CHAPTER 2

JAPANESE WORK CULTURE, ORGANIZATIONAL BEHAVIOR, AND EMPLOYMENT PRACTICES

An Introduction to Japanese Work Culture

The Japanese employment system, complete with its work culture and organizational behavior is strongly rooted in Japanese culture and tradition. In fact, the presence of tradition is perceived to be especially prevalent within its employment system. Phenomena such as "organization orientation" and the system of "enterprise welfare" can only be produced when there are important historical, cultural and institutional factors (Dore 1973). The argument being put forward is that work culture and organizational behavior are best understood within the social and cultural context in which they have developed. Erez and Earley (1993) point out that the potential contribution of various managerial practices and motivational techniques depends on cultural values and norms since employees interpret the meaning and value of various managerial techniques in relation to their own well-being. Culture shapes the type of organizations that evolve and the nature of social structures as they grow and adapt (Hofstede 1980). Japan is a homogeneous society that believes in maintaining the purity of the race as a prerequisite for sustaining and propagating itself. This homogeneity exerts strong pressure on institutional structures and employment practices and processes to evolve in a manner that is in harmony with the society’s value set. Under these conditions, a divergence from cultural norms will lead the institution to lose its legitimacy, and its moral and intellectual support.

A pervasive theme in studies of Japanese work ethics and employment system has been the extraordinary commitment, identification and loyalty that Japanese workers are said to exhibit toward their firms. Low rates of industrial conflict, absenteeism, and turnover combined with high worker productivity and production quality have given rise to a worldwide image of the Japanese as wholly dedicated to the success of their companies. Their long work weeks, penchant for after-hours socializing with
work-mates and, above all, reluctance to take all their allotted vacation time further reinforce this perception (Cole 1979: 232).

Employee identification with the company in Japan is often evidenced by reference to "my company". Familism (kazokushugi) is a basic value for the model of managerial practices and motivational techniques used in Japanese companies. The model advocates mutuality between management and employees, strong ties between employees and their corporation, and the responsibility of management for the employees' well-being. Other characteristic practices often include lifetime (shushinkoyo), a reward system based on years of accumulated service (nenko joretsu), a strong emphasis on interpersonal communication, group participation in decision-making, and team development. Individual performance appraisal is of little or no significance since employees are often evaluated on the basis of their contribution to the group organizational unit as well as their general attitude.

A Japanese person identifies himself in industrial terms by his workplace and not by his occupation. Such a perspective changes the individual's fundamental attitude towards industrial work, and consequently the nature of the workplace itself (Nakane 1974). One salient characteristic of the large majority of Japanese workers is that they do not regard their jobs simply as a means of earning an income. Instead, they attach a great deal of importance to the intrinsic satisfaction derived from work itself – for example, from opportunities to use aptitudes and abilities. Belonging to a company can be interpreted more clearly as a sense of belonging to the whole company as a place of enjoyment rather than to any specific job. In order for satisfaction to be derived from the group-oriented reward system and the seniority system, there needs to be not only a strong cultural orientation towards collectivism but also strong psychological ties to the company and the understanding that one's job is secure until retirement.

In Japan, employment is not determined by a contractual type of relationship (the labor contract), but by a human relationship. This has been strongly advocated by Chie Nakane, a distinguished cultural anthropologist, who states thus:

The term 'kaisha' symbolizes the expression of group consciousness. Kaisha does not mean that individuals are bound by contractual relationships into a
corporate enterprise, while still thinking of themselves as separate entities; rather is ‘my’ or ‘our’ company, the community to which one belongs primarily, and which is all-important in one’s life. Thus in most cases the company provides the whole social existence of a person, and has authority over all aspects of his life; he is deeply emotionally involved in the association¹ (Nakane 1974:3).

As can be expected, the company concerns itself with matters well beyond the workplace, including the personal and family matters of the employee. For instance, Kyocera² has an “employees' graveyard” at the Buddhist Enpukuji Temple on the outskirts of Kyoto (Mitsuru 1987: 10). Clearly Kyocera is an outstanding example of an approach that sees workers as part of the corporate family, even after death. As in the context of family and community, the relationship depends on social values more than mere economic considerations. Promotion, like ranking in the family, progresses along a vertical axis, where one’s greater or lesser experience of life, i.e. years of service, is the determining factor.

Of course, the above-mentioned features of Japanese workplace have, over the years, been weathering in response to various socio-economic changes, as will be discussed in Chapters 3 and 4.

Core Cultural Concepts of Work in Japan

The following core cultural concepts have strong implications on how Japanese companies do business. These concepts are the guiding factors that exert a strong influence on the work culture and employment practices of Japan. Nevertheless, it is important to bear in mind that cultural patterns found in particular industries, regions, economic classes, and of corporations themselves vary substantially. Preferred cultural practices have also changed in response to globalization and the economic downturn in the 1990’s.

a) Cultivating long-term relationships and keeping face – Japanese are work-centered and collectivists in nature. Lifelong relationships are important and are

¹ Nakane finds it difficult to choose an English equivalent for kaisha: though ‘company’ or ‘enterprise’ correspond etymologically, they do not have the social implications that the word kaisha has for a Japanese.
² Kyocera is a leading Japanese high-tech company headquartered in the old Japanese capital of Kyoto. The company is best known as a manufacturer of ceramic packages for the electronics industry.
based on mutual obligation and reciprocity. The merits of this kind of a set-up are loyalty, security, belonging, being cared for while the flip side is that they can more often than not end up being onerous obligations and social constraints. Japanese work culture also entails an immense pressure to blend in, harmonize, cooperate, and to conform to societal norms. Work ethics are based on relationship and context rather than fixed principles. Japanese workers give a great deal of attention to the nuances of situation, subtle cues, accommodating the needs and views of others.

Working in a group in Japan requires the development of successful channels of communication, which reinforce group interdependence, and the sense of difference from those who are not members of the group. Relationships are expected to continue over a long period, whether in business, marriage, employment, or in the neighbourhood, and great care is likely to be invested in establishing and maintaining good relationships. Such relationships are often begun by using the social networks of a relative, friend, or colleague who can provide an introduction to the desired person or serve as nakodo (go-between). The nakodo most often refers to the person (or people) who negotiates marriage arrangements, including checking each family's background, conveying questions and criticisms, and smoothing out difficulties. But this kind of personal mediation is common in many aspects of Japanese life.

Lifelong relationships require careful maintenance. The fear of standing out, not fitting in, being laughed at or scolded is considered to be a social stigma that affects not just oneself but people around as well. One's reputation affects the reputation of one's family and colleagues. Difficult issues are communicated through indirect, nonverbal subtext since they believe it is easier to deny or shift direction. People give each other private space (physical distance from gaze & touch, home space), which makes it easier to maintain public face.

Saving face is crucial in Japanese society. The Japanese believe that turning down someone's request causes embarrassment and loss of face to the other person. If the request cannot be agreed to, they will say, 'it's inconvenient' (tsugo ga warui) or 'its under consideration' (kangae-chu desu). Face is a mark of personal dignity and means having high status with one's peers. The Japanese will try never to do
anything to cause loss of face, which is why they do not openly criticize, insult, or put anyone on-the-spot. Face can be lost, taken away, or earned through praise and gratitude.

**b) Diligence and details** – Japanese workers take their work very seriously; job assignments are clearly defined. Each group has tasks to do and it is important that they do it seriously and well. They have what can be called *majime,* i.e., they have a serious demeanor when working. Working steadily matters more than quality or quantity of work completed. Patient thoroughness, especially in preparation, is valued over speed or creativity. Japanese workers put in long hours and focus on work content for they believe that thorough documentation allows context to speak for itself. Following form is very important in doing one’s work. *Kaizen* is an important theme of their work attitude which means to work at continuous improvement (of self, of product). Their effort is steady and they believe in never giving up until they get it right. They are thorough and show a fine dedication to details. There is a correct way to do almost everything. There's a correct phrase or thought to say for many situations. The manner of working often matters more than the result.

The Japanese regard effort very highly. Failure or marginal success is often forgiven so long as the individual worked intensively. Conversely, an outstanding success may be slightly frowned upon if the individual put in minimal effort. Great respect comes from fanatical application of proven techniques. Consequently, compared to American standards, the Japanese may seem to go overboard on projects they undertake. When ill, so long as they are not completely incapacitated, the Japanese will often continue to work and attempt to act as if nothing is wrong. In Japan, such an act demands great respect as it shows that the individual has the devotion, discipline, and self control to work even while suffering.

**c) Teamwork** – Japanese are collectivists who believe in teamwork – the goals of the team are the goals of the individual. Teamwork is greatly rewarded and recognized. Fostering teamwork is creating a work culture that values collaboration. In an environment where teamwork is valued highly, people understand and believe that thinking, planning decisions and actions are better when done in a collective and
cooperative way. They cultivate close human relations of warmth, trust, and obligation. They keep their private self, opinions, needs, and moods at home. People recognize and even assimilate the belief that no one is good individually. Employees value social relationships based on personal communication and empathy, concepts that are essential to teamwork. Workers feel motivated to share the responsibilities of their team.

The Japanese have a holistic view of society that affects their behavior in organizations (Yang 1984: 174). The functions that different members of an organization perform are not specifically singled out. The contribution of each member is not distinguished from the performance of the whole. In such a situation, group performance means more than individual achievements in career development. Harmony and conformity among individual members of a group are central. This togetherness helps raise the morale, and normally, the productivity of the company’s employees.

