CHAPTER: III

THE JAPANESE HUMAN RESOURCE MANAGEMENT PRACTICES

Human resource management practices cannot be viewed in isolation from the economic and social conditions prevailing in a country. The surrender of Japan discredited the ruling class and gave an opportunity to the working class to protest against the existing system of labour-management set up. The Japanese workers protested by seizing the factories, ousting the top management and continued to produce with the help of the line managers. Labour rapidly organized itself and was able to secure contracts for worker-management council and temporarily obtained power in enterprise decision making. As unions grew militant and began posing serious threat to management interests in regard to investment, staffing and enterprise decisions, the business class became concerned about re-establishing their control. They were assisted by the American Occupation Authority, as the Americans, saw unionism as a springboard to communism. A massive operation of dismissing radical union leaders and workers was taken up by the Occupation Authority. The undermining of radical elements helped the management to come to an understanding with the workers about their basic needs and to create a conservative enterprise union which confined itself to the company. The demand for job security which originated during the militant phase of the labour struggle was accepted by the management. Historically, high labour turn over and

1 For detail see J. Moore, "Japanese Workers and the Struggle For Power."
chronic labour shortage was a recurring problem particularly, in the 1920s and 1930s and became more pressing during the 1950s. The emergence of enterprise union made management more vulnerable to workers' prerogatives. The dependence on labour was reinforced by just-in-time production technique applied in operational management. Under just-in-time production, stoppage of work by the employees would result in immobilization of the production line, which would threaten the very existence of the factory. All these contributed towards making the management more amenable to the idea of tenure guarantees to the core workers in the economy.

The labour upheaval also resulted in a demand for removal of arbitrary control of wages by the management. The unions pushed for a need based wage system which gave an overriding importance to a person's needs. The management accepted this with certain modifications such that both need and seniority were built into the compensation package. Having arrived at an understanding on the key issues of job security, wage determination and type of union, the Japanese companies set out on the path of growth. The lifetime employment and seniority wage system gave the companies tremendous incentive to invest in workers and transformed the companies into learning organisations. The team-based work had made its appearance during the production-control struggle, when the workers had taken charge of running the factories. Team-based work was quickly incorporated by the management as it contributed to reduction of cost and increase in productivity. Further, it provided an internal source of motivation and discipline to workers. This contributed towards higher productivity. Thus, the fundamental
human resource policies established within a social context catapulted the Japanese system onto an alternate growth path.

The success of the Japanese caught the attention of the world, and researchers established that the Japanese system was indeed a model to enhance production and therefore growth. The Japanese system was found to have the ability to harness employee knowledge as a source of value directly at the point where it was required and therefore make the best use of it. Endowed with an environment of employee stability the Japanese companies experimented with organizing work and production. The means and methods used resulted in a set of human resource management practices that best suited the flexible and lean method of production established by the Japanese production system. The ensuing discussion will focus on the human resource management practices that are prevalent in Japan today.

LIFETIME EMPLOYMENT

Shushin koyo kankei was identified by James Abeggler and translated into English as "lifetime employment" and has been in use since. It is often misinterpreted to mean employment for life and has coloured the perception of a casual observer. Okuba, in an article "Antei-koyo no konseputo o teishoo-shushin koyo u a gokai maneku (Advocacy for the Concept of 'Stable employment'- 'Life-Time' Employment Invites Misunderstanding)" states, "Life-time employment does not represent the actual Japanese employment system and may lead people, especially foreign people, to misunderstand the actual employment system..... [So]
the concept of stable employment should be used instead of 'lifetime employment.'

Lifetime employment is limited to the regular male workers of large corporation. The lifetime employment is basically a long-term psychological contract between the company and the regular employee that is of no small significance. Each corporation recruits most of its regular employees in the month of April, after they graduate from high school or university. After the recruitment there is no legal obligation for the employees to stay in a particular company for periods longer than one year. Reversibly, the employer is not bound to keep the employees. Usually, after the period of probation which may range from two or three weeks to three months depending on the company, recruits acquire the status of regular employees. Thereafter, they are expected to stay in the particular corporation until they reach the retirement age as per the company regulations. The employers, likewise are not expected to lay-off these employees unless the business is faced with an unanticipated downturn. This step is resorted to only after other measures like wage freeze, progressively indexed wage cuts and early retirement have been implemented and have failed to improve the business prospects. Osamu Nobuto, head of Mazda Unit in America clarified that, "Even in Japan the idea of lifetime employment is a moral obligation between the employer and the employee, requiring commitments on both their parts. There is nothing formal. We believe job security is a desirable goal to work towards. However, it can only truly be achieved by building a healthy, successful company... our basic principle is to give job security the highest priority and to rotate workers between a variety of

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jobs within the team, in keeping with our team work philosophy".\(^3\) Therefore, the concept of permanent employment is founded not on the basis of law but on a certain convention found viable during the initial industrialization phase, when labour stability was an essential prerequisite of the company's growth. Contrary to what the term suggests, it is not an explicit employment contract- unconditionally guaranteeing job security from the moment the employee joins the corporation. Rather, it is an implicit agreement between the company and its employees that the management would take recourse to a lay off policy as seldom as possible. In turn, employees would be expected to stay for a long period of time.

At the time of the inception of the life time employment system, labour was in short supply and poaching of talented workers dominated the labour market. Excessive reliance on the open market-which was plagued by the problems of externalities and high labour turnover- meant wastage of both time and capital. Attracting competent workers and training them only to see them leave for greener pastures would have strained the system. The adoption of lifetime employment made labour a quasi - fixed factor for the company. The long stay of the employee enabled the company to mould him into the environment of the company. Assured of no employee turn over, the company is able to concentrate its efforts on imparting specialized training to the employee tailored to the firm's requirements. The long stay of the employee ensures loyalty, which enables the company to channel its manpower towards innovative, enterprising ventures, which yield high returns. To the employees this practice guarantees security, availability of training and an increase in their productive capacity. Under the system of lifetime

\(^3\) Kenny Martin and Richard Florida, "Beyond Mass Production: The Japanese System and Its Transfer to the U.S." p31
employment, the employee runs the risk of unemployment if the company shuts down. However, this fear also compels him to function productively, lest the company shuts down. The firm, for its part ensures that the employee gets progressively higher wages and a greater share of profit in the form of bonus.

The sustenance of this system was not difficult during the period of economic growth. As pointed out by a review by the Japan Institute of Labour, lifetime employment continued to grow from World War II up to the decade of the 80s. In the recent years, however, it has come under pressure since the economy has slowed down and problems of an export driven economy have multiplied. Since companies have always considered the lifetime employment to be a motivational tool for loyalty, training personnel, information sharing, and developing interests, the employees have considered it to be a policy, which ensures job security. Thus, all efforts are on to continue and honour this practice. Therefore, over the years, the concept of lifetime employment has undergone changes in order to accommodate the new economic realities. Besides, curtailing recruitment and encouraging early retirement, the most significant modification has been a shift from working in the same company to that of employment within a grouping. This has been variously termed as secondment, out placement or transfer to subsidiaries or subcontractors. This secondment of executive talent to supplier’s and buyer’s firms helps the large firms to gather information about these companies. The company often subsidises a part of the salaries of the transferees. Thus, the principle of lifetime employment continues to be upheld by the management as well as labour organisation, reason being, a long-term stable
employment system guarantees employee cooperation to the management and job security to the employee. This observation is supported by the Ministry of Labour Basic Survey of Wage Structure which shows that in the manufacturing sector, continuous service for male managerial and technical staff aged 45-49 in 1973 was 21.4 per cent for university graduates and 23.1 per cent for high school graduates. Whereas, in 1993 the corresponding figure has risen to 23.0 per cent and 27.3 per cent respectively, thus confirming the trend towards long term continuity. This is not the first time that Japan's lifetime employment is said to be under threat. Around 1965, when the economy was in the grip of a structural recession, and also during the prolonged recession after the first oil crisis of 1974, it was said that the lifetime employment was disintegrating. However, this time around, the situation is different. In view of globalization and the maturation of the Japanese economy, there is an increasing demand towards bringing about a change in the lifetime employment system. The Ministry of Labour conducted the employment management survey in 1996 in which a questionnaire on employment practices was administered to companies with 5000 or more employees. On the issue of lifetime employment 29 per cent of the respondents said that they attached great importance to the lifetime employment system, but 32 per cent said that they would not adhere to the lifetime employment system and 39 per cent stated that it depended on circumstances. Thus, even among the large corporations there is no consensus on this issue. The lifetime employment continues to exist because it supports and protects the more important elements of the Japanese human resource management practices like best fit recruitment, cross functional training, seniority merit wage and early retirement. These practices work to the advantage
of the company in terms of reduction of uncertainty, communication enhancement, cost reduction and innovations. These practices can independently achieve results for the company. The lifetime employment only facilitates the application of these practices and consolidates the entire set of practices.

RECRUITMENT

Recruiting a right person who would help the company to grow is a difficult task and requires careful planning and selection. The process of recruitment is therefore a serious affair. Regular employees form the core group and consist of two categories. One is the management cadre, who are fresh graduates recruited from the university by the personnel department of the head office on an understanding that the individual will serve the company till his retirement and is required to be geographically mobile. They are the honsha saiyo or the head office recruits. The other recruits, chiho saiyo are the ones recruited for clerical and shop floor jobs, who come from among two year college graduates, high school graduates and graduates from lesser known universities and are recruited at a local level. The regular employees enjoy privileges like stable employment, better compensation package, training facility and are treated differently from the other employees. Their high degree of job security and social prestige sets them apart from the other groups. Among the regular employees it is the management cadre on whom the future of the company rests. They are placed in the sogoshoku category with a structured progression pattern leading to the top management post. Therefore, they are educated and groomed specifically for their future role within the company. The non-managerial stream, chiho saiyo are placed under
ippanshoku, which consists of the majority of regular employees. Employees belonging to this category have limited opportunity for promotions. Most Japanese companies have a system of assessment through which a person can transfer from ippanshoku to a sogoshoku.

For an individual seeking employment, the process of recruitment begins in the third year of graduate study program. The stages are:

1. Around the autumn of the third year students begin to read newspapers and gauge the economic situation and draw inferences regarding the employment prospects. Often, companies hold seminars and orientations to help students seeking job information. Some send direct mails carrying company information. Newspapers carry articles about the booming sectors of the economy and highlight the companies that would be the major recruiters in the coming year. It is interesting to observe that there is never a mention of the type of specialisation that the companies will be seeking. Often the companies try to influence the potential recruit. They send personalized New Year greetings to those who sought information about the company.

2. Between March and May, information-gathering spree is on a full swing. Starting from newspaper articles to direct mails to other media based information and company brochure, the student is bombarded with various types of information ranging from industry level information to company-specific information. The student is in constant touch with the placement
office in the university and at times with his seminar tutor who helps him to select the company best suited for him.

3. From May to around July, the students are in constant touch with their chosen firm. Often, this involves meeting an alumnus of the university, going in for orientation lectures conducted by the companies. At this stage, job applications are sent in and often informal interviews are held.

4. The final round begins from the latter half of June through August. This is the stage when formal recruitment takes place. The formal process consists of an entrance test and an interview. Individual companies fix entrance examination dates which often clash. The student then has to decide on his choice. Many companies choose to lecture on the company's ethics and motto before the entrance examination. The entrance exam consists of writing an essay. Nowadays, many companies take a general knowledge test too. This is followed by an interview. This is the most stressful moment for the student because these are the minutes that decide his future. Parallel to this activity, provisional offers begin to arrive from the second half of June and early August. The firms waste no time in extracting a confirmation of acceptance. By the end of September, the class entering the employment market in the following March would have received the final confirmation.

**Selection criteria**

The criteria for selecting new recruits differ vastly from that in India, primarily because the Japanese companies are committed to a lifetime employment. When
the curriculum vitae of a new recruit is scrutinized little importance is attached to his academic excellence, unlike in India, where it is the overriding consideration for recruitment. In Japan, greater emphasis is placed on the University from which the recruit is graduating. If the company has large alumni from that university then the recruit has a fair chance of getting hired by the firm. The rationale behind this policy is that firstly, the university inculcates a certain philosophy which is in agreement with the corporate philosophy of the recruiting company. Secondly, since working in a group is of importance to the company, it is felt that people of a homogenous background and same alma mater would produce a cohesive work environment. Technical qualification is relegated to the back ground because the criteria is to select a person who is willing to work and live within a corporate family for his the whole of his productive years. According to Ballon, “the most desirable employee is not a specialist trained in a particular ‘what’ but a generalist who can fulfill a collective need within a particular ‘where’.” Since the company is seeks an employee with a long-term perspective, appropriate social and political lineage are also given due weight. As one corporate recruiter remarked, “We don’t want any night – chanting religious types in our organisation”.

