

Employment in Japan: Plus Ça Change?

By Dr. Okuda Kenji

Fifty years have elapsed since the end of the Second World War, during which time the political, economic, and social situation has changed greatly. And while employment relations in Japan have also changed drastically on the surface, it should be understood that ingrained and underlying thought patterns and behavioral modes remain static. In this article I would like to delve into the foundations of employment relations in Japan irrespective of the recent abrupt changes.

Lifetime employment— a misleading concept

It is commonly believed that lifetime employment typifies the employer-employee relationship in Japanese industry. Moreover, a large number of people are also under the impression that the fundamental factors in Japan's traditional lifetime employment practices began during the Edo era when, once formed, an employer-employee relationship would continue throughout one's life. This practice was preserved and esteemed as a remnant of the feudal system in the period after World War II.

However, a recent research paper on business history notes that it is probably inappropriate to label actual employment conditions in Edo-era merchant firms as "lifetime employment." Merchants generally drew up employment contracts with a cut-off period of four or five years; at the end of the contract term only those whose employment was acceptable would have their contracts extended, while the contract for those whose record was deemed poor would not be renewed.

Further, examples of employees who, for reasons of their own, did not renew or cancelled their contracts were hardly few in number. One carefully researched report on long-term employees at typical merchant firms shows that employees who received treatment equivalent to what we would call lifetime employ-

ment came to no more than 5% to 15% of the total work force, meaning that 85% to 95% of employees left their place of employment or were terminated. Therefore it would be wrong to conclude that lifetime employment was customary from the Edo era on.

Post-Meiji Restoration companies faced with boom and bust cycles in the process of industrialization also found personnel cuts inevitable. Moreover, personnel cuts were implemented in conjunction with reconstruction-oriented rationalization steps in the midst of the post-defeat economic disruption following the Second World War. Labor unions reacted to these personnel cuts with fierce opposition and many businesses were jeopardized by lengthy strikes. Labor-management disputes escalated in the four to five years following Japan's defeat and many people harbored fears that a political revolution might be near at hand. This confrontational labor-management relationship had a high social cost and management learned that the prudent course would be to avoid personnel cuts if at all possible.

From 1955 Japan enjoyed a period of accelerated economic growth. During that time management was not faced with the need to cut staff and the illusion that employment relations in Japan were characterized by lifetime employment also took root. However, people were not swayed by that myth for very long. Confronted with the two oil shocks of the 1970s, management was again forced to retrench. Moreover, with the yen trending higher due to the 1985 Plaza Accords, finally reaching a level of ¥100 or so to the dollar at the beginning of the '90s, companies have been compelled to further streamline operations and personnel cuts are finally targeting middle-aged staff in administrative positions. The Labor Ministry's 1992 "Basic Survey of Wage Structure" offers statistical evidence that the ratio of male university graduates in the 55-59 age bracket who "entered a company

immediately after graduation and stayed with the same firm" was no more than an average 20.6% for all companies and 31.7% for major corporations with 1,000 or more employees. It was no more than an average 6% for all firms for employees who were male high school graduates. These figures prove that one should not make the assumption that employment in Japan is lifetime employment. In this sense, I would like to reconfirm that the concept of lifetime employment is misleading and does not precisely reflect employment realities.

The origins of employment forever

Japan is a nation with a capitalist economic system and management has been unable to avoid personnel cuts. Currently, with business activity in stagnation and labor in oversupply due to the recession and for other reasons, can layoffs, especially of blue collar workers, be implemented immediately as in Europe and the U.S.?

Japanese companies differ from those in the West and are extremely cautious about hasty personnel cuts, making every effort to try various measures that might be thought to be useful in avoiding that course. For example, they cut workers' overtime, reduce executives' and managers' salaries, and cut down on stockholders' dividends. Work that was farmed out to subcontractors is brought in-house and other measures are taken. New hires are also halted. An additional important measure is transferring employees to busy factories within the company, but when work sites do not have the leeway to accept these steps companies will sometimes preserve their employees' status by assigning them to other firms. In some cases they will also undertake technical training while work is unavailable. In this way, layoffs are avoided even though there is no work. If vocational

Diagram 1

Dichotomized relationship

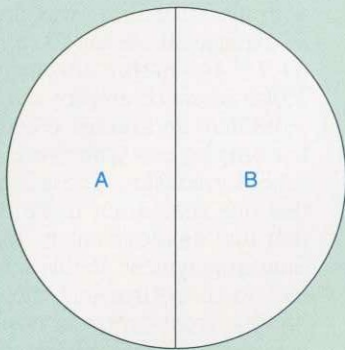
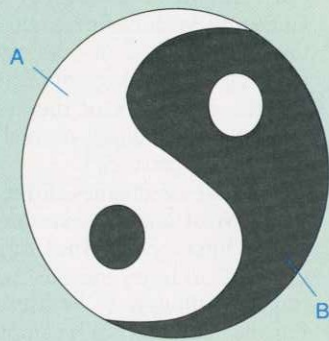


Diagram 2

Complementary relationship



training is offered, the national government compensates companies for one-thirds to two-thirds of the labor and training costs. The overriding view that no distinctions should be made among employees, including blue collar workers, for example, who are seen as valuable partners, leads Japanese companies to behave in this manner. As such, they will try any number of countermeasures to avoid personnel cuts. Neither is the

period of employment continue for as long as it takes to acquire the specialized skills that will permit a person to be respected as a productive member of society.