Executives model teamwork in their interaction with each other and the rest of the organization. The leaders communicate the clear expectation that teamwork and collaboration are expected. No one completely owns a work area or process all by himself. People who own work processes and positions are open and receptive to ideas and input from others on the team. The organization members talk about and identify the value of a teamwork culture. If values are formally written and shared, teamwork is one of the key points. Compensation, bonuses, and rewards depend on collaborative practices as much as individual contribution and achievement.

**d) Maintaining harmony and empathy** – Harmony is the key value in Japanese society. It is the guiding philosophy of the Japanese in family and business settings and in society as a whole. Japanese children are taught to act harmoniously and with cooperation with others from the time they go to pre-school. The Japanese educational system emphasizes the interdependence of all people, and Japanese children are not raised to be independent but rather to work together. The need for harmonious relationships between people is reflected much in Japanese behavior. They place great emphasis on politeness, personal responsibility and working together for the universal, rather than the individual, good. They present facts that
might be disagreeable in a gentle and indirect fashion. They see working in harmony as the crucial ingredient for working productively.

Japanese children learn from their earliest days that human fulfilment comes from close association with others. Children learn early to recognize that they are part of an interdependent society, beginning in the family and later extending to larger groups such as neighbourhood, school, community, and workplace. Dependence on others is a natural part of the human condition; it is viewed negatively only when the social obligations it creates are too onerous to fulfil.

In interpersonal relationships, most Japanese tend to avoid open competition and confrontation. Working with others requires self-control, but it carries the rewards of pride in contributing to the group, emotional security, and social identity. *Wa*, the notion of harmony within a group, requires an attitude of cooperation and a recognition of social roles. If each individual in the group understands personal obligations and empathizes with the situations of others, then the group as a whole benefits. Success can come only if all put forth their best individual efforts. Decisions are often made only after consulting with everyone in the group. Consensus does not imply that there has been universal agreement, but this style of consultative decision making involves each member of the group in an information exchange, reinforces feelings of group identity, and makes implementation of the decision smoother. Cooperation within a group also is often focused on competition between that group and a parallel one, whether the issue is one of educational success or market share. Symbols such as uniforms, names, banners, and songs identify the group as distinct from others both to outsiders and to those within the group. Participation in group activities, whether official or unofficial, is a symbolic statement that an individual wishes to be considered part of the group. Thus, after-work socializing provides not only instrumental opportunities for the exchange of information and release of social tensions but also opportunities to express nonverbally a desire for continued affiliation.

e) Non-verbal communication – Since the Japanese people strive for harmony and are group-dependent, they rely heavily on facial expression, tone of voice and posture to tell them what someone feels. They often trust non-verbal messages more
than the spoken word as words can have several meanings and connotations. The context in which something is said affects the meaning of the words. Therefore, it is imperative to understand the situation to fully appreciate the response. Frowning while someone is speaking is interpreted as a sign of disagreement. Most Japanese maintain an impassive expression when speaking. Expressions to watch out for include inhaling through clenched teeth, tilting the head, scratching the back of the head, and scratching the eyebrow. Non-verbal communication is so vital that there is a book for 'gaijins' (foreigners) on how to interpret the signs! It is considered disrespectful to stare into someone's eyes, particularly those of a person who is senior to the speaker either by age or status. In crowded situations the Japanese avoid eye contact to give themselves privacy.

f) Group formation – One of the elements of Japanese society's value set is group formation (shudan-shugi). Being a member of a group is paramount in Japanese society. The most important of which are family, school, and work. The family is the earliest locus of social life for an individual, which provides a model of social organization for later encounters with the wider world. The Japanese actively seek to bring honor to and achieve a greater harmony with whatever group they may be part of. They are reluctant to leave the group as they lose sync with the rest of its members and feel out of place. Decisions the group makes must be obeyed and members will constantly advise each other on the proper way to behave. In exchange, the group provides stability, camaraderie, and social status.

The familiar Japanese social characteristics variously called “paternalism”, “groupism”, and “familyism” originated in the strong tradition of ie, which literally means “household” or “family”. But the term has a broader meaning in Japan; it relates to any context – for example, the workplace – and is social in orientation (Nakane 1974). Simply put, this is the Japanese socio-psychological tendency that emphasizes (in the sense of protecting, cherishing, finding needs for, or functioning best in) “us” against “them”. In social organization, the Japanese put far more emphasis on situational frame than on personal attributes. When a Japanese faces an outside group, he establishes his point of reference in terms of his group and not in terms of who he is. That is, rather than saying, “I am so and so”, a Japanese will say...
"I am from so and so company", when introducing himself to others. According to Nakane (1974: 4-5):

...the ie is a corporate residential group and, in the case of agriculture or other similar enterprises, ie is a managing body. The ie comprises households (in most cases, the family members of the household head, but others in addition to family members may be included), who thus make up the units of distinguishable social groups. In other words, the ie is a social group constructed on the basis of an established frame of residence and often of management organization. What is important here is that the human relationships within this household group are thought of as more important than all other human relationships.

In modern Japan, a company is conceived as an ie; its employees are the household members, and the employer is its head. Generally speaking, paternalism involves a "father" who takes care of his sons by engaging in permissive practices and providing moral support, even if his "sons" wind up being too dependent in many respects throughout their working career. In some cultures, like that of Japan and Latin America, traditions are characterized by large social gaps and a widespread collectivism that has various manifestations. Further, social differences are manifested through benevolent, paternalistic leadership, where the senior executive has the personal obligation to protect subordinates, and even take care of the personal needs of workers and their families.

Taking this into consideration, this kind of a social set-up must be able to provide its members with a sense of the permanence of its existence. This is because once joined, change of membership to another group is difficult. Conversely, a group needs to guarantee membership. This is where the implication of lifetime employment system comes into focus. The Japanese corporate set-up (based on the ie framework) provides its members with a feeling of "oneness"; the group as a "family" engages them totally, and fosters emotional as well as financial well-being. Such "paternalistic" arrangements induce in the employees an emotional attachment to the ba (situational frame) and people within the organization. For example, an employer shows paternalistic (or ninja) attitudes to employees, which gives them a sense of on (moral obligation) toward the employer. Because of such reciprocal relationships, employees have a moral obligation to work diligently and honestly for their employer.

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The sense of belonging and commitment to the group, as well as the organization, is an aspect of Japan’s inherent family ties. This cultural value is evident in Japanese employment practices. Yang (1977: 25) calls the Japanese organization as an organic type and emphasizes:

... the sense of belonging to an organization is far more important than the function one performs within the organization. Therefore, human relations rather than professional capabilities of the employees form the core of a business organization. An organization is considered a collective entity. Any member within an organization, even if he is a professional, can only identify himself with the company rather than with his profession. The results are the organic pattern of management, with a strong emphasis on human relations, the seniority system, lifetime employment, low rate of employee turnover, and practically no contractual agreements. The role of top management is to maintain harmony in the company and to create a favorable climate for it to operate in the society.

This sense of belonging to the organization and tendency to behave as a group is one of the most striking characteristics of Japanese work culture. Marengo (1979) believes that Japanese industrial “groupism” implies loyalty not only of employee to employer, but also responsibility by the employer towards the total well-being of the employee. Nakane (1974) describes Japanese society as vertically related and organic. This description also applies to Japanese companies. Central to Nakane’s theory is the idea that belonging to an organization is far more important than affiliation across a horizontally structured professional field. Any member of an organization, even a professional, identifies himself with the company rather than with his profession. He is vertically related to the members of his company rather than horizontally related to similar professions in different organization.

g) Interpersonal relationships, authoritarianism and obedience – The Japanese are very conscious of age and status. Knowing one’s place, i.e. role and rank is an integral part of Japanese corporate culture. Everyone has a distinct place in the hierarchy, be it the family unit, the extended family, a social or a business situation. At school, children learn to address other students as senior (sempai) or junior (kohai) to them. The oldest person in a group is always revered and honored. In a social situation, they will be served first and their drinks will be poured for them. Language and interaction always reflect relative rank. It is important to know when
to reveal *honne* (one's true feeling, opinion) and when to maintain *tatemae* (one's role-appropriate face to the world).

The basic single-unit interpersonal relationship between two Japanese persons in a vertical system is *oyabun-kobun* (*oya*, father; *ko*, child). Members in a work-related group, or in any Japanese organization, are tied together by this kind of relationship. According to Nakane (1974: 4-5; Bennet and Ishino 1963):

The extension of this kind of dyadic relationship produces a lineage-like organization. The organizational principle of the *Oyabun-Kobun* group differs from that of the Japanese family institution in that the *Oyabun* normally has several *Kobuns* with more or less equal status, not only one as in the case of the household unit...whereas the Japanese father may discriminate in the treatment of his sons...the essential requirement of the *Oyabun* is that he treat his *Kobuns* with equal fairness according to their status within the group, otherwise he would lose his *Kobun* because of the unfair treatment....

In this system, while the *Oyabun* may have several *Kobuns*, the *Kobun* can have but one *Oyabun*. This is the feature that determines the structure of the group based on the vertical system....

Within the *Oyabun-Kobun* group, each member is tied into the one-to-one dyadic relation according to the order of and the time of his entry into the group. These dyadic relations themselves form the system of the organization. Therefore, the relative order of individuals is not changeable. Even the *Oyabun* cannot change the order. It is a very static system in which no one can creep in between the vertically related individuals.