**Selection process**

Since the Japanese companies look beyond technical qualification, evaluation therefore takes into account factors that give a greater insight into the recruit’s mental framework. While recruiting, the companies collect not only personal bio-data and an official photograph but also an official family registry record- koseki tohan, medical report and letters of recommendation, one of which

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4 R. J. Ballon, "Promotion of Personnel in Japan", p32
has to be from the teacher who has taught the candidate. All these, it is felt provide a necessary background of the individual. This is often followed up by the company contacting the placement office of the university as well as the professors who can give an assessment of the recruit's character. Further, the alumni working with the company are sent to the university to informally discuss and arrive at an opinion of the recruit. It is only after a thorough examination of the recruit that the company holds a written examination. The examination is general in nature and often seeks the recruit's opinion on subjects of ongoing national debate. Of late, some technical areas are also being included. This examination serves a two-fold purpose: one, it provides hard facts on which to base a judgement and another, it allows the company to weed out the chaff from the grain. Some companies do not discriminate at this stage. They often call all recruits for the interview which follows the written examination. A panel, often involving the senior level personnel of the general affairs division conducts the formal interview. The questions posed are aimed at discovering recruit's compatibility with the company's philosophy. Matters such as family background, political orientation, recruit's ambitions, career goals, attitude towards living abroad and hobbies are discussed. Some companies go beyond this to investigate the integrity of the recruit by inquiring about him out in his neighbourhood. The ultimate decision regarding whether a candidate is to be signed up rests with the head of the general affairs or even with the president. By this stage the prospective recruit's files have sufficient information not only about him but about his family too. After further investigation the decision is made.
All the effort and the money that is invested into the recruitment process is based on the belief that a future CEO could be in the making. This endeavour also stems from the firm conviction that each regular employee is an asset to the company. Another reason why close attention is paid to recruitment is that if the new employee is found wanting in a job, it is the responsibility of the management to give the employee another opportunity to prove his worthiness.

The above discussion has been for employment of management personnel. Engineers too are recruited in a similar fashion though the candidate’s teacher plays a greater role in the process. In this case, teachers are usually approached by the companies to recommend suitable candidates. Recruitment of specialists is done through the professorial network and they are placed on the regular rolls with a slightly different pay structure. These days, specialists are also recruited as contract employees. While the technical knowledge of these recruits is of importance, they are not exempt from the routine verification of their family background. Like other new entrants, their potential for compatibility with the company’s goals and philosophy are gauged at depth.

The regular employees at the clerical and shop floor level, ippan shoku are recruited in a similar fashion as at the factory level and go through both a written examination and an interview. Though the Japanese system allows for an employee to rise from this level to the level of management cadre and to the very top, it is more often than not an exception than a rule. Consequently, the top management does not involve itself with these recruitment.
TRAINING AND SKILL FORMATION

Skill formation through in-house training forms the core component for the Japanese companies to sculpt an individual into a company man or woman. Training takes three forms:

- On the Job Training (OJT)
- Off the Job Training (Off-JT)
- Self development (SD)

The Japanese companies use a combination of these training forms to achieve better performance from its employees be they managers or shop floor workers.

On the Job Training (OJT)

On the Job Training is the most vital tool for the functioning of the Japanese production system. As discussed in an earlier chapter, the Japanese system responds quickly to uncertainty and changes. This is made possible because of OJT at all levels in the company. At the shop floor level, uncertainty pertains to detection of the source of defective parts. The capacity to inspect and rectify is built into the process to overcome the problem of uncertainty. This is handled by the online workers with help from the supervisor and shop floor engineers. Since the Japanese production system is fine-tuned towards consumer choice changes in the amount of product, type of product, labour mix is frequent. A change in consumer taste results in a change in quantity or shift to other products. This requires complex adjustment among various inputs. It also and makes it obligatory
for the shop floor workers to be multi-skilled so that they have a command over various types of operation which enable them to be rotated across operations. The production manager mostly takes decision on the changes. This is possible only when production personnel have a thorough knowledge of the shop floor level function. The changes in labour mix take place either because of absenteeism or because of the variation in the proportion of workers in a workshop, arising out of changes in the product mix. OJT is an ideal form of training to take care of these uncertainties and ensures the flexibility of production.

OJT is inseparable from work activity in terms of location, timing, training instructors and hence training costs. The very nature of OJT defies their concrete identification and hence a well-defined analysis of OJT.\(^6\) According to Industrial Training Association Survey for the year 1995, among the large firms, about 30 per cent conduct formal OJT while most of them conduct informal OJT\(^7\). OJT varies from one company to another, though some similarities can be drawn. Foremost, it is essential to identify the area and objective behind the training. It is also necessary to plan the training such that it is achieved within a time frame and to draw a training program. While implementing the training program the trainer should be flexible enough to incorporate changes so as to achieve maximum results while keeping focussed to the objectives. At the end of the training it is essential to evaluate the result.

OJT can be divided into two types, the formal OJT and the informal OJT. In a

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\(^6\) This thesis restricts itself to how training is imparted through OJT. For further detail see Kazuo Kioke (ed.), "Skill Formation in Japan and South East Asia", 1990.

\(^7\) See Appendix 14
formal OJT, the trainee has an instructor who teaches and inspects the trainee's progress. Usually, under this type, the instructor performs the task, which the trainee observes and then the trainee does the task under constant supervision of the instructor. This is followed by the trainee performing the task independently, the instructor intervening only in the eventuality of a problem. Finally, the trainee gains expertise to perform the task on his own. The new managers and engineers learn about various aspects of a job by performing the job assigned to them, under the supervision of a senior manager who is usually the immediate boss. The formal OJT may extend for a period of about six months to as long as three years which is approximately the entire junior level. It is conducted through a manual which aids the process and helps to create a certain uniformity amongst managers. Further, the manual maintains a checklist, a progress column which assists in keeping the Kacho or the Buche informed about the progress of the subordinates. The formal OJT also initiates a dialogue between the trainee and the instructor and forms a grounding for communication between the two during the training and thereafter. The formal OJT, therefore, is beneficial to both the trainee and the instructor. While the trainee becomes more productive, the instructor hone his teaching caliber, leadership quality and communication skills. On successful completion of each cycle of the process there is a sense of achievement for both the parties.

The informal OJT is a continuous process through which an employee moves from one difficult job to the next by learning the task through observation or by helping another employee perform the task. This is more easily observable at the shop floor level. For example, in the cell production system it requires six
employees to complete assembling a product, where the degree of skill required is classified into three levels in an ascending order. Two of the employees perform the job in each category. The first category learns by watching the second and the second by the third and with time they are ready to step into the role of the better skilled employees.

The informal OJT can be placed into two categories: broad OJT and in-depth OJT. The broad OJT concentrates on imparting training such that the employees become multi-skilled and are able to handle a series of tasks. Job rotation is used as a tool to achieve this form of training. This broad-based informal training is imparted to junior or middle managers who have been identified by the top management as successors to important posts. In-depth OJT involves each employee writing a report on the problem that he confronted. The report consists of three parts: identification of the problem, how it was tackled and whether any problems remained after tackling the problem. The uncommon problems are filed and discussed in shop floor meetings and departmental meetings, which lead to finding effective ways of dealing with them and decreasing the occurrence of such problems in the future.

**Off the job training (Off-JT)**

Off the job training is the visible aspect of the training which the employee goes through. Off-JT comprises well-defined courses conducted by the company. The courses are held within the premises of the plant, at head office or outside the company depending on the nature of the course. The courses are specialized and aim at upgrading an employee’s skill, teaching him mastery over automation,
information processing and understanding of corporate planning.

Table (3.1) shows that 96.2 per cent of the large firms conduct Off-JT which plays a significant role in the career development of the employee. Diffusion of formal Off-JT by individual training is very high for firms employing more than 3000 employees. The important aspect of Off-JT is to identify areas in which to impart training and to do so more efficiently without losing productive man-hours.

**TABLE: 3.1** Percentage of Establishment Offering Training (Off-JT) (%)

<table>
<thead>
<tr>
<th>Size of Establishment By employees</th>
<th>Offering training</th>
<th>Not offering</th>
<th>N.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 or more</td>
<td>96.2</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
<td>500-999</td>
<td>86.3</td>
<td>13.3</td>
<td>0.4</td>
</tr>
<tr>
<td>300-499</td>
<td>82.7</td>
<td>16.9</td>
<td>0.4</td>
</tr>
<tr>
<td>100-299</td>
<td>74.7</td>
<td>24.5</td>
<td>0.8</td>
</tr>
<tr>
<td>30-99</td>
<td>56.5</td>
<td>40.7</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>62.7</strong></td>
<td><strong>35.1</strong></td>
<td><strong>2.2</strong></td>
</tr>
</tbody>
</table>

TABLE: 3.2 Aims of Off-JT by Age Class (%)

<table>
<thead>
<tr>
<th>Types of Off-JT</th>
<th>Total</th>
<th>-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Skill and Knowledge</td>
<td>42.2</td>
<td>63.1</td>
<td>42.8</td>
<td>35.1</td>
<td>37.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Skills for higher jobs</td>
<td>54.0</td>
<td>27.5</td>
<td>50.7</td>
<td>63.5</td>
<td>64.0</td>
<td>56.1</td>
</tr>
<tr>
<td>New skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer etc</td>
<td>14.5</td>
<td>5.0</td>
<td>13.1</td>
<td>18.2</td>
<td>18.8</td>
<td>10.7</td>
</tr>
<tr>
<td>Preparation for</td>
<td>2.1</td>
<td>1.5</td>
<td>2.7</td>
<td>2.4</td>
<td>1.0</td>
<td>0.7</td>
</tr>
<tr>
<td>a reshuffling of personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certification/ Qualification</td>
<td>36.4</td>
<td>36.8</td>
<td>43.2</td>
<td>32.5</td>
<td>29.8</td>
<td>32.3</td>
</tr>
<tr>
<td>Preparation for changing a Job</td>
<td>1.5</td>
<td>3.0</td>
<td>1.8</td>
<td>1.4</td>
<td>0.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Preparation for starting a business</td>
<td>1.1</td>
<td>1.0</td>
<td>1.7</td>
<td>0.8</td>
<td>0.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Others</td>
<td>7.8</td>
<td>8.5</td>
<td>8.4</td>
<td>8.8</td>
<td>5.3</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: Ministry Of Labour, Survey on Vocational Training in Private Firms, 1995

Analysis of Table (3.2) highlights that skill for higher jobs is the primary focus, basic skills and knowledge and certification qualification, being the secondary emphasis. A look at the age wise distribution indicates that skills for higher job gain importance progressively and is given the highest import for the Bucho category. During the preliminary stages, while recruits are undergoing training in their respective fields, -either due their discontentment with their allocated job or their incapacity to perform it well, - they are encouraged to choose an area of their interest. It is encouraging to note that the company gives Off-JT to prepare an employee to start a business which is often in line with the company's specialisation.
FIGURE: 3.1

Duration off-JT - For incumbents, new recruits percentage distribution of
the no of process 1989.


FIGURE: 3.2

Source: Industrial Training Association Survey, 1995
Short inserted Off-JT are defined as courses whose duration varies from two days to a week and are held at intervals ranging from half a year to several years. At the entry level, short courses are basically oriented towards realizing the company’s goals and philosophy. Major targets for short inserted Off-JT are employees with some work experience. They are usually conducted by an outside institution and are aimed at improving technical and managerial skills.

Long internal Off-JT is meant for a select few who are trained for top level managerial posts. Often, long external Off-JT includes sending these selected employees abroad to acquire specialized degrees. Figure (3.1) shows the duration of Off-JT, for both incumbents and new recruits. A comparison of new recruits and incumbents shows that recruits undergo an Off-JT of a longer duration than incumbents do. While the course of the new entrants may last from ten days to a month, the training of the incumbents lasts from about twelve hours to five days. This is explained by the fact, that at the level of the new recruits, the training is heavily tilted towards basic, need-based and job related skills. Figure (3.2), showing the supervisory level workers indicate a different pattern. For this set of employees, a courses of two to three days dominates the training schedule. The duration of Off-JT varies from one company to another and may range from half a day to two weeks. The model-training period duration has been observed to be of two to three days. The 1993 Ministry of Labour Survey, conducted a study of Off-JT aimed at white collar workers who included new recruits, non- managerial workers, subsection chief, and managers. The investigation revealed that companies preferred in-house training because it was more cost-effective and it
sought the help of private training institutes for specific skill based training programs. A survey carried out by the Ministry of Labour series\textsuperscript{8} listed a set of purposes for sending workers to external Off JT. They were:

(i) To enhance specialized skills for specific jobs
(ii) To acquire basic skills and knowledge
(iii) To obtain occupational licenses
(iv) To acquire know how for dealing with computers or other machinery
(v) To develop managerial skills
(vi) To learn foreign language for internationalization
(vii) To expand the vistas of knowledge

The Ministry found that a large percentage of companies chose external Off-JT for imparting fundamental knowledge or specialized skills for specific jobs. Further, the companies prefer public institutions over private institutions to conduct courses for employees, in the areas in wish to obtain a degree/diploma.

