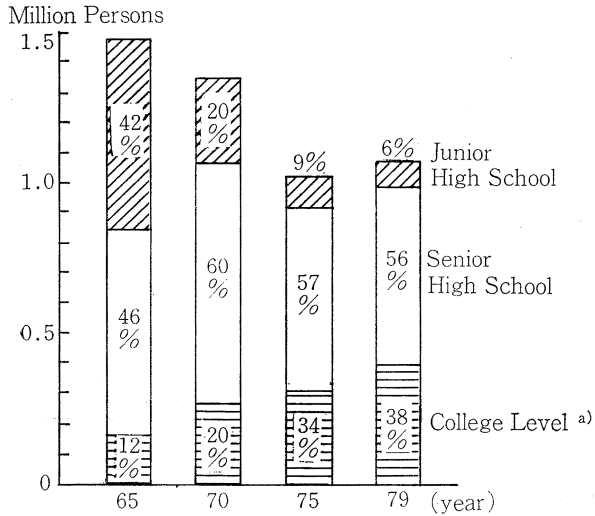


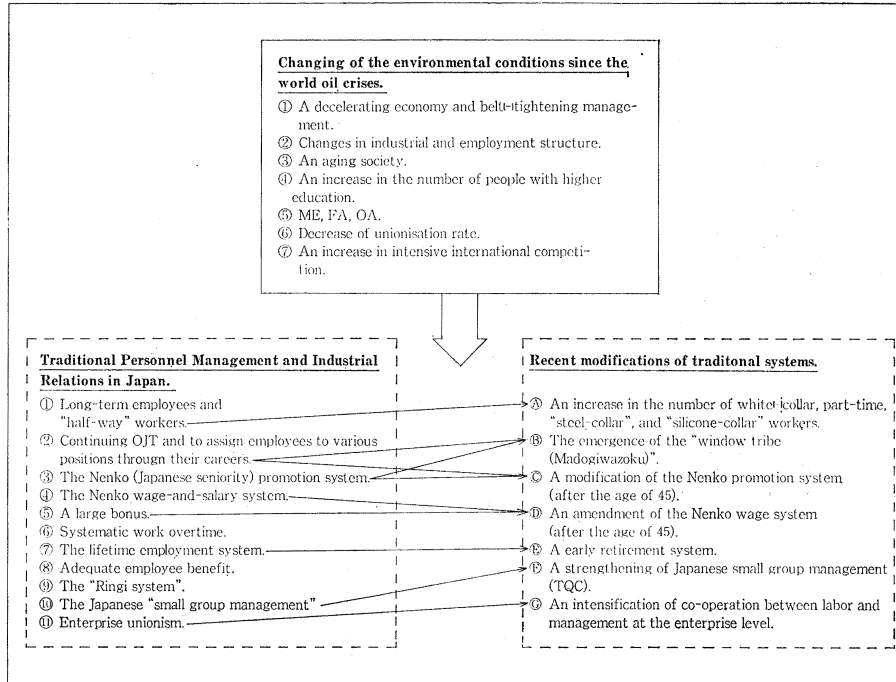
Chart 7: *Educational Background of Japan's Newly Employed Graduates (1965-1979)*



a) College level refers to junior college, college, university and graduate levels.

Source: MITI, *The Vision of MITI Policies in the 1980s*.

Chart 8: Changing of the Environmental Conditions, and Personnel Management and Industrial Relations in Recent Japan.



Source : Kazuo Kikuno, *Personnel Management System*, Nihon Nouritsu Kyoukai, 1984, p. 79.

V. Brief Concluding Remarks.

Recently some aspects of Personnel Management and Industrial Relations in Japan, mentioned in IV, have changed somewhat. There has been:

- A. an increase in the number of white-collar part-time, "steel-collar," and "silicone-collar" workers;
- B. the emergence of the "window tribe (Madogiwazoku)";
- C. a modification of the Nenko (Japanese Seniority) promotion system (particularly after about the age of forty-five);
- D. an amendment of the Nenko wage system (particularly after about the age of forty-five);
- E. a early retirement system;
- F. a strengthening of Japanese small group management (from the QC to the TQC); and
- G. an intensification of co-operation between labor and management at the enterprise level.

However, such changes and/or new modifications are superficial and the Japanese traditional system will not change fundamentally.

(5 July, 1985)

*This paper is an extract of the report I gave at the international symposium at the University of Bielefeld on 4th—6th October, 1984: "Personnel Management and Industrial Relations in Japan" published in *Structural Changes in Industrial Society, Japan and West Germany*, edited at the University of Bielefeld (Faculty of Sociology), 1985.