A group in Japan is based on the accumulation of such relationships between individuals. This is also the case with the corporate group. When a class of university graduates enters a corporation, they are assigned to a section of a department for training after a short orientation period. A person will stay in a section for several years and then be transferred to another section within the corporation. Most of the training is provided by managers who are at a level above those of the trainees. Moreover, because of the Japanese respect for seniority, *oyabun-kobun* relationships will be developed within this work-related group.

In Rohlen's words, the concept of the *oyabun-kobun* or superior-subordinate relationship in corporate life has the following characteristics:
1. The senior manager is older than his junior, has worked longer for the company, and is in a position of relative power and security. This position enables the senior to assist the junior.

2. The senior is beneficially disposed toward the junior and befriends him.

3. The junior accepts the friendship and assistance of the senior.

4. These acts and related feelings are the basis of the relationship. There is no explicit agreement.

5. Ideally, the junior feels gratitude toward the senior for his beneficence, and this feeling is accompanied by a desire on the part of the senior to become a good older friend for the younger (Rohlen 1975: 197).

Social norms are not only the guiding factor in the development of such relationships; time-consuming group-centered activities also play an important role. Members of the work-related or office group participate in many activities together in order to promote an open and harmonious atmosphere. Development of trust among members is the most important objective. These activities are usually financed by the company and include annual trips, frequent drinking parties after working hours, and monthly Saturday afternoon recreations. The activities also serve as a bridge between generations, and help reduce the sense of rank differential by intensifying the individual friendships. Such activities, coupled with the training by rotation, help enhance trust and harmony between management and labor.

In a Japanese corporation, authority is absolute and greatly respected (Rohlen 1974). The Japanese demonstrate almost blind obedience to power and great respect for the superior-subordinate relation, and yet they rarely accept autocracy or dictatorship as do other Asian countries (Silverman 1969: 70). These factors become sources of formalism and pattern. "A pattern is an expected way of behaving. It is also a structure in terms of status, responsibility, available modes of action, channels of communication....The island nature of Japan and its isolation for centuries have crystallized the patterns more than anywhere else" (Bono 1971). These characteristics quite often result in merely ritual procedures, too great an observance of precedents, and a subservience which makes the people reluctant to be the first runner (Sasaki 1981: 67).

Organizational Commitment

Organizational commitment is the bond that an individual shares with the organization that makes it difficult for him/her to go elsewhere. According to
Buchanan (1974), the concept of organizational commitment has meanings that include: “willingness of an employee (member) to exert high levels of effort on behalf of the organization,” “strong desire to stay with the organization,” “degree of belongingness or loyalty” to the organization, “acceptance of major goals and values” (of the organization) and “positive evaluation of the organization”. Although these meanings were derived from a review of American literature, similar elements are part of the meaning of lifetime commitment in Japanese organizations. Nevertheless, several authors have asserted that the concept has “distinctively Japanese” meanings (Abegglen 1958; Dore 1973; Rohlen 1974). These authors see a strongly reciprocal set of obligations between the company and the employee except in the most extreme circumstances, and the employee, in return, will not leave the company for employment elsewhere. The role behavior typified in this lifetime commitment model is that a worker enters a company upon school completion, with the expectation that he (the model is not applicable to women) will stay with the company until retirement age of 55 or soon after. The model predicts minimal inter-firm mobility.

In Japan, the self-identity and the self-worth of the individual tend to be strongly tied to the main group or organization to which they belong. Allison (1989) argues that Japanese employees feel incomplete by themselves and always view themselves fundamentally in relation to others and, in an important sense, always feel dependent on others. For most Japanese the company is usually the main reference group molding individuals’ identity. The human resources practices at Japanese companies are developed with an implicit understanding of this relationship between the self and the main group. Since most Japanese individuals feel a strong tie to the company there is an expectation of loyalty.

One obvious determinant of any group’s structure is its cohesiveness. Cohesiveness means the strength of group members’ desires to remain part of their groups. Group cohesiveness is one of the most distinctive features of Japanese society. Sasaki (1981: 2) maintains that Japanese people can at any time identify themselves with an organization to which they belong, even if temporarily, and at the same time show a stubborn barrier against other organizations. He is also of the opinion that the biggest factor contributing to the creation of the character in Japanese firms is the
lifetime employment system (Sasaki 1981: 3). Loyalty is relative; the longer a person stays with a company, the more loyal he becomes. Further, loyalty is strengthened as one’s position rises within a company. In this way, lifetime employment is backed by the seniority system. This is one of the reasons why originally labor mobility among firms was minimal in Japan.

The organizational commitment of Japanese workers has been a central part in the study of Japanese employment system and work culture. Generally speaking, there are two explanations for the organizational commitment of Japanese workers. “Culturalist” theories assert that the strong bonds tying individuals to work organizations in Japan are merely one manifestation of a general pattern of close alignment between persons and groups (Lincoln and Kalleberg 1985: 739). Today the company is the dominant corporate unit in Japanese society, but even in olden times, similarly strong integration and identification with family, community, and nation-state have been the norm. The source of modern Japanese workers’ psychological dependence on and identification with the company lies with a set of values which run deep in Japanese culture and tradition.

The other explanation is that the organizational structures and employment systems of Japanese firms are so designed as to elicit commitment from the workforce (Lincoln and Kalleberg 1985: 739). Guaranteed lifetime employment, coupled with a salary structure that rises along with one’s length of service, and other similar benefits for those who stay could be the reasons for the higher level of commitment among Japanese workers. Dore (1973) views Japanese employment system as an emergent organizational form – “welfare corporatism” – which represents an evolutionary advance over the “market individualism” of early industrializers such as Britain. He says that as a late developer, Japan could select control systems which were well adapted to the modern world economy wherein large corporations mobilize legions of employees for global economic competition. At the same time, it possessed of a cultural heritage encouraging strong loyalties to communal groups.

Lincoln and Kalleberg’s (1985: 753) findings suggest that Japanese firms have a set of control structures that contribute positively to commitment. They first consider the shape or configuration of the organization: characteristics such as hierarchical
depth, division of labor, and span of control. These figure prominently in accounts of Japanese and other "corporatist" organizational forms. High vertical differentiation and high sub-unit differentiation are perceived to dissolve solidarities based on class and occupation, to increase interaction across ranks, and to provide opportunities for upward mobility. Such tall hierarchies, proliferating sub-units, and small spans of control are widely described as characteristically Japanese organizational structures (Clark 1979; Dore 1973).

Proponents of the lifetime commitment model of Japanese organizations also argue for the causal importance of Japanese employees' greater sense of loyalty to their organization. For example, Abegglen (1958: 17) stressed a deeper level of commitment to the firm, culturally distinctive for Japan, and stated that "the worker, whether laborer or manager...is bound to remain in the company's employment...(and)...a system of shared obligation takes the place of the economic basis of employment of workers by the organization". In this view the worker considers it morally right to stay in the company, regardless of how much status enhancement or satisfaction the firm gives him over the years.

Whatever reason one may assign for the Japanese' extra-ordinary sense of commitment to the company, the heavy use of welfare benefits, social and recreational programs, symbols and rituals, and socialization and training do play an important role (Abegglen 1958; Rohlen 1974; Marsh and Mannari 1977: 57-75). These function to broaden the scope of employees' involvement in the firm, to integrate the workforce in expressive social relations, and to build and transmit a "strong culture" in the firm. Indeed, the "paternalism" of Japanese companies in providing an extraordinarily broad range of services to their employees has long struck Western observers as one of the most exotic of numerous distinctively Japanese employment practices.

**Collectivism in the Workplace**

In popular Japanology, Japanese people are believed to be extremely collectivistic in contrast to extremely individualistic Americans (e.g., Abegglen 1958; Benedict 1946; Dore 1990; Nakane 1970; Rohlen 1974). This common view depicts Japanese as those who maintain harmony within an in-group by willingly conforming to the
group and sacrificing themselves for the sake of the group. Most researchers who conducted empirical cross-national comparisons on individualism and collectivism (I/C) followed this common view (e.g., Hofstede 1980; Triandis 1994). Markus and Kitayama's (1991) self-construal theory also shares this common view with popular Japanology. According to their theory, Japanese are supposed to have a tendency to consider the self as interdependent with others and surrounding contexts, whereas Americans are supposed to have a tendency to consider the self as an independent entity detached from contexts and containing dispositional attributes.

Japanese culture is rooted in collectivism. Sethi et al. (1984: 234) claim that 'Japanese have less freedom to select their groups and will join particular groups that are prescribed for them'. They describe the group in a collectivist society like that of Japan as a living organism whose existence is quite independent of its current membership'. The homogeneous nature of Japanese society demands that each member maintain harmony with other members of its organization. The concept of "familyism" is so deeply ingrained in Japanese corporate world that what may be considered as an invasion of privacy in the West is accepted in Japan as consideration for others. Managers inviting their staff for a drink after work; co-workers and subordinates helping with the packing when a manager is transferred to another plant or office, etc. are just some of the many instances of this familyism.