To sum up, the duration of Off-JT declines progressively as the employee's tenure in the company increases. In regard to the location of training, in- house training is preferred to training from external sources.

\textit{Self -Development}

The concept of self-development defies an exact definition. Broadly, it may be defined as the endeavour exhibited by an individual in his educational and developmental activities, which are directed towards the accomplishment of a goal. 

\textsuperscript{*} ibid, p55.
The determination to pursue an objective comes from self-knowledge, and the awareness about one’s ability. Self-development works alongside with OJT and Off-JT. It is related to an individual’s attitude and motivation in terms of how the individual works on problems and improves himself by performing a certain job. It is this drive towards improving oneself and the yearning to learn that manifests itself in small group activity. Self-development can be attained through:

1. Reading of books, manuals, journals in specialisation areas
2. Correspondence courses
3. Seminar lectures outside company
4. Participating in workshop
5. Attending evening classes outside the company

**TABLE : 3.3 Methods for Management Capability Development**

<table>
<thead>
<tr>
<th></th>
<th>Board Members</th>
<th>Bucho Class</th>
<th>Kacho Class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self Development</strong></td>
<td>41.2 (-14.5)</td>
<td>51.0</td>
<td>60.2 (+3.1)</td>
</tr>
<tr>
<td><strong>Direct Guidance by President</strong></td>
<td>50.0</td>
<td>39.4</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>In-house courses</strong></td>
<td>11.9 (-13.1)</td>
<td>32.1</td>
<td>59.4</td>
</tr>
<tr>
<td><strong>External seminars</strong></td>
<td>45.3</td>
<td>54.5</td>
<td>52.9</td>
</tr>
<tr>
<td><strong>workshop etc</strong></td>
<td>(-40.5)</td>
<td>(-27.3)</td>
<td>(15.0)</td>
</tr>
<tr>
<td><strong>Extra tasks</strong></td>
<td>4.7</td>
<td>7.1</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Correspondence Courses</strong></td>
<td>2.9</td>
<td>9.3</td>
<td>28.6</td>
</tr>
<tr>
<td></td>
<td>(-0.2)</td>
<td>(3.2)</td>
<td>(10.7)</td>
</tr>
</tbody>
</table>

* T Miyoshi in Lola Okazaki- Ward Management education and training in Japan pp 239
<table>
<thead>
<tr>
<th>Method</th>
<th>Bucho</th>
<th>Kacho</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of better</td>
<td>7.5</td>
<td>10.9</td>
<td>18.8</td>
</tr>
<tr>
<td>Motivated work team</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study group</td>
<td>0.3</td>
<td>10.4</td>
<td>17.2</td>
</tr>
<tr>
<td>Small select group</td>
<td>4.4</td>
<td>5.8</td>
<td>6.7</td>
</tr>
<tr>
<td>OJT support for managers</td>
<td>1.9</td>
<td>3.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Job Rotation</td>
<td>7.3</td>
<td>16.7</td>
<td>28.1</td>
</tr>
<tr>
<td>Study leave in Japan etc.</td>
<td>1.0</td>
<td>1.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Study abroad</td>
<td>2.9</td>
<td>2.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Secondment</td>
<td>3.4</td>
<td>6.0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Source: Nikkeiren/JIVTA, SSSI, 1990 p.105

Note:

(i) Figures represent percentage of firms in the survey which utilize a particular method of development.

(ii) Figures in brackets indicate changes from 1985.
Table (3.3) shows the method of development followed by companies for the Board members, the Buchos and the Kachos. Importance of each element, categorized in table (3.3) varies according to the group classification. Management capability development, through in house-courses is most popular amongst the members of the Kacho class, (59.4 per cent) followed by the Bucho class (32.1 per cent) and then the members of the Board (11.9 per cent). Similarly, for correspondence courses, the highest ranking is for the Kacho class, (28.6 per cent) followed by the Bucho class (9.3 per cent) and by the members of the Board (2.9 per cent). For Board members the element, “Direct Guidance By President” figures at the top since the President is in direct touch with this group. A significant number of members belonging to each class are provided with career development through “Self development”, “External Seminars and Workshop”. Though the process of self-development starts early, at the initiation stage, it is from the stage of middle management, that it assumes overriding priority.

Integration of both formal and informal OJT with Off-OJT is what constitutes overall skill development of employees in a company, during the early stages of their career. By the time, an employee reaches middle management level, self development becomes the vehicle for career development.

In-house training for shop floor workers

Induction of the shop floor workers usually takes place around the first week of April. On the first day, the recruits are greeted by a senior official from the head office and the factory chief. Speeches are made by these officials, who highlight
the company's philosophy, goals and concerns. A typical training program for a shop floor worker consists of a long duration of OJT and a short Off-JT. The basic skill required at the shop floor level is a combination of the technical know-how coupled with the conceptual skill. The first two weeks are devoted to teaching the workers basic techniques of handling machines on which they would initially be put to work. This is followed by the OJT. A shop floor worker who is expected to work in workshops related to the similar technological fields, is imparted a broad OJT. Broad OJT involves vertical skill formation involving progressive movement from the easiest to the toughest job within a production unit and subsequently moving to the adjoining shop floor or a job rotation system of regular or irregular type or from a complete rotation to partial rotation. A regular rotation of two or three-month duration is the common practice. During such rotation an experienced worker is usually placed next to the novice and it becomes the duty of the experienced worker to teach the inexperienced hand. As the trainee grasps the principles and learns to function independently it becomes the turn of the experienced worker to acquire new skills. This continuous process of broad OJT generates frequent changes in labour mix. Broad OJT allows for workers to acquire skills on a wide range of machinery and have a holistic view of the entire production process. The maintenance of machinery is an in-depth OJT. The production workers first watch the maintenance workers perform maintenance service on the machine that they operate. This is followed by the production workers participating in maintenance service along with the maintenance workers. Over time the production workers are able to carry out a considerable portion of maintenance service, specially the preventive maintenance. However, they leave
the highly complex problems in the hands of the maintenance workers. Self-
development at shop floor level is achieved through the small group activity.
Through these activities the workers strive to achieve improvement simultaneously
in their work process as well as work environment.

*In-house Training Of Managers*

Induction into the company for the new recruits, belonging to both the arts,
sciences or engineering streams, in most firms, take place on the 1st of April. The
President of the company gives a welcome speech which focuses on the corporate
philosophy, vision and ideals. In most cases, two new recruits also make a speech
pledging to contribute towards the realization of the company's goals. Often,
parents of the new recruits also make a speech thanking the company for posing
faith on their children and make statements assuring the company that that they,
as parents would try to help their children to fulfill the company's dreams. All these
rituals are expected to influence the new recruits to become pragmatic and
comprehend that, from then on they would be venturing into a world of diligence
and industry.

What follows, is perhaps the most significant aspect of the recruit's induction
training. All recruits, from varying backgrounds go through the initial course of
induction training. The aim is to build a sense of group identity or a camaraderie
which lasts throughout the entire period of the individual's association with the
company. To facilitate this, the new recruits are made to stay in a dormitory during
the induction training. The camaraderie that effloresces during this time different
serves various purposes at different periods of the employee's career. During the
initial years, the esprit de corps serves to provide companionship and support
amongst colleagues. During the post training period, it serves as a data-collecting
platform. By the mid-career level this serves as a barometer to assess the relative
position of the cohorts.

The initial training lasts effectively for one or two weeks. The course includes
corporate organisational structure, commercial and industrial operations,
information technology and essential matters of the business arena. The aim is
to instill a positive attitude towards work and to build a team spirit. Some firms,
therefore, organize events like speech contest, creating promotional posters,
brochures and group discussions. All these help to establish team rapport and
help the recruits appreciate the importance of constructive involvement.

The post induction training lasts for two to three years which is spent on the
shop floor. It is aimed at providing the recruits with a taste of the actual
manufacturing process. The idea is to give them a hands-on experience of
operations at the shop floor level which, in the long run would help them to
understand problems that may occur during policy implementation. During this
stage, they are further divided into small groups who live dormitories and work
under a senior. The senior establishes a close relationship with the recruits and
serves as a link between him and the top management. This relationship lasts
throughout the employee's career and gains significance when the employee is
in need of some favour from the company. Further, the cohort identification is
strengthened during this period and this helps to establish a personal network.
After the shop floor training, the recruits are assigned their initial department and assigned tasks under OJT. At this point, the recruit's educational background is given due consideration. For instance, the science and engineering graduates are given R&D, production or related departments. The employees belonging to the liberal art disciplines are placed in departments where clerical work predominates. The post induction training involves follow-up sessions when the recruits are evaluated and it is judged whether any modification of OJT or special training is required.

The entire purpose of a rigorous induction and post induction training (consisting of both formal Off-JT and OJT) is to transform the recruit from a lighthearted student to an industrious company man with responsibilities towards both his company and family. It is at this stage that the new recruits are molded into company men who in future will lead the company to greater heights and a new vision. The long induction training, followed by years of OJT is meant to condition new recruits to hard work, and to build up their team spirit. It also helps them to acquire knowledge about the products and provide a holistic view of the production process.

The recruit sets out on the journey of his managerial career the day he is placed in the OJT scheme in a department. During this stage the recruit is allowed to find his bearing. The recruit gradually rises in his grade and within the next few years he reaches the middle period of his career. The junior managerial level of the longest duration. It starts from end of recruit's induction training and lasts up to the following ten years. This stage culminates in the recruit attaining a post
of supervisory level. The task of the recruit starts with routine chores which, over the years rise to progressively more complex assignments. It is at this stage that the employee is rotated through various departments and put into OJT of qualitative difference to enable both the company and the employee to identify the area where the potential of the employee can be best utilized. The employee, at this stage has the option of either specialising and deepening his expertise or gaining greater knowledge of the company's operations. At this level, the employees are induced to take responsibility for the formulation of ringisho. The recruit initially helps in data collection and successively to write the proposal.\textsuperscript{10} The training program of the middle level managers, mainly through OJT, is on improving the ability to identify and solve problems through consensus building, and developing new ideas by formulating, proposing and gaining acceptance. An employee constantly sets targets in consultation with his superior and strives to accomplish it. At the end of the term, evaluation is done and a new target set. The senior employee, who plays the role of a trainer becomes thorough in his job by virtue of this exercise.

Off- OJT consists of regular course programs at the plant site or at other institutions on company law, computing, accounting, computing and managerial techniques. These are held at intervals to help an employee attain specific skills in areas where he is employed. For instance, an employee at the export department goes through language programs. Off-JT borders on self development, as the employee is encouraged to take a correspondence course to increase individual expertise and some employees who show promise are sent abroad to

\textsuperscript{10} The ringi system is discussed in detail under Communication
acquire technical expertise or else to do a post graduate course. It is at this stage that self-development is most noticeable. Each employee tries to make maximum use of his spare time to attain skills which would make him competent for future assignments and brighten his career prospects.

The middle management- Kacho, Bucho and the Board members go through training in the form of formal courses, seminars, work shop, in-house group study and direct guidance of the president in varying degrees to ensure that the employees are proficient enough to accomplish the company's long term goals.

CAREER PATH

FIGURE: 3.4 MODEL FOR LARGE FIRM PROMOTION VENUE

SHARE HOLDER REPRESENTATIVE DIRECTOR

INTERNAL PROMOTION

MIDDLE

WHITE COLLAR WORKERS

UNIVERSITY GRADUATES

HIGH SCHOOLS AND GENERAL LABOUR MARKET

MANAGER

INDISTINCT DEMARCATION

PRESIDENT

SENIOR
The career growth of an employee in a large Japanese corporation is virtually limitless because members of both the blue collar and white-collar group are treated uniformly under an unified system. The promotion of employees within the company is determined by the competency ranking system and the seniority based system, rather than the job ranking system. Figure (3.4) highlights some distinctive features of the Japanese promotion ladder. Firstly, there is no clear demarcation between the white collar and the blue collar and a blue-collar worker can jump the line. According to a study conducted by Kuwahara, 'the line separating white collar workers from blue collar workers is quite indistinct in the Japanese companies, so much so that it is very difficult to tell whether the employee is blue or white collar on the surface namely by way of dress, living style and behavior.'