Moreover, there is also the desire that this not end up degenerating into an indulgent relationship as in the case of lifetime employment, but one replete with tensions. Many Japanese are fond of the phrase "once in a lifetime opportu-

nity." This phrase originated in the tea ceremony, but is now used to mean "we have met and are working together and it might be that we will not have a second chance for this kind of relationship." In fact, the chance will not come again. So the phrase expresses the importance of the present moment and the desire to put one's heart into the relationship. However, it is unnecessary to make the strict assumption that there is an obligation to maintain these highly strained relationships until retirement age.

The above considerations explain that "lifetime employment" is an incorrect term, and, at the same time, the situation in Japan is not as fluid as Western-style employment relations, either. How should employment relationships be conceptualized? Recently "continuous, long-term employment" and "stable employment" have frequently been used as substitutes for the phrase "lifetime employment." A number of desires are inherent in the word "stable." One is that relationships—working together in the same workplace with members of the same team to achieve joint goals—be as stable and continuous as possible. There is also an implicit desire from a social perspective that the

burden of sacrifice placed on employees alone. Everyone who has a stake in the company—executives, shareholders, and subcontractors—are affected and Japanese people consider this a fair solution.

As I have already noted, the yen began to rise beyond all expectations at the beginning of the '90s and in order to cope many Japanese companies are starting to deploy operations overseas. As companies and their employees come in contact with other cultures and are in the process of pondering whether or not Japanese management formulas can be applied overseas it could well be said that they have themselves perceived the inappropriateness of the concept of lifetime employment that has come to be assumed to be a Japanese tradition. These Japanese employees themselves have come to a level-headed reappraisal of the reality of their own employment relationships.

From dichotomy to complementarity in thought

From the standpoint of the dichotomized thinking that has predominated in Western societies up to now, the concept of stable employment might be considered extremely ambiguous because it simultaneously connotes two mutually exclusive principles. One is the principle of the market and the other the principle of communality. Put another way, the former is the principle of relations in economic exchanges while the latter is the principle of relations in social intercourse.

"Relations in economic exchanges" denotes equivalent exchanges of quantitatively determined values. This determination is undertaken objectively, based upon universal criteria. Considerations of particular, individual circumstances and mixtures of subject-

tive elements are eliminated in the strict pursuit of rationality. In contrast, the social exchange relationship does not lend itself to quantitative measurement, nor to absolute reciprocity. Further, while economic exchanges are premised on short-term settlements it is understood that social exchange settlements must be made over the long term, meaning that the relationship of trust between the parties concerned offsets the ambiguity of the indeterminate give-and-take relationship.

Modern society began with the dichotomized philosophy of Galileo and Descartes. That is, as shown in Diagram 1, while only items that can be measured objectively, such as celestial objects, for example, are grouped in Sector A as scientific subjects, subjective emotions and such are grouped in Sector B and not deemed scientific. Modern science was constructed upon this dichotomy of thought. It then came to be considered logical and modern to control everything through scientific efforts. As such, it was also thought that employment relations should be managed in accordance with the scientific principles of economic exchange relationships and that social exchange relationships are thought to be avoided because it will make economic exchange relations ambiguous.

On the other hand, dichotomized thinking is not favored in Japan and other Oriental societies where a tradition of complementarity in thought has instead predominated. This also holds true today. In the philosophy of complementarity A and B have mutually differing principles and characters, as with yin and yang, however they are not mutually exclusive, but instead are thought to coexist in a symbiotic relationship. It is thought that one does not dominate the other, but that the two



Does "typical" lifetime employment only apply to major corporations' male employees?

jointly possess an independent, but coexisting relationship. This way of thinking also applies to employment relationships that, while having the qualities of economic exchange relationships, at the same time are seen as having aspects of social exchange relationships.

In dichotomized thought, management and labor are divided into those who manage and those who are managed, but in the philosophy of complementarity both are seen to exist as mutually complementary and cooperating partners. This complementarity in thinking continues to strongly dominate the essence of employment relationships in Japan. While not the theme of this essay, labor-management relationships are also characterized by the principles of complementarity.

I should note here that from the latter half of the 1920s the importance of the philosophy of complementarity also came to be emphasized in Western soci-

eties. In the field of quantum mechanics Niels H.D. Bohr set forth the philosophy of relativity in 1927. At about the same time Carl Jung propounded the philosophy of complementarity in the field of psychiatry. However, rather than discarding dichotomized thought we undoubtedly need to embrace the philosophy and position it alongside the principles of complementarity. In accordance with these principles we can avoid falling into an antagonistic, dichotomized relationship in employment relationships and make it possible to move toward constructive relationships.

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