Since tight cultures like that of Japan are less tolerant of non-conforming behavior than loose cultures, it follows that there is greater conformity and less acceptance of different thought and behavior in Japanese organizations than in organizations created in loose cultures. For example, it is widely reported in the press that Japanese children who return to Japan after a period of residence in the West, are criticized most severely by teachers because their behavior is not "proper". Japan is a tight culture in which deviations that would be considered trivial in the West (such as bringing Western food rather than Japanese food for lunch) are noted and criticized. This argument is supported by Yoshimura and Anderson (1997), who explain that predictable behavior and culturally transmitted implicit understanding of what is expected are important aspects of Japanese organizational behavior. Furthermore, according to Hofstede's data (1991: 113), Japan ranks near the top (number seven out of 50 countries) in 'uncertainty avoidance'. Hofstede explains
that a high ranking in uncertainty avoidance indicates a low degree of tolerance for unpredictable behavior ('what is different is dangerous'). There is even a famous saying in Japan that goes like this: ‘a nail that stands out needs to be hammered down’. This indicates the severity of the Japanese when it comes to conforming to norms already laid down as acceptable.

**Japanese Employment System: Corporate Personnel Practices**

The Japanese have developed distinct approaches that remain the *tour de force* of Japanese employment system, such as guaranteeing permanent employment, linking wages with seniority, forming unions that are representative of the company’s needs, harmonizing employment security with other needs like productivity, flexibility in labor costs, and developing young professional managers.

Japanese corporate personnel practices constitute an important part of employment practices or the Japanese-style management (*nihonteki keiei*). The “traditional” practices originated mainly in the early postwar period when large employers competed to attract and retain scarce skilled workers. Naturally there have been exceptions and ongoing changes. As economic growth has slowed down in the 1990s, the pressure for change has increased. Economists and policy makers say that the Japanese employment practices have become outmoded and they recommend transformation of the Japanese *kaisha* (company) into something more like the American corporation.

The Japanese company traditionally draws its executives from within. New recruits (*nyusha-in*) are hired as a group on April 1 every year, the group comprising of high school or university graduates. Equality is inherent except for later when the competition among employees for promotion gets tough. Promotion is based on seniority and ability but the ability in question is measured in terms of the employee’s level of contribution and degree of adaptation to it. Permanent employees are hired as generalists, not as specialists for specific positions. A new worker is not hired because of any special skill or experience; rather, the individual’s intelligence, educational background, and personal attitudes and attributes are closely examined. On entering a Japanese corporation, the new employee will train from six to twelve months in each of the firm’s major offices or divisions. Thus,
within a few years a young employee will know every facet of company operations, knowledge which allows companies to be more productive. Job rotation and team production along with strong cultures and intensive socialization breed enterprise-specific skills and values at the expense of easily transferable job-specific skills (Cole 1979).

There are three traditional Japanese employment practices that have taken on an almost mythical nature both inside and outside Japan in terms of their supposed efficacy and prevalence, namely: lifetime employment (shushinkoyo), a seniority-based wage system (nenko joretsu), and company-dominated enterprise unionism (kigyo-betsu rodokumiai). These aspects are often referred to as the pillars of Japanese employment system. According to Okada, a leading sociologist from Tokyo University, Japanese employment system also includes such attributes as: employment of the total person, standardized training for all employees, respect for interpersonal harmony, the ringi system, omikoshi management (an allegory for teamwork), collective responsibility, participative management which is authoritarian and democratic, and womb-like concern for the individual both at work and at home. In describing this ideal of Japanese style management, Okada (1984: 1) wrote:

When Japanese-style management is practiced in its purest ideal form, the individual employees are welded together to share common fate and common goals. The organization assumes responsibility for the total employee, providing him regular training to update job skills, rotating him among jobs to develop well-rounded expertise, and gradually assigning him to positions of greater responsibility as he grows older, such that both the individual and his family feel themselves to be lifelong members of a caring corporate community. Based upon respect for the person, these Japanese-style management practices have been very effective in fostering strong employee loyalty, ensuring labor stability, and creating productive workplaces.

The following sub-section examines in detail, the three key institutionalized employment practices of Japan. At the same time, it also throws light on the other lesser known, yet, integral features of the Japanese employment system.
**Lifetime Employment (Shushin koyo)**

The system of permanent employment, better known as the lifetime employment, is one of the best known features of the Japanese employment system. It was created as a result of the combination of paternalism and familyism, as well as the need for firms to retain scarce skilled manpower in the early stages of development of the Japanese economy. Lifetime employment traces its origins to corporate welfarism that emerged during the interwar period (Gordon 1985; Moriguchi 2000). World War I (1914-18) brought about a rapid growth of heavy industries and a shortage of skilled labour force. Moreover, as mechanization advanced and firms grew larger, production technology and work organization became increasingly firm-specific. To train and retain skilled workers (*jukuren-ko*), who were well-known for their footloose-ness and lack of corporate loyalty, major employers began introducing a variety of HRM practices (Kyochokai 1924).

Lifetime employment came into fruition under the favourable economic conditions of the high-growth period (Shimada 1994). Sustained periods of economic growth allowed companies to project longer time horizons as economic conditions became more predictable. For employers, stable employment relationships enhanced the concept of investments in human capital, i.e., the recognition that workers are an important asset, or an investment with real returns.

The merits of the lifetime employment practice are many. Once hired, employees are not dismissed thereafter on any grounds, except for serious breaches of ethics. Japan's employment insurance helps companies avoid laying off employees by subsidizing the wages of temporarily laid-off workers of industries hit by recession. As part of the lifetime employment system, before the 1980s mid-career changes in jobs were discouraged.

Lifetime employment is known to create a high degree of employee stability and, coupled with other employment practices and personnel policies, generates tremendous organizational loyalty and employee commitment toward the company, with all that it entails. Nakamura (1982: 196) states that the real spirit of lifetime employment is loyalty to one's company and the patience to endure even low salaries. A company can invest money and time in the training of an employee,
secure in the belief all investment in training will prove an asset to the company since once hired, the employee is not expected to leave.

This system works on the fulfillment of a dual set of expectations that are deeply rooted in Japanese traditions and cultural norms. For the worker, he can expect to stay with his chosen firm, and that he intends to do so. This intention is conditioned by the fact that he will be within the norms of Japanese occupational life and that he has a good deal to gain financially by staying on. Conversely, the employer can expect that the worker will not quit, provided he is offered "standard" wages and conditions of employment. Social conditions and cultural norm impose a sense of obligation on the employer, who is expected to provide work for his employees and take care of them. Moreover, he stands to face a tremendous loss of worker morale, not to mention union resistance, government pressure, and public ill-will, if he chooses to deviate significantly from the social norm (Dore 1973: 35).

Apart from a sense of security, the employee also has a multitude of opportunities for training and upward mobility within the company, with the accompanying psychological satisfaction. At the same time, the performance of an employee can be evaluated over a period of years. Non-Japanese scholars have sung praises of this system. Such scholars recommended that non-Japanese companies should adopt the system. For instance, Hasegawa (1986: 11) remarks that lifetime employment is often cited as a key factor behind Japan's startling industrial successes and the majority of Japanese firmly consider it the very backbone of Japanese management. Sasaki (1981: 3) views the lifetime employment system as the major factor contributing to the creation of character in the Japanese firms as a system and claims that under the lifetime employment system, loyalty is strengthened as one's position rises within an organization. Sasaki also points out that the seniority system (nenko joretsu) supports lifetime employment (shushinkoyo) from inside. In his book Japan as Number One: Lessons for America, Vogel (1985: 137) states:

The firm is committed to the employee and provides a sense of belonging, personal support, welfare and retirement benefits, an increased salary and rank with age. Barring a serious long-term depression, the employee expects that he will never be laid off, and even if the company were to disband or be absorbed by another company, he expects that a new job elsewhere will be arranged.
After World War II, as expectations of employment security became a reality, long-term employment became the norm governing the employment relationship in subsequent periods. Regular workers in large firms were increasingly attracted to the economic benefits of the renewed system – mainly “automatic” wage growth – which enabled them to smooth out their consumption and savings over a longer-time horizon. They also enjoyed social benefits such as the status accorded to joining prestigious corporations. Vogel's (1963) reference to Japan's “new middle class” points precisely at this time period when the job of the salaryman characterized by security and prestige became a desirable status among the majority of the Japanese.

**Seniority-Based Wage (nenko joretsu)**

Another distinct characteristic of Japanese employment practices is the reward system. Merely guaranteeing employment was not enough to retain skilled labour during the early years of Japan's industrialization. Workers needed other incentives too, and so employers introduced seniority pay which gave workers higher salaries in accordance with longer service.

Seniority is a term that connotes length of employment. The most critical criterion of seniority-based pay is seniority; ability and performance are considered only within the overriding framework of seniority. One's degree of seniority is determined by the year in which one joined the company, and ties between those who joined in the same year are strong. The salaries for all employees hired at the same time are equal regardless of differences in ability, dedication, or motivation. Individual differences do not take on significance until five to ten years after entering the company. Employees are entitled to regular pay raises according to seniority. In other words, in subsequent years wages will increase every year with age or seniority. This is the nenko, or seniority-based wage system which still prevails in most companies, although in some companies it is modified or outweighed by merit or performance.

According to Marsh and Mannari (1976: 307), in the paternalistic lifetime commitment model of the Japanese firms, pay is based primarily on seniority, not on job classification. Further Dore (1973: 111) adds that a large Japanese firm

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3 Inoki (2000) writes that by 965, more than 95% of total households owned black-and-white television sets, and by 1970, 90% of households owned washing machines and refrigerators.
“considers that it is buying, not a skill, but a lifetime’s work”. The majority of executives rises from the ranks on the basis of seniority and proven leadership ability. Even board members will come from company senior executives, and the chairman is typically a former president. This reflects the importance of being an insider in the Japanese corporate culture and society.