Secondly, there is no recruitment at senior level and therefore the rise to the senior level managerial post is through internal promotion. The employees put in many years with the company, often twenty years or more, to rise to the senior level. During this period, a long and hard battle is fought between the cohorts. Thirdly, only the most deserving make it to the board of directors. Since the directors come from within the company they are able to provide insightful recommendations during policy formulation. Having graduated from the rank and file of the company they have greater affiliation towards the employee rather than the shareholders.

The Japanese follow a slow promotion system. The journey to the top, being slow, allows an employee to acquire knowledge and imbibe ethics of the company. The human resource management practices of this system is geared to the growth

12 The President of Japan's foremost bank DBK was in his younger days top leader of AI Japan Federation Of Bank Union.
FIGURE 3.5 CAREER TREE

The divergence between the time it takes members of a cohort to be promoted to a higher rank.

The proportion of members of a recruitment cohort.

Source: Takeuchi (1995)

Note: * Denotes number of years employment before promotion to that rank.
of the modal\(^{13}\) group rather than the group of fast achievers. Since the mid'70s, the companies have introduced a dual career system to accommodate the increasing demand for promotion among employees. This is done by separating the status rank (Shikaku) and job classification (shokkai). Under this system, only a limited number of promoted employees are given the title of Kacho, Buche, while others are given titles like staff advisor. In this double track system, the employees who have been with the company for roughly the same number of years, are located on the same grade, in the status ladder, with roughly similar basic wages, with those in the management post, getting additional allowance. Thus, the true standing of an employee in a company is understood by his shikaku ranking.

If one is to analyze an employee's career path in a large Japanese company, it is best described by the late selection criteria of the Japanese system\(^{14}\) The theory of late selection criteria was put forward by Koike on the basis of case studies of 60 companies which was supplemented by Takeuchi who classified modes of selection on the basis of two measures—the proportion of the members of a recruitment cohort promoted to next level of rank and the divergence between the time taken by a member cohort to be promoted to a higher rank. Takeuchi represented the late selection by a career tree of a large financial and insurance company. Figure (3.5) shows how the batch of 1966 consisting of 67 employees progressed in their career. To the shunin level all the 67 are promoted in three years' time which means it was simultaneous selection. To the Kakaricho level while 66 of them got promoted in five years time, one employee took an additional year. Thus at this stage while the majority faced simultaneous promotion there

\(^{13}\) Statistical term means the maximum number of elements in a class a little different from mean and median.

\(^{14}\) According to Rosenbaum the American system follows the Tournament Mobility criteria where promotion is a continuous selection whereby at each stage it is necessary to succeed in order for promotion to continue. Similar is the case with most Indian firms.
was divergence in time for a sole employee. To the Kacho dairi level these cohorts came up for promotion after eight years and 56 cohorts were selected. Nine of them followed the next year leaving behind two who made it in additional two years. The divergence between those selected in the first round and that of the final round was maximum of two years and Takeuchi claims that till this stage it may be considered simultaneous selection. In this system the cohorts do not face discrimination for a long period (minimum 16 years) and are able to concentrate on acquiring firm specific knowledge and skill. This is what the scholars call a late selection criterion of the Japanese system. Through this late selection the company ensures that the junior managers apply themselves whole-heartedly to their work and spend less time in speculating about promotion. The next level is the Kacho I. Of the 65 employees divided into 56 and nine because of time divergence the first selection promotes only five after 12 years followed by 24 in 13 years and seven in 14 years. To be noted here is that among the nine one is able to catch up and move to this grade in 14 years. The maximum time taken to reach this level is 22 years. Two important points to be taken note of are that 82 per cent of the cohorts are promoted but with a significant divergence in time ranging between 12 to 22 years. Further only a small number is selected in the first round of selection and one employee is able to do some catching up. The selection procedure in the Kacho I is rather complex and the cohorts for the first time face discrimination. The fact that a late learner at earlier stage is able to move to Kacho I level albeit a little late reflects the fact that late bloomers are given equal chance and this is an unique quality of Japanese promotion system. The real difficult path and the steep pyramidal structure begin at the Kacho II where
the number dwindles. The cohorts who did not make it in 14 years after entry at the earlier level are more or less rooted out though one employee is able to make it after 16 years, which is rather an exception. The modified tournament mobility\textsuperscript{15} starts at this stage and there is a severe squeezing out process. The scope of reaching the Kacho II by those who did not make to Kacho I in 14 years is rather slim. Though once promoted there is possibility of catching up at the 'return match' as they are given full opportunity to compete for promotion to the next higher level. Those who fail to reach Kacho II by the third selection continue to compete for the post and are joined by junior employees who become their competitors. Beyond the Kacho II level discriminatory selection occurs. The above account of the career tree thus highlights late selection. It also demonstrates how it proceeds from simultaneous promotion, to divergent promotion, when the employee has a chance of catching up, and finally the discriminatory selection.

The late selection criterion, mixed with simultaneous and divergent promotion, has both advantages and disadvantages. It is important to consider them to have a fair idea of the promotion system. The merits are firstly, late selection gives an employee a scope to gain knowledge and skill. Secondly, it ensures vertical security. New ideas of the junior do not pose a threat to those of the senior, thereby ensuring that appreciation of work is more forthcoming. Thirdly, since selection is decisive in the later stages of career growth the long internal competition gives a scope to slow coaches to rectify their shortcomings. It thus acts as a motivational tool. Fourthly, due to long internal competition, it helps in distinguishing the leaders from the ordinary managers. Fifthly, when the employee

\textsuperscript{15} Tournament mobility way of promotion means that a loser at any stage of promotion is excluded from the opportunity to compete in the next stage. Further a victor in one stage is not guaranteed victory at the next stage.
enters the decisive selection stage, the appraisal of the employee at his earlier stage of promotion and during simultaneous selection years are also considered. This ensures that the employee is kept on his toes. The assessment of ability, on which selection is based is more convincing and acceptable. Sixthly, because of the easy identification of senior executive post, the promotion procedure is well established and the executive resource costs are discernible, which allows for estimation of a budget. Finally, the late selection criterion supplements the seniority criterion, which gives precedence to age by allowing competitive attitude between cohorts over a long period of time. The demerit is that since the selection of the top management is arrived at a slow pace, the training of the core senior executive is not only time consuming but also results in sub optimal usage of resources in training.

The late selection criterion has come under scrutiny in the 1990’s as a result of slowing down of the economy. Growth in the number of graduates recruited, combined with decelerated growth of management positions, generated by the slackening of company growth, and has put additional pressure on the late selection criterion. With decline in company growth, there is greater divergence in training possibilities and consequently increasingly difficult to achieve a fair allocation of posts that can give new recruits similar opportunities to display their capability. This has resulted in shortening the period of simultaneous promotion and bringing forward selection criterion. Further, due to the scarcity of post availability within a company, employees are seconded to other workplaces in consonance with the policy of flexible redeployment of labour within a group.
company. Also, a handful of employees are selected and developed as star employees (gold collar), who would rise to the key positions in the company.

**The Process of Promotion**

Till the 1970s, promotion was straightforward as it was based on the seniority criterion. The Japanese system, at that time, looked for coordinator-type of managers and followed the method of negative scoring. This meant that managers survived by avoiding making mistakes and not taking risks. This principle worked well when the economy was growing and needed to utilize the given resources optimally.

However, as the economy gained momentum, the need for more entrepreneurial and innovative managers at the middle level became a necessity and stress was laid on add-sum-ism (katen shugi). This meant greater foresightedness and perceptibility, a more flexible attitude towards work and the capacity to adjust to changes. This was in direct contrast to minus-sum-ism (genten shugi) which implied carrying out work in a more conservative manner and being overly cautious while taking decisions. The report of a survey made by the General Research Institute of Sanno College in June 1988 brings out the apparent change of attitude towards the quality sought from a middle manager.

1. Strategic ability 78%
2. Ability to innovate 72%
3. Problem Solving ability 63%
4. Ability to influence participation of others with different type of ability 56%
5. Open mindedness 55%

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16 General Research Institute, An image of the managers needed in the companies- a picture of middle management 1988
6. Creativity with respect to submission of proposal 54%

7. Flexibility 48%

All the above elements lay emphasis on a creative, team building manager with an ability to react promptly to any problem that may crop up in day-to-day operations.

Thus, a merit element was progressively introduced by most companies. Though acquiring skills is subject to a minimum number of years spent in each grade, the incremental element of pay is based on what grade an employee is in the shokuno shikaku seido (Status Grading System), irrespective of the post he occupies. Thus, while the capability of an employee is given credit for, the principle of seniority is not totally discounted. Through the shokuno shikaku seido, “reward for merit” is incorporated into the promotion system without discarding the seniority element.

**Status Grading System [Shokuno Shikaku Seido]**

The Japanese companies use Shokuno Shikaku Seido to assess an employee in terms of their skills and capabilities to carry out certain jobs within the job hierarchy. Employees are then rewarded according to the grade accomplished. Shokuno Shikaku Seido acts as

a) a yardstick for assessing employee’s capability

b) an objective and explicit criterion at each grade level

c) a holistic assessment system, because many personnel practices like job rotation, on job training, off job training, QC circle can be incorporated
d) a motivation since upward progression is not limited to the number of posts in the company.

e) possibility of every employee making an upward progress

f) a leverage for mid career entrance as the individual's capacity can be assessed and then he may be placed under a suitable grade.

An employee's advancement in the firm is judged by a combination of minimum length of years in the grade and achievement of targets set within the grade. These are then assessed under Jinji Koka Seido, which often runs in parallel to in-house upgrading examination because of its fairness and objectivity.

_Personnel Rating System [Jinji Koka Seido]_

Jinji Koka is an arrangement whereby a superior, evaluates a subordinate's performance by observing him closely. His ability to perform the tasks efficiently, his aptitude and personality and the degree to which they have contributed towards the job accomplishment are measured at depth. This ensures that the result of the evaluation fairly reflects all relevant areas of his total personal affairs.  

In practice, Jinji Koka Seido assesses an employee's capability, aptitude and performance. Capability is assessed in terms of his knowledge, skills, level of competency in the current job and his commitment and motivation. Aptitude is identified through job rotation. The degree to which the employee has met the set target is a measure of his performance. Due consideration is also given to the nature, volume and quality of task.

17 Ibid.; p.193
Jinji Koka Seido uses the method of Management By Objective to carry out an assessment of an employee at intervals of one year. At the performance evaluation level, Management By Objective requires the superior to interact with the subordinates and clearly list out the group's targets and objectives for the month and allocate to an individual his target and objective. The subordinate in turn, has to draw up the target for the month after discussion with the superior and record it in Management By Objectives (MOB) card. At the end of the month, the employee makes a self-assessment and enters it in the MOB card, which he submits to his superior. The superior then discusses the outcome with the subordinates and finds out the way to improve in the future. Further, the superior puts his evaluative comment.

The capability assessment consists of a long list such as:

a) Skill—the range of skills acquired in each grade through OJT and the means of applying them in practical situations.
b) Knowledge—knowledge accumulated through education, reading, working and off job training.
c) Judgement - ability to draw conclusions about given situations

d) Persuasiveness - an ability to persuade others into understanding his perspective and gaining acceptance of his views

e) Development - an ability to gauge the subordinate's potential for progress and betterment

f) Planning - a good understanding of the business environment and a competence for bringing forth changes in planning

g) Management and leadership - an ability to control, motivate and carry along subordinates with him towards the achievement of targets

h) Diligence and commitment - an ability to take responsibilities.
i) Cooperation- the ability to work in a team and relate to co-workers.
j) Positive attitude- ability to adjust to face challenges and put forth new ideas.
The emphasis varies depending on the grade. At the middle and top level management, greater value is attached to planning, management, and leadership.

During setting of targets and the assessment period, the Jinji Koka Seido system essentially requires a two-way dialogue between the superior and the subordinate. Often, companies follow a two-tier assessment. Kacho assessment is fed back to the subordinate and the Bucho makes an assessment on the basis of all the principles as well as in relation to all the members of the department. This is then sent to the personnel department. In this assessment system, the Kacho is the pivot and his assessment has to be objective so that during the feedback interview with the subordinate, Kacho is in a position to justify his scoring.

Most companies follow an "upgrading test," which supplements and compliments the Jinji Koka Seido system and allows the principle of merit to operate. Usually, it consists of writing an essay and specialized examination of the specific skills. This is evaluated by a committee, which uses the result of Jinji Koka of the previous few years and interviews every candidate. A high performer can achieve higher grades within a short span of time through this test.

Another test which is gaining increasingly popularity is the "assessment test." There are several assessment test programs used in Japan, which test the individual's psychology and behavior in a given situation. Developed in line with the American and British systems, these tests are supposed to help the employee discover his strengths and weaknesses so that appropriate steps may be taken for future development. The assessor also benefits from this since it improves
his understanding of both the subordinate's attitude and aptitude, thereby making OJT more meaningful.

The ability assessment in practice, has used both objective and subjective criteria to assess an employee. The seniority criterion continues to find a place during evaluation of a candidate, though, in some companies its importance has been marginalised.

**COMPENSATION**

Compensation is a broad concept and encompasses more than such aspects as wages, allowances and benefits. The compensation structure of a company must take into consideration the existing level of wages in the external market. The Japanese corporations follow two methods of determining wages at the general level. The first, being the annual automatic increment (which means an upward movement on the pay scale or an originally fixed automatic step increase on the pay scale which takes place at a certain time of the year), the second, being the "base up" (which is an upward revision of the pay scale for all employees) The extent of increase in the wage in this case, is decided through wage negotiations called the Shunto (Spring offensive held every spring on a nationwide basis).

Table (3.4) shows the wage increase determined by Shunto. This national level wage increase is conditioned by the prevailing economic situation. The wage that is fixed by major companies is determined by the dictates of the national level wage bargaining.
### TABLE: 3.4 Wage Increase Trend Determined by Spring Labour Offensive in Large Firms

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<td>1992</td>
<td>13,662</td>
<td>4.95</td>
</tr>
<tr>
<td>1993</td>
<td>11,077</td>
<td>3.89</td>
</tr>
<tr>
<td>1994</td>
<td>9,118</td>
<td>3.13</td>
</tr>
<tr>
<td>1995</td>
<td>8,376</td>
<td>2.83</td>
</tr>
</tbody>
</table>

Source: Japanese Working Life Profile 1996-97
The variation in Shunto settlement for all major companies is very small as shown in table (3.5). Among the industrial leaders in electrical machinery the percentage of increase has been identical. In the automobile sector, however, it has ranged between 2.99-3.24, the variation being less than 7 per cent. This uniformity in settlement despite decentralization, is possible because of the effective communication system.

**TABLE: 3.5** The 1994 Shunto Settlement in Electrical Machinery and Automobiles

<table>
<thead>
<tr>
<th>ELECTRICAL MACHINERY</th>
<th>Settlement Amount ( increase in monthly pay in Yen )</th>
<th>Amount ( per cent increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi</td>
<td>7,787</td>
<td>3.05</td>
</tr>
<tr>
<td>Matsushita</td>
<td>8,460</td>
<td>3.05</td>
</tr>
<tr>
<td>Toshiba</td>
<td>7,927</td>
<td>3.05</td>
</tr>
<tr>
<td>Fujitsu</td>
<td>7,662</td>
<td>3.05</td>
</tr>
<tr>
<td>Mitsubishi Electrical</td>
<td>7,701</td>
<td>3.05</td>
</tr>
<tr>
<td>NEC</td>
<td>7,705</td>
<td>3.05</td>
</tr>
<tr>
<td>Sanyo</td>
<td>8,116</td>
<td>3.05</td>
</tr>
<tr>
<td>Sharp</td>
<td>7,756</td>
<td>3.05</td>
</tr>
<tr>
<td>Fuji Electrical</td>
<td>7,659</td>
<td>3.05</td>
</tr>
<tr>
<td>Matsushita Denko</td>
<td>7,549</td>
<td>3.05</td>
</tr>
</tbody>
</table>
AUTOMOBILES

<table>
<thead>
<tr>
<th>Companies</th>
<th>Settlement Amount</th>
<th>Amount (increase in monthly pay in Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>9,200</td>
<td>3.06</td>
</tr>
<tr>
<td>Nissan</td>
<td>8,400</td>
<td>2.89</td>
</tr>
<tr>
<td>Honda</td>
<td>8,900</td>
<td>3.00</td>
</tr>
<tr>
<td>Masda</td>
<td>8,400</td>
<td>3.00</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>8,400</td>
<td>3.24</td>
</tr>
<tr>
<td>Isuzu</td>
<td>7,700</td>
<td>2.99</td>
</tr>
</tbody>
</table>

Source: Rengo 1994 p 30-35

The labour cost that a firm incurs consists not only of the compensation to the employee but also the cost incurred for recruitment purposes.

FIGURE: 3.6 THE COMPOSITION OF LABOUR COST (in percentage)

Source: Human Resource Management in Japan, p116
Figure: 3.7 Traditional Salary Composition (in percentage)

- **SALARY**
  - **BASE WAGE**
  - **ALLOWANCE**
    - **SENIORITY FACTOR**
    - **LENGTH OF SERVICE**
    - **JOB CLASSIFICATION**
    - **HOUSING**
    - **FAMILY**
    - **SPECIAL CONDITIONS**

Source: Management Education and Training in Japan p202

Figure: 3.8 Contemporary Salary Composition

- **SALARY**
  - **ABILITY WAGE**
    - **LEVEL OF WORK COMPLEXITY**
    - **LEVEL OF KNOWLEDGE**
    - **PERFORMANCE**
    - **EXPERIENCE**
  - **SENIORITY WAGE**
    - **LENGTH OF SERVICE WAGE**
    - **SENIORITY WAGE**
    - **OVERTIME/STAFF ALLOWANCE**
  - **ALLOWANCES**
    - **FAMILY**
    - **HOUSING**
    - **SPECIAL CONDITIONS**

Source: Management Education and Training. p203
Figure (3.6) shows the break up of the labour cost of a company. Labour cost can be divided into two parts: cash wage and other costs. Apart from the recruitment cost of the company, which is barely 3 per cent of the total expenses, the other expenses which a firm incurs are by way of benefiting the employee directly through monetary emoluments or indirectly through enhancement of skill and better living standard. The compensation package is a systematized and well-established set of rules which lay out the criteria and procedure for incentives. From the company’s point of view, the compensation package serves a twin purpose towards the realization its objectives. Firstly, it gives the company a kind of automatic mechanism to adapt to the ever-changing environment. Secondly, it provides employees with a motivation and a value system which integrates him into the organisation.

The cash wage package for a Japanese employee is composed of monthly wage, the semi-annual bonus and additional allowance. Payments made at the time of leaving the company (taishokin), along with, the welfare benefits make a composite whole. The Japanese compensation system is rather complex since the salary is made up of varied elements and the composition of each has undergone substantial changes with the induction of the as the performance criterion into the system. A comparison of figure (3.7) and figure (3.8) shows how the seniority criterion, which was the base during the high growth period has been made more complex after the introduction of a merit-based pay system. There are several hypotheses regarding the internal wage structure of the Japanese corporation. They can be classified into “skill hypothesis,” “living cost compensation
hypothesis”, “self selection hypothesis,” “creative hypothesis” and “incentive hypothesis”. The seniority merit wage system is usually explained by using a combination of these hypotheses rather than a single one.

It is proper at this juncture to draw out the five characteristics associated with the seniority merit wage system\textsuperscript{19}. Firstly, there is no recognized occupational wage rate which extends across the entire spectrum of the economy. Wages for different occupational groupings exist only within the firm. Secondly, Japan's overall real wage is low and attention is focussed on the need to guarantee each worker a minimum standard of living. Accordingly, wages were tied to the individual's life cycle needs which in turn, means considering the age of the individual or the number of continuous years of employment in the same firm. As a result greater weight is given to seniority as a factor for determining wage rates. It is also reflected in the fact that the starting wage is very low and rises progressively in direct correlation to the age. Thirdly, in view of the emphasis on seniority, wage rates do not reflect the quality or quantity of job performed by each worker. However, in case an employee faces a change in his pay packet while remaining in the same age group, his seniority wage curve shifts rightward from the earlier position, corresponding to a certain rank. Hence, by merit, the individual supersedes his age cohort. Fourthly, wage differentials between the top age group and the youngest age group is very great. Lastly, the seniority wage system is most prominent among large corporations.

Given these characteristics of the seniority wage system it becomes necessary to understand why this system was adopted and has continued over a long period.

\textsuperscript{19} Umemura Motaji, "The Seniority Wage System in Japan in Shusaku Nishikawa (ed.),The Labour Market in Japan. P177
of time. This may be done by reviewing both the micro and macro levels of the economy. At the micro level, seniority wage system finds acceptability as both the employer and employee stand to gain. As the recruit is imparted training to acquire contextual skills over time, it becomes necessary to retain him to earn dividends from the firm's initial investments on him. The choice the company has is either to pay the employee above the supply price or to defer the extra payment to a later date. Instead of deferring the payment of the whole difference till the retirement of the employee, the company chooses to adopt a seniority or an age-wage progression profile of wage, by which, with continuous stay in the company, the employee's salary increases progressively. From the employee's point of view, this system is pays in the long run and therefore acts as a disincentive towards shifting jobs. Further as illustrated in table (3.5), the companies in a similar industrial set-up follow more or less the same pattern of wage system and an employee does not gain from quitting in his mid-career. Moreover, the market availability of acquired skill is low because skill being made firm specific by each company, cannot be gainfully harnessed by another company.

At the macro level, the emphasis on seniority wage system is attributed to the external labour market which is viewed in the broader context of an aggregate labour market in Japan. In Japan, while some workers are absorbed into the corporations which exhibit steep seniority wage profile, there is a large section of employees operating in the external labour market which has high rate of mobility. In large corporations there is a sizeable number of employees who come under the first type and are termed as permanent employee. In these companies,
accumulation of firm specific human capital by in-house training leads to greater productivity, facilitates acceptance, absorption and application of new technology and loyalty.

Though there is an increasing pressure for doing away with the seniority wage component, a major reason for not abandoning it altogether is that it is unclear at what point the motivational basis for seniority principle would start to break down, if the ability based principle is to be fortified. The introduction and implementation of the ability based wage system is highly complex and poses yet another problem.

The current salary composition is divided into three portions: The seniority wage, the ability wage and the allowances. To achieve a complete understanding of the compensation system, it is necessary to evaluate each of the determinants that constitute the salary package.

Age is the fundamental yardstick for determining the eligibility of the employee to work. Sex determines the nature of work as well as the wage. The educational background or the degree of knowledge acquired prior to recruitment, determines the rank, status and the wage in which the employee is incorporated into the firm. The basic minimum requirement of an employee across different periods of his life is reflected in the seniority payment. The expenses that an individual will have to incur later in his life, on account of, say, marriage, raising children, providing education for them and matrimony of the children are taken into consideration while determining the wage of an employee. Thus, the average need of an employee peaks between the age of 30 and 35 and between 45-50.
The introduction of shokuno shikaku seido which involves ranking of employees on the basis of their ability to perform, has been the determining factor behind incorporating the performance and capability criteria into the wage structure. The level of work complexity according to which the employee's wage is fixed is determined by the skill and knowledge acquired by the employee through training and diffusion of knowledge at workplace either from supervisor or through the horizontal information structure. Job classification in Japan corresponds to the different grades in the hierarchy. Within each grade, there are various jobs and each employee is rated on the basis of these jobs. There is a flexibility of movement across a spectrum of jobs within each level. Therefore, the pay is determined not by the type of job but by the grade that the employee occupies in the hierarchy. Shokuno-Shikaku-Seido is also used to identify slow learning and uncooperative employees. The system retains employees who have quick grasping abilities, are innovative, motivated and productive, by rewarding those who qualify through the merit-based wage structure.

Basic wage is thus, based on personal wages (based on life cycle stability) + job wages (based on occupational competence) + wages based on ranking system of the worker + pay on job ability. By taking the seniority of the worker into consideration under the head of personal wages the Japanese multinationals have continued to respect the seniority criterion.²⁰

Allowances in Japan consist of a staggering variety of optional and person-centered elements, usually not related to the work. The more common among them are the family allowance, housing allowance and commuting allowance. Family

²⁰ Earnings of standard male employees of firms employing more than 10 employees is shown in Appendix XIV.
allowance usually covers the spouse and children. The dramatic improvement in real wage along with the increasing number of single employees has caused a decline in the importance of family allowances. Housing allowances are of three types. Dormitories for the bachelors, low rent apartment for young married couples and a limited supply of rental housing is made available to staff workers and managers. Since housing is one of the most expensive items of the living index, providing housing facility or allowance weighs significantly on the wage. Since housing is expensive, many employees have moved further away from the work site. The result is that they often commute by Shinkansen which is a costly venture. Therefore, many companies have in effect subsidized the travel.

The above discussion has centered on the employee’s monthly compensation package. In addition to this, a Japanese employee receives bonus twice a year, once in December and again in July. About one third of the annual compensation is paid as bonus and is a very important component of the employee's total pay. Bonus is paid to all levels of employees and is universally favoured. From the manager’s point of view, it is a deferred payment to the employee and in the short run, this arrangement releases free working capital for the company. To the employee, a lump sum amount, twice a year, comes in handy to take care of extra expenses. Though the amount of employee’s bonus is determined by the overall corporate profitability, the companies are extremely cautious about cutting bonus rate unless they can make a strong case of it and justify their actions.