The seniority-based wage system is the domestic practice in Japan and, although the difference between the incomes of younger and older workers is greater in larger enterprises, the prevalence of wage differentials according to age and length of service is found in all enterprises, regardless of size. The seniority ranking system, linked with the pay system, is based on the principle of nenko joretsu (‘ranking by years of experience’), but it does not mean that all who enter the company on the same day receive the same wages (Cole 1971: 79). “A man on the day he enters the company can predict with fair accuracy his wage and position in that company at any given year in the future” (Brown 1974: 175). There is a close correlation between age and rank, especially for senior management. This fits the norms of Japanese society well, where it is generally believed that young but inexperienced people, no matter however much brilliant, should not be put in authority over older people, because that would disturb the hierarchical order.

Compensation for young workers is quite low, but they accept low pay with the understanding that their pay will increase in regular increments and be quite high by retirement. Compensation consists of a wide range of tangible and intangible benefits, including housing assistance, inexpensive vacations, good recreational facilities, and, most important, the availability of low-cost loans for such expenses as housing and a new automobile. Regular pay is often augmented by generous semiannual bonuses. Members of the same graduating class usually start with similar salaries, and salary increases and promotions each year are generally uniform. The purpose is to maintain harmony and avoid stress and jealousy within the group.

The seniority-based system is said to take away the often fierce individual competition between employees and promotes a more harmonious group relationship in which each employee works for the benefit of the entire group, secure in the belief that he will prosper with the group and that, in due time, he will acquire
the benefits that accrue for long and faithful service. This system encourages workers to stay at one company by assuring regular pay raises and promotion. According to Oh (1976), the Nenko system gives employees job security and promotes strong corporate loyalty and group effectiveness while maintaining the flexibility to meet fluctuations in demand for labor and new developments in technology. An individual joins a firm and has a job for life. This involves a high degree of commitment between the individual and the organization. The person who joins the firm not only has a job but also many of the employee’s and family needs are taken care of by management.

Thus, the employee receives a sense of security and the company maintains a dedicated workforce. The seniority-based system assumes that longer experience makes an employee more valuable. Because of the ie (group or community, explained later in the chapter) framework, a supervisor must be more than a technically superior worker. He must be able to maintain order in the group and look after its well-being. Thus, the older manager acts as the symbol of group strength and continuity. He also functions as the opinion leader and consolidates the community. He acts as the elder statesman and assists group members in all aspects of their lives, including non-job related activities such as arranging marriages, settling family disputes and so on. Middle managers contribute to the achievement of community purpose by educating, training, and controlling the young, and by acquainting them with the rules of the community. In the words of Tsuda (1973: 23), “These abilities correspond to a skill of seniority...seniority-based skill is not a simple manual skill, but an overall mental and physical skill originated in a community”.

**Company-Orientated Unions (kigyo-betsu rodo kumiai)**

In Japan, unions are organized on a company-by-company basis, as a result of which, the interests of the company and the union are the same to a large extent. The so-called enterprise unions had their origin in the plant-level employee representation or “factory councils” that employers set up to facilitate labour management communication and pre-empt employee discontent, in response to the surge in labour movement during the 1910s. (Kyochokai 1926).
Japan's enterprise unions serve as a factor for integration across ranks and around company goals. Enterprise-based unions have been responsible for the fact that blue-collar workers receive similar treatment to white-collar workers in terms of pay increases and non-wage benefits. Organized on a per-enterprise basis, Japanese unions have a greater incentive to work for the performance and viability of the firm. The Japanese pattern of enterprise unionism is viewed by some as another "corporatist" control structure which functions to align the fate of unionized workers much more with that of their own company than with unionists of similar occupation and industry employed by other firms (Cole 1971; Dore 1973). Despite federations of unions at the national level, the union does not exist as an entity, separate from, or with an adversarial relationship to, the company. The linking of the company with the worker puts severe limits on independent union action, and the worker does not wish to harm the economic wellbeing of the company. Strikes are, thus, rare and usually brief.

The company-oriented unions (commonly referred to as enterprise unions) have the following distinct characteristics: Both blue-collar and white-collar workers with regular employee status can become members. They join the union automatically in most major companies. Temporary and subcontracting workers are excluded, and managers with the rank of section chief and above are considered part of management. Union officials consist solely of the company employees; many of the managerial staff are former union members. In general, Japanese unions are sensitive to the economic health of the company, and company management usually briefs the union membership on the state of corporate affairs. Officers usually maintain their seniority and tenure while working exclusively on union activities and while being paid from the union's accounts and union offices are often located at the factory site. The union is regarded as an autonomous organization whose sovereignty is recognized within the nation wide union power structure (Helvoort 1979: 130-31). An enterprise union will, negotiate independently with its own employer, except for a short period of collective bargaining with the affiliated federation, the so-called Spring Labor Offensive (shunto). During prosperous times, the spring labor offensives are highly ritualized affairs, with banners, sloganeering, and dances aimed more at being a show of force than a crippling job action. Meanwhile, serious discussions take place between the union officers and corporate
managers to determine pay and benefit adjustments. If the economy turns sour, or if management tries to reduce the number of permanent employees, however, disruptive strikes often occur.

The characteristics of the resolution of labor disputes are quite different from those of the West. First, there is the societal pressure toward consensus. Two, there is the tendency for industrial action to be taken in a demonstrative form, to make the public aware that the workers feel the employer has failed to do what he should to meet their needs. Three, the union, mindful of the extent to which its members' interests are bound up with those of the enterprise, is likely to refrain from any action likely to hamper its long term future (OECD 1977: 25-26).

**On-the-Job Training**

During the high-growth period, companies started to provide considerable education and training to their workers, and developed sophisticated human resource management systems for evaluation, promotion, and compensation. For example, Koike (1997) documents how on-the-job training (OJT) became common practice among manufacturing firms in the late 1950s and 1960s. A long-term perspective shared by both labour and management was crucial for on-the-job training to be successful, because skill formation will be interrupted if the workers would move. The bonus payment system, which covered white-collar and blue-collar employees in all job categories, also spread during the same period, primarily as an instrument to adjust wage levels in response to labour market and firm-specific conditions (Ohashi 1989).

Companies routinely rotate and train their new employees in different divisions of the company, with the objective to make workers at the lower and shop floor levels multi-skilled. This helps the worker/employer in preparing to handle new assignments as he grows within the company. The on-the-job training by rotation promotes tremendous flexibility in the workforce, and also helps develop the middle or upper managers into "generalists" with broader perspective on and experience of

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4 The bonus system dates back to the pre-war period, but its beneficiaries were mostly high-ranking white-collar workers (Jones and Kato 1995). By 1985, 97% of firms having 30 employees or more paid semi-annual bonuses to their employees (Ministry of Labor statistics cited in Ohashi 1989).
companies’ business and with their wider human contacts and friendships that are vital for generating consensus. On this general, the Japanese model of the sensei (teacher) and the deshi (pupil), the sempai (superior) has a diffuse responsibility for the progress and welfare of the kohai (subordinate), a relationship that persists into later life and which may help the erstwhile junior’s subsequent career. Due to lifetime employment, an employee seldom gets an opportunity to work outside his corporate group. Generally speaking, mobility between firms is almost non-existent, whereas mobility within a firm is almost unlimited.

The day to day technical training or informal OJT performed through the rotation period is considered to be a rational way of developing managers in a closed society like that of Japan. (Ono 1971). Career program is the most significant factor in rotation. It has to be decided whether the company wants to develop specialists or generalists. When a new recruit (university graduate of 22 or 23) enters a company, he is still a “layman”, an underdeveloped generalist who possesses only a broad background of education. He is then assigned to a department with a particular function, where he is regularly rotated from one section to another. While climbing up the seniority ladder, this cross-sectional rises up to a cross-functional rotation and continues up to the age of 40. During this time, the manager is trained, mainly on the job, to be a specialist in each section and in each function. After his rotation finishes, he continues his development in one department while digesting his various experiences. By the time he reaches the top management level, he should be a generalist. The length of stay at any given position is usually no longer than three years.

This system of rotation, based on lifetime employment, is designed to transform “the vocationally-untrained recruits from the schools into an efficient occupationally-structured workforce” (OECD 1973: 138). Naturally the system is not sufficient by itself and needs to be supplemented by formal training programs. For Japanese firms, however, the major training programs are internal. Off-the-job training programs are usually short-term since emphasis is placed on informal and on-the-job training. Traditionally companies rely on in-house training rather than recruitment of outside experts for specialized skills. Middle-level managers may be sent out to subsidiaries or affiliates for training or for providing technical assistance to a
subsidiary. The posting may be for a period of a few months or years. This practice of transferring employees to other related companies is called shukko.

The training program for new recruits often takes on a spiritual course. Apart from imparting the necessary technical training, it includes seishinteki (spiritual) training as well. In Japanese schools, universities, and companies, new entrants attend nyushashiki (entrance ceremony) wherein the president makes an encouraging address and the spokesman for the entrants reads a speech pledging the intake’s best efforts. The purpose of the ceremony is ‘consciously designed to reinforce the company spirit’, and the ‘handing over’ (Dore 1973: 61) of the young employee from the family to the company is part of the rite de passage. After the entrance ceremony, induction training starts. The premise, which is entirely congruent with the long-term employment seniority system, is that young employees starting work for the first time are ‘more easily molded to suit a company’s requirements’ (Nakane 1973: 17).

Although no formal research has been done with regard to the merits of job rotation, some hypotheses are given as follows:

1. It enables the firm to reassign production and office workers more freely;
2. Japanese employees, also because of their job security, are more receptive to organizational changes and introduction of new technology or machinery (Whitehall and Takezawa 1978: 26-28);
3. Lower and shop floor level workers can become multi-skilled;
4. It can produce high quality general managers;
5. Job rotation may improve employees’ morale which, in turn may improve human relations in the workplace (Sasaki 1981: 37);
6. Wider experience within the firm tends to nurture the goals of the total firm, rather than those of the specific sub-units;
7. The job rotation system allows an employee to build wider interpersonal relationships that may result in free information exchange. When they become middle-managers, they need all the contacts they can get to generate the required consensus under the ringi decision-making system. Widened
horizon gives them a widened set of living information from which may be derived decisions with a broader perspective (Sasaki 1981: 37);

8. Finally, widespread use of on-the-job training in large companies tends to diminish an employee’s capacity to work effectively if he moves to another corporation and thus, discourages mobility between competing firms.

Recruitment Practices in Japanese Firms

The employment system, which has up to now been dominant in Japanese firms, normally provides recruits with one chance in a lifetime to choose a firm. “The Japanese firm exists as a set of people rather than as a set of roles” (Sasaki 1981: 31). This has a number of implications for the inflow of potential managers.

Firstly, recruits choose a firm without considering the nature of the job. In other words, they opt for an organization by choosing a place to work at and not for the job or monetary rewards. Likewise, the firm does not demand a specific man for a specific job. It wants a generalist—He should be, in Sasaki’s (1981: 31) words, “as malleable as ‘mild steel’”. The ideological concept is that firms hire the total man, not merely his productive capacity, and that he is ‘completely enveloped’ (marugakae) in the organization (Nakane 1973: 15). Japanese firms give a lot of importance to personality and the character of the applicants for recruitment purposes; in order to make sure they do not damage the atmosphere of good human relations in the firm. Educational background, as to the courses taken, takes a back seat. The new recruits have been hired, not because of vocational qualifications they already possess but because of personal and educational characteristics (OECD 1973: 138). This is closely related to the fact that in any organization in Japan, due to historical and cultural reasons, job classification is vague; as a result job requirements and qualifications are not clearly defined (Dickerman 1974). Firms execute written tests on liberal arts, foreign languages, technical knowledge, and so forth. But the interview is given more importance than any other consideration. At the end of the process, recruitment is not a contractual event, but rather an irreversible decision where the applicants are being asked to commit themselves wholly to the firm, and where the firm will guarantee employment for life. These
recruitment practices are an integral part of the development of an internal labor market in Japanese firms.

The manpower resources of a Japanese firm are university graduates and those who have completed their high school education. These two distinct sources of supply go into the offices and are handled by personnel managers, or into the workshop floor where the control is through labor management. The recruitment of graduate workers normally takes place once a year at the time they complete their university or school courses. High school graduates are usually the production workers; university graduates are the candidates for managerial positions. Female graduates are recruited for clerical-track positions, whereas male graduates are recruited for career-track positions. As is well known, a Japanese salary is accompanied by many fringe benefits, which include company housing for all employees who wish it. Employees all live in the same style of housing provided by the company and eat the same food for lunch at the company's cafeteria. This shared lifestyle may promote the same ways of thinking and basic attitudes.

An important distinction is made between inexperienced and experienced candidates. Half of the inexperienced market is composed of new graduates and the other half of those who, for some reason or another, delayed their entrance into the labor market or re-entered the labor market after some gap (e.g. women who left their jobs to take care of their children). The experienced market, on the other hand, is comprised of employees hired in mid-career (chuto saiyo).

**Mid-Career Hiring (Chuto Saiyo)**

Large corporations rarely hire mid-career employees who have left other firms. They depend on their own in-house bred employees to fill the management positions open due to employee promotion or expansion of activities (the development of an internal labor market). Mid-career hiring occurs more frequently among smaller firms where mobility is greater. It is practiced mostly by small enterprises, looking for some specific skills as well as unskilled workers, to meet immediate needs (Inohara 1990: 10). Managers are rarely recruited from outside. The exception is when older managers sent from affiliated firms fill high-level managerial positions. In such cases, the firm sending the managers has a great deal of leverage over the
company receiving the managers. The sending firm may be a main customer or a
main bank with either a vertical industrial or horizontal keiretsu relationship with the
receiving company. A manager may be sent to an outside firm to offer expertise or
because the sending firm simply wants to get rid of him. Technology and
competition are, however, forcing larger companies to bring in outside expertise,
which is done on a limited basis. Human resources required for corporate
diversification are primarily sought internally from among regular employees or at
least from within the enterprise group, as an integral part of career development
and/or as a means of making employment adjustments.

Japanese companies are reluctant to hire people with previous work experience
because of a still widely held presumption that such recruits are temperamentally
unstable since they were unable to adjust properly to their previous employer’s
corporate network of human relations (Ballon 1992: 27). Because Japanese
corporate culture thrives on constant interaction with fellow-employees, the problem
of mid-career hiring centers on the integration of the latecomer. The general rule of
thumb seems to indicate that at least two years will be needed for complete
integration (Ballon 1992: 27). The acceptance process is extremely delicate in the
case of the new recruit placed in a supervisory position. In addition, mid-career
hiring is generally not accompanied by an increase in salary, which is typical of the
long-term approach to employment and remuneration.

A practice similar to mid-career hiring is the transferring of personnel (shukko) from
a large company to a smaller one to which it is usually related and to subsidiaries.
Reasons for transfer include: employees who reach the age limit, redundant
managerial staff, and training. Transfers can be temporary (two or three years) or
permanent. The practice has increased rapidly in recent years in order to carry out
personnel reduction and/or implement business diversification; on an average, 6 per
cent of the regular staff in larger companies is active elsewhere with over half of
them exercising managerial functions.

**Career Track**

Although now disintegrating under the pressures of Japan's recession, the following
career path is still the ideal model for managerial workers.
1. **Companies hire once a year and once a lifetime.** During recruiting season, companies select from this year's crop of college seniors and recent graduates. Teachers, family, friends, and other connections help find prospective employers, and a candidate faces rigorous entrance requirements.

2. **Employment begins April 1.** For career-track employees, there are several months of orientation and training. They learn the company way, starting with learning again how to bow/greet, how to speak. The new cohort begins to get to know each other. They will belong to this same cohort for the rest of their careers. The new recruit is assigned his (usually men) first job. A few people who are several years ahead will work with the new recruit, so that he learns the job with constant example and mentoring.

3. **Job rotations:** Every March, the personnel department determines job assignments for everyone for the next year. Promising young employees will be given stints in a range of positions & divisions so that they get a broad overview of the company's business.

4. **Kacho:** First line supervisor, usually someone in his 30s. Members of a cohort are promoted to this level about the same time because it is uncomfortable to supervise senior colleagues. The kacho oversees daily work, and may also be busy taking education and certification classes.

5. **Tanshin-Funin:** translated into English as 'single man family'. Tanshin funin refers to the practice wherein several times during a sarariman's career, he may be transferred to a branch office or overseas, often with very short notice. Once his children reach junior high school age, the family usually stays behind and the employee commutes to home occasionally.

6. **Bucho:** department head (40's).

7. **Madogiwa** ("by the window"): The failed executives are put out to pasture by getting a desk next to the window and not much significant work to handle.

8. **Senior management:** By this time, members of the cohort who have not been promoted to the top have been given vague titles or positions in subsidiaries.

9. **Teinen** (retirement): 55-60 for most, much later for those who reach top positions. Usually the company can place retirees in less strenuous jobs with affiliated companies at great cut in salary and prestige.
10. "Silver Years": As in America, corporate retirees in their 50's through early 70's are often healthy, well-off, and ready for new adventures, often traveling or taking up hobbies with their spouses.

Tenure of Employment

Cultural Factors: Of all the features of the labour market, the low turnover rates and long average tenure of employees in Japan have attracted the greatest attention, admiration, and criticism, especially in the United States, where turnover rates are much higher. The Japanese go so far as to refer to this property as 'lifetime' or 'permanent' employment (as has already been discussed earlier in the chapter) even though these terms are highly misleading. There are a number of competing explanations for this pattern. In the 1950s, some observers assumed that Japanese capitalism was still immature and that the observed patterns reflected a feudal organization of the labour market (e.g. Abegglen 1958). Employees seem to have strong loyalty to their companies and personal identity seems to spring more from company affiliation than from occupation. Such ceremonies as the singing of a company song before work in the morning, and after-hours socializing with peers in the company also seemed to have more in common with a feudal, military culture than that of the 'modern' business organization.