Table (3.6) shows the increasing rate of bonus payment on a semiannual basis. As compared to a 10.3 percent rate of increase in the summer of 1980, in
the summer of 1995, it had come down to a mere 0.4 per cent which is because of the slowing down of the economy. Summer bonus has more or less stagnated at the same level from 1993 to 1995.

TABLE: 3.6 Bonus Payment in Major Firms

<table>
<thead>
<tr>
<th>Year</th>
<th>SUMMER</th>
<th>Increase</th>
<th>YEAR-END</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agreed</td>
<td>Amount (Yen)</td>
<td>Rate(%)</td>
<td>Agreed</td>
</tr>
<tr>
<td>1980</td>
<td>447,985</td>
<td>10.3</td>
<td>482,672</td>
<td>8.7</td>
</tr>
<tr>
<td>1981</td>
<td>480,752</td>
<td>7.6</td>
<td>515,705</td>
<td>7.2</td>
</tr>
<tr>
<td>1982</td>
<td>504,711</td>
<td>5.2</td>
<td>533,109</td>
<td>3.2</td>
</tr>
<tr>
<td>1983</td>
<td>512,314</td>
<td>1.7</td>
<td>547,257</td>
<td>2.7</td>
</tr>
<tr>
<td>1984</td>
<td>535,123</td>
<td>4.5</td>
<td>575,577</td>
<td>5.2</td>
</tr>
<tr>
<td>1985</td>
<td>565,657</td>
<td>6.0</td>
<td>600,594</td>
<td>4.4</td>
</tr>
<tr>
<td>1986</td>
<td>557,980</td>
<td>2.1</td>
<td>609,853</td>
<td>1.5</td>
</tr>
<tr>
<td>1987</td>
<td>571,944</td>
<td>1.8</td>
<td>619,374</td>
<td>2.5</td>
</tr>
<tr>
<td>1988</td>
<td>598,222</td>
<td>5.7</td>
<td>664,029</td>
<td>6.7</td>
</tr>
<tr>
<td>1989</td>
<td>645,864</td>
<td>8.1</td>
<td>720,540</td>
<td>8.5</td>
</tr>
<tr>
<td>1990</td>
<td>697,946</td>
<td>8.0</td>
<td>765,542</td>
<td>6.8</td>
</tr>
<tr>
<td>1991</td>
<td>736,444</td>
<td>5.5</td>
<td>794,011</td>
<td>3.6</td>
</tr>
<tr>
<td>1992</td>
<td>759,721</td>
<td>2.7</td>
<td>796,011</td>
<td>0.2</td>
</tr>
<tr>
<td>1993</td>
<td>751,793</td>
<td>(-0.9)</td>
<td>786,656</td>
<td>(-0.3)</td>
</tr>
<tr>
<td>1994</td>
<td>749,982</td>
<td>(-1.1)</td>
<td>796,035</td>
<td>(-0.1)</td>
</tr>
<tr>
<td>1995</td>
<td>750,221</td>
<td>0.4</td>
<td>798,848</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: Surveyed by Ministry of Labour
A number of theories have been advanced about the nature of the bonus payment. One theory holds that the bonus is a reward for special work that has been done, a work turn has contributed to the company's profit. Yet another theory sees it as a distribution of retained profit. The third theory puts forth that it is a separate wage payment, evolved from an older retained payment tradition (mochidai). The first theory which considers bonus to be a specific individual encouragement tool is not true since though bonus was calculated by the assessment of each employee's performance, it was converted into the bonus amount on the basis of his seniority. The second and the third theories hold true for Japan. The actual level of bonus in Japan reflects the performance of the firm and also its bulk wage payment.

**Retirement allowance.**

Retirement in Japan has been mandatory in nature and was pegged at 55 years until the last decade. Recently, however the Japanese retirement norm has crept up to 60 years and is by and large accepted by all industries across the nation. The introduction of 60 years as the retirement age was because of the increase in the life expectancy and the fact that old age pension from the government starts at 60 years. This situation is bound to undergo a change as the qualifying age for national pension will be slowly shifted to 65 years in stages from 2001 onwards.

For a long time, the retirement allowance was a lump sum payment referred to as separation payment and there was no provision for pension. Since retirement
at 55 was thrust upon an employee while he was still not too old to work and had a long life ahead, a lump sum packet helped him establish some kind of small retail or service business. Over time, however, as the retirement age has shifted to 60\(^{21}\) and with a crisis emerging due to aging population, the companies are under pressure to increase the company pension scheme. Thus, a synthetic scheme clubbing together both lump sum payment and pension has emerged.

Retirement pensions for managers are made up of three elements. National old age pension, company pension scheme and the employee pension scheme. National old age pension is payable from the age of 60 and is a fixed amount. It is payable to most people who have worked continuously and have contributed for a number of years. The other two vary considerably from company to company.

A look at table (3.7) (below) indicates that a high percentage of firms give retirement benefit. It also shows that the percentage of firms giving lump sum payment has decreased from 62.1 per cent in 1978 to 47 per cent in 1993. The data further demonstrates that the retirement allowance scheme of firms employing 1000 or more employees, give overwhelming preference to the synthetic scheme. The retirement allowance depends on the age of the employee, his educational background, the size of the firm\(^{22}\) and most importantly, the salary that he was drawing at the time of retirement.

\(^{21}\) Appendix XVI shows firms following mandatory retirement age at 60 and over and their future plan.

\(^{22}\) Break-up of retirement allowance by size of establishment, education and duration of service is given in Appendix XVII.
TABLE: 3.7 Firms with Retirement Allowance Scheme (in percentage)

<table>
<thead>
<tr>
<th>Size of firm</th>
<th>Total</th>
<th>Lump sum</th>
<th>Pension</th>
<th>Synthetic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Payment only</td>
<td>Plan only</td>
<td>Scheme</td>
</tr>
<tr>
<td><strong>All sizes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>100.0(92.2)</td>
<td>62.1</td>
<td>16.4</td>
<td>21.5</td>
</tr>
<tr>
<td>1981</td>
<td>100.0(92.1)</td>
<td>55.4</td>
<td>18.5</td>
<td>26.2</td>
</tr>
<tr>
<td>1985</td>
<td>100.0(89.0)</td>
<td>51.9</td>
<td>14.3</td>
<td>33.8</td>
</tr>
<tr>
<td>1989</td>
<td>100.0(88.9)</td>
<td>49.3</td>
<td>11.3</td>
<td>39.3</td>
</tr>
<tr>
<td>1993</td>
<td>100.0(92.0)</td>
<td>47.0</td>
<td>18.6</td>
<td>34.5</td>
</tr>
<tr>
<td><strong>1000 or more firms (1993)</strong></td>
<td></td>
<td>100.0(99.7)</td>
<td>10.6</td>
<td>19.8</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour, Survey on Retirement Allowance System and Payment 1993

**Note:** Figures in parentheses show the percentage of firms having retirement allowance. Benefits and Services

A major part of compensation package is made up of benefits and services which are not a part of the salary. These benefits come in two forms: those that are legally required and those that the company uses as a part of what it considers essential to keep employees happy.

Japan as an advanced nation has a complex insurance program. The insurance program covers workers accident insurance, pension insurance, employment insurance and health insurance. The company is legally obliged to
contribute and is therefore applicable to all companies across all the industries.

Workers Accident Compensation Insurance Scheme

This insurance is administered by the National Government and is compulsory for all the establishments that employ workers. The employers make a contribution varying from 0.5 per cent to 14.5 percent to this scheme with the insured person making none. Various types of benefits are made available to the workers, for injury, diseases, disability or death due to occupational causes or while commuting to and from work. The disability package is further broken up into Disability Compensation Pension, Temporary Incapacity Compensation and Long Term Disability Compensation. The survivor is also given a compensation pension and a funeral service charge.

Pension Insurance

The national government has a National Pension Scheme which covers those who are self-employed as well as persons who are covered by Employees' Pension Insurance. Its is an employer-employee contributory pension which is a certain per cent of standard regular monthly salary. Benefits include old age, disability and survivor's pension. The old age annuity is paid to workers with 20 years of coverage with the qualifying age set at 60 years. The pension benefits are adjusted annually to reflect changes in the consumer price index.

23 See Appendix XVIII
24 For detail break-up see Appendix XIX
Health Insurance

Health insurance is mandatory for all Japanese companies and includes employees and their dependents. This covers all expenses incurred due to non-employment-related injury or illness. The insurance pays a portion of basic wages for the period during which the employee is out of action. Health insurance is financed by a monthly premium, a percentage of standard regular pay which is shared by the employer and employee. With government and companies contribution to health care on the rise, trends in National Medical Care expenditure can be gauged from appendix XX.

Employment Insurance

This is basically designed to pay unemployment benefit and assist the unemployed in finding another employment. Unemployment benefits are divided into job applicant benefits and employment promotion benefits. The job applicant benefits provide a basic allowance, skill acquisition allowance and boarding allowance and also include sickness and injury allowance. Employment promotion benefits take care of both transfer and clothing allowance for a permanent employee. The cost of this insurance is borne by both the employer and the employee, with the former, paying a slightly larger share. A detail of firms which applied for this scheme and rate of beneficiary can be seen in appendix XXI.

With the increasing demand for leisure, the practice of including work hours, as part of an attractive compensation package, is gaining significance. The scrutiny
of Japan's success by Western scholars has led them to believe that the Japanese
are workaholics and have long hours of work. The practice of five-day week has
taken almost two decades to establish itself. Figure (3.9) gives a fair indication of
how the nation has moved to a five-day week.

**TABLE: 3.8 Firms Adopting Five Day Week and Workers Covered 1994**

<table>
<thead>
<tr>
<th>All sizes</th>
<th>1000 Employees or more (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>Firm</td>
</tr>
<tr>
<td>6 day work week</td>
<td>3.0</td>
</tr>
<tr>
<td>5.5 day work week</td>
<td>1.0</td>
</tr>
<tr>
<td>5 day work week</td>
<td>Workers</td>
</tr>
<tr>
<td>Every week</td>
<td>53.9</td>
</tr>
<tr>
<td>Three times</td>
<td>17.6</td>
</tr>
<tr>
<td>monthly</td>
<td>11.2</td>
</tr>
<tr>
<td>Every other week</td>
<td>7.7</td>
</tr>
<tr>
<td>Twice a month</td>
<td>5.0</td>
</tr>
<tr>
<td>Once a month</td>
<td>95.4</td>
</tr>
</tbody>
</table>

(work week)

( of various types)

Source: Ministry of Labour, General Survey on Wages and Working Hours System
FIGURE 3.9 Trends in Practice of Five-Day Workweek.

Table (3.8) shows that currently, though 98.6 per cent workers in large firms are having a five day week, 80.8 per cent of workers have every week as a five day week while others have five day week in varying frequencies. Only a small fraction continues with a 6-day week or 5.5-day week. The Japan Federation of Employers Association continues to express displeasure about the shortening of hours which means higher labour cost:

<table>
<thead>
<tr>
<th>TABLE: 3.9 Annual Paid Holiday Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of firms</strong></td>
</tr>
<tr>
<td>All firms</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1000 employees or more</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Labour, General Survey on Wages and Working Hours System, 1994

Average holidays consist of national holidays, year-end, new year and summer (obon) holidays along with some company holidays. Annual paid holidays range from a minimum of 10 days to a maximum of 20 days for senior managers. Table (3.9) shows average paid holidays has risen from 16.6 to 18.6 in large firms. From the above table, it is evident that there is hardly any difference between annual paid holiday in large firms and the industry average. Annual paid leave is hardly utilized by the Japanese employees. Often they link it to the National holidays which thus amounts to two or three days. Japanese employees see absenting from work as a sign of a negative attitude towards work and disloyalty towards the company.

**OTHER BENEFITS**

Though some allowances are paid on a monthly basis - allowances which are legally required to be paid by the company - there is a whole gamut of benefits that are neither part of the monthly salary nor are legally required. These include a variety of programs that ensure better work conditions and enhance the working
lives of Japanese employees, which in turn and contribute towards higher productivity. Because the company believes that an employee's life revolves around the company, it becomes its duty to provide for services which go a long way in satisfying needs and requirements of the 'whole person.' Thus, the company usually offers a variety of general courses as leisure activity. These range from foreign language classes to providing laboratories for creative designing. Sports is yet another area in which the company often invests, in creating recreational centers for volleyball, tennis bowling alley and it also sponsors sporting events. Further, an annual outing to a resort is a ritual among most companies. The company takes a paternalistic approach towards its employees by offering monetary benefit at the time of childbirth, children's marriage or death of a dependent. Furthermore, while an employee is posted away from his family, the company not only extends monetary help and complements it with seeing to the family's welfare.