Historians have, however, made some important corrections to the view that long tenure is a relic of Japan's feudal past. The Japanese labour market of the 1910s was characterized by very high turnover rates, and blue-collar workers deliberately moved from firm to firm to gain experience and develop their skills (Gordon 1985). It was only gradually through the 1920s and 1930s that the characteristics of the contemporary labour market began to take shape. Nevertheless, the fact that there is no direct historical link from the feudal period to the present does not mean that present-day practices have simply appeared as a profit-maximizing strategy on the part of firms. As Andrew Gordon (1985) and others have pointed out, one of the main goals of the pre-war Japanese labour movement was to have blue-collar workers included as full members of the organization. Unlike labour movements in Britain or the United States where blue-collar workers have sought to maintain a separate identity and class-consciousness, the Japanese blue-collar worker has been most interested in being included in the general community of the workforce (Dore
1973). Thus, the outcomes that are observed today do appear to have their roots in aspects of Japanese society that promote community attachment and group identity. It is fortunate for Japan that this goal of a shared community has been consistent with economic rationality for many of Japan’s industries in the period since World War II. One of the major questions facing Japanese businesses today is whether such a culture is consistent with the kind of labour market needed for leading technological industries such as information technology or biotechnology.

The cultural view of the labour market mentioned above is consonant with a more general socio-anthropological view of Japanese society. Japanese people, it is held, derive much of their identity from group membership. Consequently, long-term work relations are more highly valued and long-term attachments to the firms are seen as but only natural. For example, psychoanalyst Takeo Doi (1981) has drawn attention to the prevalence or words connected with dependence in the Japanese vocabulary. Chie Nakane (1970) has theorized that vertical (superior-subordinate) relations are more important in Japan than the horizontal relations that, in her view, predominate in the West. One must not lose sight, however, of the fact that there are Japanese who prefer not to be so dependent, even if it means accepting a much poorer standard of living (Rebick 2005: 18). Japan has had one of the highest rates of self-employment by OECD (Organization of Economic Cooperation and Development) standards and to some extent this may reflect a desire for independence (quoted in Rebick 2005: 18). Dependency in Japan, whether or not it is a basic cultural trait, is backed up by various social and economic institutions. For example, the widespread development of company housing (shataku) may have been instituted because of problems in the housing market, but it has also brought greater social control as a by-product. Dependency brings security, but at the cost to the individual of greater coercion.

Economic factors: Economists have generally kept clear of the cultural and psychological explanations for Japanese employment tenure, focusing instead on economic incentives that kept employees in the same firm or barriers that prevent job-hopping. To use the language of Hirschman (1970) the costs of exit from the

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5 The provision of company housing was started by the company Hitachi in the late 1960s to early 1970s.
organization are very high. First, there is the practice of basing pay on seniority. Cross-sectional analysis of the wage structure in Japan indicates that pay increases with tenure at about 1% per year (Tachibanaki and Ohta 1994). Studies have also shown that separation rates are inversely correlated with the rate at which pay increase with tenure (Mincer and Higuchi 1988). Secondly, company pension benefits do not become vested until quite late in one’s career and the penalty for changing jobs prior to mandatory retirement is considerable. One estimate puts the costs of changing jobs at age 45, including both pension and earnings losses, as high as 100 million Yen or close to a million dollars (Ichinose 2001). Clearly there is a strong disincentive for middle-aged Japanese to change jobs. Nevertheless, the ‘tenure effect’ on pay is not significantly larger in Japan than in the United States, and it is also true that tenure has tended to increase over time, while the effect of tenure on wages has fallen (Rebick 2005: 18). There must be other factors at work discouraging mobility; employment protection could be one of them.

The Significance of Labour Law: Contemporary Japanese labour law was first instituted in the immediate postwar period during the American Occupation. Apart from the requirement that a notice of 30 days (Article 20, Labour Standards Law, Appendix II) is required for a dismissal, the labour law itself does not provide much in the way of employment protection. The Japanese Constitution (Appendix III), however, includes articles proclaiming “all people shall have the right and the obligation to work” (Article 27) and “the right to a minimum standard ‘wholesome and cultured living’” (Article 25). This part of the Constitution has been interpreted by the courts to be the basis for some of the highest levels of employment protection found in the OECD. More specifically, in a series of rulings beginning in the 1950s and extending into the 1970s, the courts have decided that employers must meet four conditions before they can dismiss an employee):

(1) the firm is under severe duress such as facing possible bankruptcy and redundancies are unavoidable;
(2) employers have made efforts to avoid redundancies by taking measures such as cutting overtime, hiring freezes, transfers, seconding workers to other companies, or seeking voluntary retirements;
(3) they have consulted with the labour unions and employees’
(4) they have a rational selection procedure for selecting those who are to be fired (Rebick 2005: 19).
In addition to these four conditions, the courts have also stipulated that the redress for an employee who has been improperly dismissed is the reinstatement of the employee along with back pay. In other words, if the employee refuses to leave voluntarily, it is extremely difficult for an employer to dismiss him or her unless under severe financial distress. This means that it is preferable to retrain employees whose skills have become redundant rather than firing them and hiring previously-trained workers.

Legal protection, of course, is not necessarily sufficient to provide protection on its own, particularly in the case of Japan where legal actions may take years to run through the courts and can be costly for the litigant. In particular, workers in small, non-unionized firms are unlikely to feel that they have much protection from the courts. Nevertheless, one of the effects of this case law has been to promote the social consensus that dismissals should only be used as a last resort. The main recourse of most employers who wish to get rid of employees is to exert moral pressure on employees, encouraging them to take early retirement or voluntarily quit the firm. This can be particularly effective if there is a consensus among the remaining employees that selected members should be encouraged to quit. Peer pressure can be very effective, especially in the tight-knit society of the Japanese firm.

Nevertheless, the costs of dismissing an employee in terms of legal actions, loss of reputation as a good employer, and demoralization of the remaining workforce means that most Japanese firms will try to avoid redundancies to a greater extent than firms in countries where employment protection is not as high a social goal. Employment protection serves to reduce mobility between firms in two ways. First, it directly reduces the number of redundancies. As important, however, is the effect it has on vacancies; firms prefer to retrain their own workers rather than hire from other firms. This reduces the outside opportunities for workers in firms and thus lowers their propensity to quit.

**Employment Structure**

Japanese statistics on employment cover three categories: self-employed, family members, and employees. Of the nation’s 63.82 million workers in 2007, 6.22
million were self-employed; 2.36 million were working in a family-operated business, and 55.23 million were employees (Table 2-1). The number of employees has been steadily increasing over the years.

Table 2-1. Employed Persons by Employment Status (2005-07) (in 10 thousands)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Male</td>
<td>Female</td>
<td>All Male</td>
</tr>
<tr>
<td>All industries</td>
<td>6356</td>
<td>3723</td>
<td>6382</td>
</tr>
<tr>
<td>Self-employed</td>
<td>650</td>
<td>485</td>
<td>633</td>
</tr>
<tr>
<td>Family workers</td>
<td>282</td>
<td>56</td>
<td>247</td>
</tr>
<tr>
<td>Employees</td>
<td>5393</td>
<td>166</td>
<td>4226</td>
</tr>
<tr>
<td>Unemployed</td>
<td>294</td>
<td>178</td>
<td>275</td>
</tr>
<tr>
<td>Labor force participation rate (%)</td>
<td>60.4</td>
<td>48.4</td>
<td>48.5</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>4.4</td>
<td>4.2</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Note: Data are based on the Labor Force Survey.

An important distinction must be made between the self-employed and employees. Working conditions are quite different, even for workers doing the same job, depending on whether workers are self-employed or salaried employees. The self-employed include those engaged in farm and forestry and those in non-agricultural activities. A large %age of self-employed are owner-operators of either small family enterprises or unincorporated businesses.

The majority of those categorized as “family members”, most of whom are women, are employed in either agriculture or wholesale/retail trade. In incorporated as well as unincorporated enterprises, their wages, if paid at all, are tax deductible under certain conditions.

In the third category of employment, “employees” (koyosha) are Japan’s largest bloc of gainfully employed workers, consisting of salaried people and other wage earners subdivided into several different categories. In short, this category is split into two basic types of wage earners: regular or permanent employees (seishain) and non-regular that may be temporary employees (rinji-shain) or day laborers (hi-yatoi). Regular employees are hired with the understanding that, in principle, employment starts immediately after graduation and continues until the mandatory age limit (teinen), which is mostly between 55 and 60, and that compensation and promotion
are based on a combination of performance and length of service. Such is the norm, however not necessarily the practice, especially, in the smaller business establishments.

Among 'employees', the various types of workers groups are segregated on the basis of the types of employment contract they have. In statistical parlance, this is known as employment status. In Japan, the line between temporary and part-time employees is not distinguished clearly, but part-time generally refers to those who worked for less than 35 hours during the survey week. As Nitta Michio, Professor, University of Tokyo (2007) puts it, it is difficult to define a part-time worker in Japan. Those who are termed 'part-timer' or 'paato' in short in Japanese workplaces normally mean middle-aged or senior female workers performing low-skilled tasks. Majority of them work shorter hours than regular workers and have a limited-term contract. They are known as 'Typical Part-Timer'. There are several kinds of 'Non-typical Part-timers' in Japan, though. Some work shorter hours but without limited-term contract. The most puzzling 'non-typical part-timers' work as long as regular workers! Here, 'part-timer' is just another name for non-regular workers.

Three-quarters of the temporary and part-time employees work in small firms (Chalmers 1989: 76-108). In larger firms they are hired basically at the discretion of the company under a labor contract (which is renewable) for a period less than one year. A common practice is to hire such employees more or less on a regular basis, which shows a certain degree of stability in employment (since under normal conditions the contract will be renewed), but working conditions in these cases are inferior to those of regular employees. In general, non-regular workers have lower pay and less job security than regular workers. They do not have the same fringe benefits as regular employees. These include company housing, company pensions, company health coverage, and family benefits. The non-regular employee is also less likely to be regarded as a full member of the community that makes up the company (Rebick 2005: 17).

Limitations of Japanese Employment Practices

The benefits of the Japanese employment system have been well publicized. Little attention, however, has been paid to the costs the system afflicts on society in
general and workers in particular. Nevertheless, the system is not without disadvantages. Firstly, the term ‘lifetime employment’ itself is quite misleading. The literal translation of the term *shushinkoyo* would be lifetime employment since the characters used to write the word in Japanese mean ‘end-body’ and ‘employment,’ However, with mandatory retirement ages as young as 55 among a population with a life expectancy of over 78, the expression ‘long-term employment’ is a more appropriate translation.

The practice of lifetime employment has a number of managerial implications. First, the recruitment of managerial personnel is a very important matter to a Japanese corporation. To the college graduate, the choice of the first job is even more important, since once the decision is made it is almost irreversible. Of course, a few do switch jobs in their lifetime, but they usually must be prepared to pay a rather high price for doing so. Second, under such an arrangement, it is impractical to recruit college graduates for specific positions. Individuals are rotated throughout the corporation from time to time. Thus, what is sought at the time of recruiting is not particular know-how; rather, the individual’s personal attitudes and attributes are the most carefully examined traits. Third, though the commitment to employee is not, of course, legal in character, the ingrained tradition that it will not dismiss employees short of drastic circumstances reduces the flexibility of a corporation.

Another fact that is little known outside academic circles is that the benevolence of the Japanese employment system is not bestowed on even a majority of workers, but instead is limited to a small minority. It is often said that only one-third of the labour force is covered by these practices but there is no clear evidence for that kind of notion (Nitta 2008). The large majority of workers toil for substantial wages, work under unsafe conditions, yet they account for a greater part of the Japanese success. The reality is that in small and medium-sized companies, for instance, wage profile is not as steep as in large companies. As a result, employees tend to leave voluntarily to find better paying jobs. So, small and medium-sized companies do not need to resort to redundancy measures, like *kibo-taishoku* (voluntary retirement). Of course, there are no accurate figures to calculate involuntary layoffs/dismissals (*himen-kaiko*). Companies do not do this out-rightly; rather they use voluntary (*kibo-taishoku*) measures when they are forced to reduce their manpower. Therefore, it is
difficult to draw a clear line between traditional Japanese employment system and non-traditional employment system.

There is a big difference in company policies based on the size of the company. Naturally, employees working in a large company where wage profile is steeper and retirement is better, tend to stay longer. So, in all, there is a difference between large and medium-sized or small companies. OECD occasionally publishes some reports that the legal restrictions to discharge in Japan are stricter than in some European countries. Nitta feels that this assumption is completely baseless (Nitta 2008). The difficulty is to define the nature of employment severance (kibo-taishoku); whether it is really a voluntary way of employment adjustment or it is rather some sort of forced severance by using some financial package plus some persuasion, what is known in Japanese as kata-tataki ('patting on the shoulder'). It is difficult to decide whether it is voluntary or involuntary. In reality, if one looks at restructuring after 1998-2002, there was a major reduction of manpower. It was basically done through kibo-taishoku or voluntary severance, but those employment measures don't seem to have been voluntary in ordinary terms (Nitta 2008). There was some use of force, saying that unless somebody takes the voluntary severance package, companies would have to resort to more forceful measures. So there was a psychological pressure on the employee to quit the company.

Another inherent drawback of the system is that it imposes inefficiencies on the decision-making process and creates rigidity in a firm's operating costs. The system is slow to respond to changes in the external environment, lacks incentives to reward creativity and innovativeness, and has adverse second-order effects on those who are forced to bear the brunt of its costs. Among the much-acclaimed merits of the lifetime employment system, employee loyalty and commitment to the company is considered to be a major point. However, according to Takagi (1984: 2), many executives in large Japanese companies believe that lifetime employment does not always generate the high involvement among employees as predicted in Ouchi's (1981) Theory Z. In his preliminary study, he states thus:

In their firms, there are actually a substantial number of employees who use their loyalty to the company to ensure job security while giving only a minimal commitment to their jobs. In fact, this passivity that is
often observed under conditions of lifetime employment is commonly referred to in Japan as the ‘Large Company Disease’ (Takagi 1984: 2).

Estimates vary as to how many Japanese workers actually enjoy the privileges of lifetime employment because of the ambiguous nature of the employment relationship. Various scholars put the number at approximately 35 to 40 per cent of the total workforce, with large manufacturing companies and trading houses covering between 40 to 60 % of their employees. Women are almost never granted this benefit and therefore invariably occupy the lowest-paid jobs in the industry. The secondary and tertiary sectors of the economy provide lifetime employment and seniority-based wages to a very small fraction of their workers. Small and medium-sized companies do not offer lifetime employment and seniority wages to their employees.

Thus, while one may marvel at the dignity conferred on the worker by guaranteeing him a job and a wage quite independent of his precisely measured performance, the reality of the system is quite different. The segregation of employees into lifetime employees and temporary workers means differential treatment for doing essentially similar work. It creates considerable financial hardship for temporary workers because they lack job security and other job-related fringe benefits, and gives rise to other social problems. Since unions in Japan do not protect their workers in the sense that American and European unions do, corporations can shift the burden of extra costs to subcontractors and temporary workers, who end up bearing the major brunt of downturns in economy.

Another loophole in the practice of lifetime employment is the retirement age, which, for most employees, is 55. It should be noted that the retirement age varies according to the prosperity of the industry or company. For a prospering or healthy company and government, the retirement age is now around 60. For a declining industry it is typically below 55. The retirement benefits offered by Japanese companies are quite meager. Therefore, a retired person faces considerable financial hardship (Mitsuo 1982: 23). Because of the widespread development of the nuclear family, social norms have changed. The eldest sons (or other children and their wives) are not as willing to take care of the retiree as they had been in the past. The practice of retirement at 55 was culturally accepted based on the old custom that the
eldest son would look after the well being of the father, or retiree. In Japan, average life expectancy now goes well beyond 78, and 55 is only late middle age. Eligibility for welfare pensions does not begin until 60. However, work does not end even at age 60. Pension payments are not large enough to afford the retiree a work-free living income. Thus, for almost a third of his productive and most experienced life, a Japanese worker is forced to work as a “temporary” worker at wages that are only a fraction of those he is worth, and that are paid to other employees with less experience and maturity.

Another demerit of lifetime employment is the resulting decrease in labor mobility in Japan that impedes an individual firm’s ability to adapt to changes in the market place and the economy as a whole. Corporations have difficulty in assimilating and developing new ideas and technology by hiring experts from outside. Because of the closed nature and rigidity of the system, it is rare that a company can hire outside experts on demand. Shortages of managerial and/or technical talent often occur in growing areas of the economy while firms in declining industries often suffer the burden of underemployed personnel. Large corporations frequently have too many managers doing too much busywork or employees with little or no productive tasks to perform. Such managers are so common in Japan that they have even been nicknamed *madogiwazoku* (window tribe) since such managers have little more to do than look out of the window.

Regarding the seniority-based wage system, increasingly there are shifts in the attitudes of employers and employees towards it as changes in the economic environment in Japan have illuminated some inherent demerits of the system. One apparent drawback is the difficulty in rewarding individual creativity and excellence, thereby possibly reducing motivation among able employees. And since compensation is based primarily on seniority and not on performance, companies may be paying higher wages to those who are not competent and not worthy. The system has also been criticized for holding back the growth rate and competitiveness of Japanese companies. Another problem with the seniority-based system is the eventual promotion of less competent but older managers over more competent younger ones. Though the promotion of a manager may be delayed as a form of punishment or as a sign that the manager in question has not performed adequately
to advance along with others in the same age group, eventually the manager will
move up the ladder so as not to fall farther behind. In this way, an employee who is
not as capable will gain promotion ahead of younger and more talented employees.

As noted by Litterer (1978), the other disadvantage of the Nenko system is that it
locks the firm into a set of employees that they will have for a long time, even
though the needs of the firm may change and individual talents or capacities may
become obsolete. From the viewpoint of the employee, they are locked into one
employer, denied opportunities elsewhere, and have no employment outlet when
they find themselves no longer as useful as they once were. The employee who
leaves a firm is looked upon as either a disloyal employee who has abandoned his
obligations or one that absolutely had to be terminated.

Another problem is that the system has created a large number of middle managers
in Japanese companies (Sethi et al. 1984: 51). The high rate of economic growth in
the 1960s caused many companies to hire more college graduates. The years 1965 to
1971 were the ones during which large numbers of the baby-boom generation
(dankai) (born right after World War II) graduated from universities. They became
middle managers as they aged. Usually, a healthy hierarchical organization consists
of a relatively larger number of lower level managers and a smaller number of
middle-to-high-level managers. However, an inevitable result of the seniority-based
wage system, coupled with the lifetime employment system, is the accumulation of
employees at the middle-management levels. Since upward mobility is not likely to
be available to most of them, it has the potential for creating a large number of
frustrated and even despondent managers, a situation that does not augur well for
Japan in the long run.