The cafeteria of the Japanese company is worthy of mention. It is usually huge, well ventilated. Its pleasant ambiance provides employees with moments of relaxation and an ideal break from the monotony of work. Wholesome meals served at subsidized rate are a treat to the palate of the employees. Further, there are vending machines placed conveniently for employees to pick up drinks and cigarettes.

The top managers in a Japanese firm enjoy a special benefit in the form of expense account. While entertaining clients, these managers, seldom have to worry about the expenses. There are a host of private clubs, hot springs, spas
and restaurants which provide luxurious entertainment. The top managers usually get a company car and chauffeur for personal as well as for official use. Thus, these privileged managers are well placed even by international standard, though their basic salary may be lower than that of their Western counterparts.

**COMMUNICATION**

The operational system in the Japanese production system encourages teamwork and the flow of communication between the management and the employees. This enhances communication within the organisation such that the employees are not only aware of the objectives and the business plans but can also actively participate in their formulation. The Japanese have within their human resource management practices, developed channels through which workers can participate to increase productivity and promote a conducive work environment. These communication channels hinge on a consensus decision and are the key to cooperative industrial relations.

**The Enterprise Union**

The firm level unions are characterized by:

a) Membership of blue-collar workers though it also stretches to include the lower ranks of white-collar workers irrespective of the nature of job they perform within the firm.

b) Membership is limited to regular workers\(^{25}\).

\(^{25}\) Number of labour unions and their membership is tabulated in Appendix XXII.
FIGURE : 3.10 Coordination mechanisms in Shunto

Notes:
EU: enterprise union
CM: company management
IU: industry federation of enterprise unions
IF: industry federation of companies
MOL: Ministry of Labour
MOF: Ministry of Finance
PM: Prime Minister
EPA: Economic Planning Agency
Sanrokon: Tripartite Policy Consultation Meeting

Rengo: Japanese Trade Union Confederation
Nikkeiren: Japan Federation of Employers' Associations
Keidanren: Japan Federation of Economic Organisations
Hashshakon: Eight Company Round Table Meeting
IMF-JC: International Metalworkers' Federation - Japan Council

Source: Mari Sako “Japanese labour and management in transition” p. 234
c) The union officers are elected from among the employees and are paid by the union. The leaders retain their employee status. They therefore, hold dual office, one as the worker and other as union office bearer.

d) Almost 72 per cent of the enterprise unions are affiliated to national level federation of workers.

The enterprise union is the formal platform for communication. It functions at two levels. At the industry level when it participates in the yearly wage bargaining and at the company level when it cooperates and coordinates with management on various company specific issues.

The wage bargaining known as Shunto or the Spring offensive is an enterprise level bargaining for higher wages. Yet this requires coordination between the employers and unions at both the industry and national level. The coordination mechanism in Shunto is shown in figure (3.10). From the base level one can see that there is a dialogue between the enterprise union and the company management. At the national level, while Rengo (The Japanese Trade Union Confederation) puts across demand from the employee's end, the company management articulates their opinion through Nikkeiren (The Japan Federation of Employers Association). Rengo works in close association with IMF – JC (International Metalworkers' Federation- Japan Council) which in turn keeps close contacts with all the major industry level union federations. The whole process of Shunto begins in December. The industry level union federations hold meetings and decide on their respective struggle policy. By mid-February formal enterprise

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26 Rengo 1994
27 Trends by major industries can be gleaned from Appendix XXIII
level negotiations start. At the enterprise level, throughout the period of negotiations, the organisation involved with wage negotiations, at national and industry levels, meets to exchange information and opinion regarding the state of negotiations. These meetings of national level organisations contribute towards consensus building, as representatives of Nikkeiren and Rengo often exchange views. The government also calls upon these organisations to put across economic forecasts. The precise patterns of negotiations vary from sector to sector depending upon the business conditions of the sector. For example, in both the electrical and automobile sector, in 1994, due to recession, the initial round of wage increase talks saw a tough stance from the management of companies, but since the union was in no mood to relent, Toyota conceded to its demands. Once this major company made a concession and its offer was accepted by its union, the unions of other companies were also ready to make a compromise.

Collective bargaining, that concentrates on wage increases is influenced by the consumer price index, the labour market conditions and business performance. By coordinating at the industry and national level, the unions have overcome the shortcomings of the enterprise union. The stronger unions have helped the weaker ones defend their bargaining power vis-à-vis the management. The employers on the other hand respond to the union offensive by informal coordination.28 The Shunto has been effective in increasing wages every year. Of interest is the fact that business performance has been a major determinant for fixing the wage hike. Though the central organisations take the initiative for wage negotiations, the details are worked out in each firm and since there is coordination in each industry,

28 Informality does not allow the unions to demand for industry level bargaining. Employers, thus enjoy multi-employer bargaining by negotiating wage increase at enterprise level and keeping out the strong national and international unions
the spring offensive acts as a wage equalization mechanism. The whole process of wage fixation highlights the labour – management consensus building, aided by multi-layer communications. The bargaining system in Japan relies on both formal and informal communication. While the employees have a structured formal coordination between the enterprise level, IU, IMF - JC and Rengo, the employers coordinate informally. But at the national level Rengo, Nikkieren and the Ministry of Labour meet to discuss the current national economic condition and the future projections which enables both the parties to achieve a realistic settlement. The mutual interaction between both the parties, at different levels enables them to clearly articulate their bargaining position.

**Joint Labour Consultation System**

The joint consultation system is a forum where the management and the union meet to discuss a variety of issues and facilitate dissemination of information about production, future plan of investment, overseas investment, adoption of new technology and manpower adjustment. Through the joint consultation, the union is able to participate in strategic decision making as well as functional decision making.

According to a survey carried out by Japan Productivity Center in 1987\(^9\) the most frequently discussed topics at The Joint Consultative meeting were:

a) Annual performance of business (83 percent)

b) Organisational changes (56 percent)

c) Medium and long term corporate objectives and strategies (55 per cent)

---

d) Recruitment and personnel policies (54 per cent)

e) Employee Welfare (74 per cent)

f) Technological development and new production plans (41 per cent)

From the above, it is quite apparent that the primary function of the joint consultation body is to obtain the understanding of the labour union to cooperate with the management in prevention of disputes, participation in the smooth flow of information and the implementation of policies. The Japan Productivity Center findings also noted that there is no written agreement which stipulates that the firms must agree on any of these issues with the union. But in reality, information is exchanged and unions make suggestions concerning business policies, based on the opinions of the shop floor employees and occasionally, they ask the management to revise its policies. To attend to these matters, the unions have a special department or committee which analyses and monitors business policies. Moreover, the management takes these suggestions seriously and makes every effort to implement them. In Matsushita, a branch of the union collects complaints and requests, regarding business issues from the rank and file in order to put forward proposals.

**TABLE: 3.10 Establishments which Discuss Business Issues At Joint**

<table>
<thead>
<tr>
<th>Business issues</th>
<th>Size of firm</th>
<th>Deal with by JCCs</th>
<th>Report and explain to workers (%)</th>
<th>Listen to workers' opinions (%)</th>
<th>Consult with workers (%)</th>
<th>Need consent of workers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic business policy</td>
<td>5,000-1,000</td>
<td>100.0</td>
<td>69.1</td>
<td>12.1</td>
<td>16.1</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>1,000-4,999</td>
<td>100.0</td>
<td>76.7</td>
<td>11.6</td>
<td>6.69</td>
<td>5.1</td>
</tr>
</tbody>
</table>
A look at table (3.10) shows that communication between management and the employees functions through the joint consultation committee. It is evident from the table that the general tendency for the management is to report and explain to workers, a practice which is more pronounced in larger firms. Further, regarding "basic business policy", "basic plan on production and sales", the management prefers to report and explain their decisions rather than consult the workers. Active involvement of the employees at the strategic level has gained credence only after the crisis of the 1970s, when the companies went in for restructuring. Proposals pertaining to investing abroad, restructuring and organisational changes are put across to the union, after which their opinions and demands are incorporated in

### Table

<table>
<thead>
<tr>
<th>Business issues</th>
<th>Size of firm</th>
<th>Dealt with by JCCs</th>
<th>Of which</th>
<th>Report and explain to workers (%)</th>
<th>Listen to workers' opinions (%)</th>
<th>Consult with workers (%)</th>
<th>Need consent of workers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>5,000-</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan on production and sales</td>
<td>1,000-4,999</td>
<td>100.0</td>
<td></td>
<td>61.7</td>
<td>12.1</td>
<td>21.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Changes in organisational structure</td>
<td>5,000-</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000-4,999</td>
<td>100.0</td>
<td></td>
<td>77.5</td>
<td>9.9</td>
<td>7.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Introduction of new equipment</td>
<td>5,000-</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000-4,999</td>
<td>100.0</td>
<td></td>
<td>58.2</td>
<td>12.3</td>
<td>25.8</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>75.0</td>
<td>9.2</td>
<td>11.8</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42.8</td>
<td>12.4</td>
<td>38.0</td>
<td>6.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>55.7</td>
<td>21.4</td>
<td>21.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour 1994

**Note:** To consult with workers means, that both labour and management exchange their opinion to reach a consensus; failing which the final decision is made by the management.
them. All this is possible because the central objective of both the parties is survival and growth. A study conducted by Sato and Umezawa (1982)\textsuperscript{30}, through a questionnaire survey of 682 unions, revealed that 70.8 per cent of the unions said, that they more actively participated in business policies than before. 66 percent responded that management took them into confidence and shared information with them. In the introduction of new pieces of equipment a lot of importance is attached to opinions of the workers. This is because the workers are directly affected by the decision and are therefore, involved right from the inception stages of the plan. In the event of changes in the organisational structure, the unions are given reasons for the impending changes. Their opinion is sought so as to ensure that the transition is unhindered. Transfer is usually carried out to adjust an imbalance in the workforce amongst the various sections, plants or establishments. The unions are involved in the staffing of the company, in order that they have a say in the transfer of the employee.

The JTUC Research Institute for Advancement of Living Standards carried out a study in 1994 to ascertain the say the unions in large firms, have on transfer issues.

\textbf{TABLE: 3.11} Unions with Voice Over the Planning of Transfer and Selection of Transferees (per cent)

<table>
<thead>
<tr>
<th>Types of transfer</th>
<th>JOINT CONSULTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>T.N</td>
<td>C.B</td>
</tr>
</tbody>
</table>

\textsuperscript{30} In Mari Sato and Hiroki Sato (ed.), "Japanese Labour in Transition."p283
Temporary transfer within establishment

<table>
<thead>
<tr>
<th></th>
<th>T.N</th>
<th>C.B</th>
<th>N.C</th>
<th>C</th>
<th>R.E</th>
<th>O</th>
<th>N.S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>246</td>
<td>0.8</td>
<td>5.7</td>
<td>20.3</td>
<td>37.8</td>
<td>4.8</td>
<td>30.5</td>
</tr>
<tr>
<td>Selection</td>
<td>245</td>
<td>0.4</td>
<td>6.1</td>
<td>13.1</td>
<td>38.4</td>
<td>6.9</td>
<td>35.1</td>
</tr>
</tbody>
</table>

Temporary transfer between establishment

<table>
<thead>
<tr>
<th></th>
<th>T.N</th>
<th>C.B</th>
<th>N.C</th>
<th>C</th>
<th>R.E</th>
<th>O</th>
<th>N.S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>244</td>
<td>2.9</td>
<td>10.7</td>
<td>27.9</td>
<td>33.6</td>
<td>4.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Selection</td>
<td>244</td>
<td>0.4</td>
<td>12.7</td>
<td>15.2</td>
<td>38.2</td>
<td>6.5</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Transfer within establishment

<table>
<thead>
<tr>
<th></th>
<th>T.N</th>
<th>C.B</th>
<th>N.C</th>
<th>C</th>
<th>R.E</th>
<th>O</th>
<th>N.S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>264</td>
<td>0.8</td>
<td>4.9</td>
<td>18.2</td>
<td>39.8</td>
<td>5.0</td>
<td>31.4</td>
</tr>
<tr>
<td>Selection</td>
<td>265</td>
<td>0.0</td>
<td>9.1</td>
<td>10.2</td>
<td>46.0</td>
<td>6.8</td>
<td>27.9</td>
</tr>
</tbody>
</table>

Transfer between establishment

<table>
<thead>
<tr>
<th></th>
<th>T.N</th>
<th>C.B</th>
<th>N.C</th>
<th>C</th>
<th>R.E</th>
<th>O</th>
<th>N.S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>263</td>
<td>2.7</td>
<td>12.2</td>
<td>20.9</td>
<td>36.9</td>
<td>4.9</td>
<td>22.4</td>
</tr>
<tr>
<td>Selection</td>
<td>264</td>
<td>0.8</td>
<td>15.2</td>
<td>13.6</td>
<td>42.0</td>
<td>6.0</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Source: JTUC Research Institute for Advancement of Living Standard 1994

T.N = Total number, C.B = Collective bargaining, N.C = Need consent
C = Consult, R.E = Report and explain, O = Others, N.S = No say

Data presented in table (3.11) shows that about 70 to 80 percent of enterprise unions have a say in the planning process as well as in the selection of the individual. Reporting and explanation as tools, are most popular in all types of transfer negotiation. Collective bargaining as a tool is used only sparingly. Though the unions make a vital contribution towards the transfer of both temporary and permanent workers and influence the selection criteria the, management has the ultimate say in the matter. Even so, the management prefers the participation of
the union and seeks their opinion because their cooperation is envisaged as a catalyst to the smooth movement of workers between work places.

Training of workers is a crucial area and proper communication is beneficial to both employees and management, as it leads to higher productivity. The unions participate in getting information from the employees about the nature of their work, desire and choice of training. These are discussed in the joint consultation meetings and the supervisor is given a fair idea of various needs and desires of various workers. The supervisor has full authority on chalking out a training schedule for the workers. A feedback from the union helps the supervisor to decide and allot training so as to enhance the productivity of the worker.

**Individual-Centered Communication**

The Japanese production system, which empowers the end-of-the-line employee to take decisions about inventory and quality, relies on teamwork for effective results. This necessitates a vertical, horizontal and diagonal communication flow. A networking between all departments leads to sharing of knowledge, which helps the management to take a holistic approach towards problems arising out of the day-to-day functioning of the organisation. The formal channel of communication that reaches the entire workforce is the small group activity, QC circle and the suggestion scheme. A team of people, numbering between five to ten, belonging to a same workplace who perform activities on their own initiative and contribute to improving their work and the work milieu are named as small group activists. All the members of the group participate in
self and mutual development and strive towards the betterment of their workplace. Each group is left semi-autonomous to enable it to function well. In most companies, the experienced workshop employees are the team leaders. In some companies, however, in order to prevent the small group from gaining too much autonomy, the team leaders are rotated in such a manner that supervision is more objective. The group meets once a week or a fortnight for about an hour. About three to six months are spent on each issue or theme which is often reflective of the company’s overall guidelines. According to the Ministry of Labour, in 1996, 69.9 per cent of the establishment of large firms had small group activity including quality circles in which 86.4 percent of the employees participated.

**TABLE: 3.12 Workers View on Small Group Activity (multiple answer)**

(percentage of workers)

<table>
<thead>
<tr>
<th>Types of response</th>
<th>Size of firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>They brighten the atmosphere of workplace</td>
<td>38.0</td>
</tr>
<tr>
<td>They make daily operation easier</td>
<td>48.6</td>
</tr>
<tr>
<td>They improve workers ability</td>
<td>31.2</td>
</tr>
<tr>
<td>They make the work worthwhile</td>
<td>16.9</td>
</tr>
<tr>
<td>They are not voluntary but compulsory, which makes me depressed</td>
<td>31.4</td>
</tr>
<tr>
<td>They are carried out after work which is burdensome</td>
<td>22.5</td>
</tr>
<tr>
<td>They reward for the performance is not enough</td>
<td>3.2</td>
</tr>
<tr>
<td>Proposal are seldom picked up</td>
<td>6.1</td>
</tr>
<tr>
<td>Others</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour 1994
As is evident from table (3.12), while some workers evaluate small group activity positively, others regard it negatively. Thus, the percentage of workers who come under the category of "they are not voluntary but compulsory, which makes me depressed" is sizeable. It is interesting to note that in firms employing 5000 or more workers, the workers are content with the reward system. Conversely, the firms which have a strength of 1000 to 4999 workers, the number of workers having grievances against the reward system is sizeable. The category of "proposal seldom picked up" has a similar story to tell. Although the answers to small group activity within a firm are highly varied, the majority of workers accept it positively.

The QC circle is a part of the small group activity but is often compulsory in nature. On the shop floor, not only do the workers engage in the elimination of defective parts but also concentrate on carrying out regular maintenance. The concept of total quality control\(^{31}\) embraces a philosophy, which involves every one and every aspect. Thus, the entire organisation strives towards the attainment of the following goals:

(a) To contribute to the improvement and development of the corporate constitution.

(b) To create a cheerful workplace that makes life worthwhile and where humanity is respected.

(c) To recognize an individual's latent talents and create an environment which is conducive to the realization his full potential.

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The QC circle is conducted in the form of a group where the employees work as a team to solve work related problems.

The most popular form of individual centered communication is the suggestion system. Through the suggestion scheme, an employee can participate directly in productivity improvement activities. A well-organized suggestion system draws out the positive contribution of employees, in areas relating to their work and enhances their identification with the company performance. Although, a suggestion may result in only a small improvement, the cumulative effect of many such suggestions would add up to a substantial benefit. Through the suggestion system, the employee puts across his ideas in the form of a suggestion which he submits for approval to his coordinator, who then discusses the viability of the suggestion with him. This opportunity is used by the coordinator to discuss issues close to the heart of the subordinate. The suggestion system ensures positive participatory work culture and encourages employee's innovative skills. Above all, it facilitates a two-way communication between the subordinates and the boss.

**Managerial Level Communication**

At the managerial level there are many decisions that emanate at the lower management level and are endorsed by the top management. The intensity and extensiveness of the communication that occurs in a Japanese company is very informative. The Japanese managers have an extensive network of personal relationship with people, with whom, they share a sense of solidarity. They have
extensive contacts with people throughout the company because of the time spent
together during their initial training. This is enhanced by the job rotation during
the early years in the company. Sharing of information is not considered a favour
but is the established basis for effective administration. This practice is well
understood by Japanese managers. Therefore, when decisions are made, they
not only inform their fellow managers through office memos but also often hold
informal meetings to apprise them of a decision, even though it might not have a
direct bearing on their work.

The Kacho is the pivot of the communication flow who directs, responds and
suggests both to the top level as well as to his subordinates.

FIGURE: 3.11 Kacho the Pivot of Communication

Source: Management Education and Training in Japan. P137

Note: Per cent denotes the amount of time devoted to communication.
Figure (3.11) shows the role that a Kacho has in effective diffusion of information. His communication network operates not only within the company but also with companies in related and unrelated fields. The network that is established by the Kacho to gather and pass information, maintain contacts and keep communication flowing is a very important aspect of his work. The horizontal and the diagonal communications are facilitated by the lower middle managers, who are at the helm of the basic operational unit of the Japanese company.

The traditional way of bottom up communication is achieved through the ringi system. The word ringi means getting approval on a proposed matter through vertical, horizontal and diagonal circulation of a document to the concerned members of the company. The procedure consists of four steps—proposal, circulation, approval and record. A typical procedure is discussed below. For example, a junior manager in a marketing division comes up with a suggestion pertaining to marketing strategy. The Kacho is informed of the proposal by the immediate supervisor of the junior manager. The Kacho then calls a meeting of his section. A discussion on the issue focuses on the possibility of its success. Once the team is convinced about its success, the second step is the identification of departments with which coordination is required for successfully implementing the suggestion. The Kacho then reports this to the Bucho and consults him. Once the Bucho is convinced of the idea, the whole process of gaining an all round consensus commences. The Kacho engages in an extensive and intensive dialogue with other Kachos of his department and other relevant departments. Usually, a meeting is held where the departments affected by the proposed matter
send one Bucho, one Kacho, or one or two Kakaricho. The initiator of the proposal is often called upon to make a presentation, following which, a discussion is held and if need be, specialists are consulted. In the meantime, the subordinates are set to research and calculate the figures and write a ringisho. During the collection of data, these subordinates visit other departments and hold informal talks to gauge the opinion regarding the proposal. The prior coordination routine is the backbone of the ringi system. Once the department judges that a consensus has been arrived at, the ringisho is circulated among the interested parties and if necessary, some modifications are made. When an agreement is reached, the responsible person affixes his seal of agreement and the document is placed before the top management for formal authorization. After approval, the proposal is returned to the originating department via the administrative section for implementation. Since consensus had been achieved by rigorous dialogue, the execution and implementation is swift. Even if the initiator happens to be from the top management, the approval of the subordinates is mandatory for it to be implemented. Though the ringi system has come under attack for being a time consuming practice, it enables the section closest to the problem, to device a solution in association with all those concerned. Since there is a high degree of participation during the formulation of the proposal, a commitment during implementation is required. The decision itself becomes sound as all its aspects are looked into during the formulation stage. Often, bold decisions can be arrived at by capitalizing on the employee's enthusiasm during the process of consensus building. Further, it acts as a motivator and the managers often make voluntary commitments to solve a certain problem. The smooth functioning of the ringi system
necessitates cultivation of trust amongst juniors and seniors and requires a social bonding which facilitates communication. The Kacho plays a pivotal role in bringing forth a systematised informal communication flow by guiding the subordinates to arrive at a consensus.

Nemawashi is a communication practice that enables management to promote harmony among employees and between the employees and management. It is commonly used when the management wants a certain policy to be implemented. The management approaches the parties affected by the decision and lets them know of the proposed policy and the role that is expected of them to make it a success. The management may very well approach the relevant set of employees several times and shuttle between groups of employees. All these take place informally at lunch hour or more likely at bars and nightclubs. This encourages after-office-hour-socialising and is often mandatory for the white-collar worker. “When we drink or carouse with our co-workers”, says Takashi Ito, a freshman employee at a major Japanese bank, “It is exhausting, but we keep our political antenna up and find out how and when to lean one way or the other or we try to subtly signal our own preferences. Some salaried men pretend to be drunk so they can fit in while remaining sharp”\(^{32}\). What nemawashi achieves is that in an informal setting, the participants are more forthright and are in a position to express their emotions. By nemawashi, the management is able to gently guide the employees to a decision which the management wants, or to modify the decision, depending on the feedback from the employees. Nemawashi, therefore, is a tool to foster the employee's consensus in a more diplomatic and sensitive

fashion. It eschews the element of surprise and is also a "face-saving" device of the top management. The advantage of nemawashi is that if the management has a series of options available to it, the choices can be placed before the employees. Consultation amongst the employees can fine-tune the exact scope, direction and timing of their decision. Since the set up is informal, relevant information input from various employees are made possible so that the final decision making process take into consideration the interests, needs and constraints of the majority. Since there are no showdowns between the groups holding divergent interests, there is no loss of face in public. Nemawashi dilutes the burden of an error to by allowing it to be shared by all. Nemawashi is in stark contrast to the ringi system. These two often work hand in glove to steer the employees to take a decision unanimously, such that future implementation of decisions becomes a smoother process.

At the managerial level, the communication channel operates both at the formal and informal level and it is through this networking, that the strategies of the company are decided and are implemented. The various channels for group and individual level communication help in identifying the problem at its root, therefore, in finding an effective solution. It acts as a motivator as each employee feels he is a part of the company. Above all, thorough sharing of knowledge and ironing out of differences helps in the formulation of strategies and policies and makes their implementation easy.

Turning to the model in Chapter II, recruitment of the right man is achieved through a rigorous scrutiny. The recruitment is a process rather than an activity.
Quality consciousness is instilled into the employee through a training programme which stretches throughout the entire career span. The training programmes are well designed to meet the requirement of both the company and the employee. The employee is able to make productive contribution because of sound training. Moreover, the employee is given a long stretch of time to prove his mettle. This is beneficial to the slow learning employees. The worth of a talented employee is recognised through rewards given under various schemes. The employee has his dreams fulfilled upon reaching the discriminatory stage of promotion. Thus, the Japanese system is able to maintain a judicious balance between an average achiever and the truly talented staff. The loyalty of an employee in Japan is conditioned by the lifetime employment system. This creates a work culture, which is marked by the symbiotic relationship between employees and the company. The Japanese companies were able to make use of this condition to their advantage, by empowering employees down the line and creating a feeling of, ‘if the company grows then I grow’. A congenial environment is further encouraged through an emphasis on teamwork both at shop floor and managerial level and as well as between various departments. Teams are used as basic mechanism for functional integration of tasks which stands at the core of the Japanese model. The introductory chapter has dealt with, at length, various theories on transferability that originated during different periods. The current consensus among researchers, about the adaptability of the system has also been discussed. Drawing upon the various views, a research model was developed. The model looks into whether the human resource management practices are transferable and if so to what extent. The next section will concern itself with the above question and seek to answer it through the case study of Sanyo and Honda.