

**CORPORATE PATERNALISM IN  
POST-WAR JAPAN :  
A study of its policies and problems**

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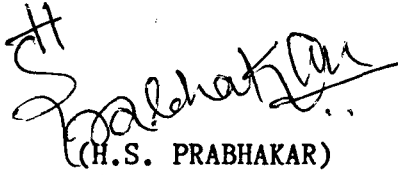
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Certified that Ms Sujata Mukhopadhyay is a bonafide student of M.Phil/Ph.D programme of study in the Centre for East Asian Studies, SIS. She is submitting this dissertation entitled "Corporate Paternalism in Post-War Japan: A study of its policies and problems", in partial fulfilment of the requirement for the award of M.Phil degree.

To the best of our knowledge, this dissertation is an outcome of her exclusive pursuit of study and research. Also, that this dissertation has not been submitted elsewhere for the award of any other degree. This may be placed before the examiners for evaluation.

  
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## PREFACE

All organisations irrespective of size and type without exception depend greatly on people, for their creation, operation and survival. Economic organisations' interest in and concern for improvement in quality of work conditions and productivity have led to the popularity of a new concept called Personnel and Human Resource Development. The introduction of this concept in Japanese business organisations and the extent to which it has been inculcated, measuring from its effect-size and effect-size variance in so far as factors, internal and external to the organisation, national and international, have been the main concerns of this study on 'Corporate Paternalism in Post-war Japan'.

A review and analysis of the results of many independent studies related to large Japanese Trading Corporations' policies and problems have been undertaken irrespective of their right and wrong approach. The results of these studies being a base of this research, albeit resemble an approach like a meta-analytical one. However, it certainly is not a complete meta-analytical research, due to the short time provided for writing a dissertation, during which it was not possible to send out questionnaires to scholars in the related area both in Japan and elsewhere. But, I intend to follow this approach when I undertake in the due course my Ph.D. programme.

The rapid and multifaceted industrial growth of Japan has been considered by the world at large as something akin to a miracle. The awe generated by this Japanese 'miracle' has led to an attempt at ascertaining the factors which have contributed to this achievement. This exercise has not only been undertaken to whet the existing economic theories but also to serve as a model for emulation by the developed as well as the developing countries. In order to facilitate the achievement of both goals, various studies have been undertaken by academicians, both at the macro as well as at the micro level of the Japanese economy. The practice of Corporate Paternalism in Japanese corporations is one such factor at the micro level which purportedly has had a very important bearing on the personnel management and related welfare policies of the corporations. This study will try to ascertain and describe those factors, the total effect of which enable the company to treat those under its control in a 'fatherly way', especially in regularising their conduct and supplying their needs.

At the very outset, I would like to acknowledge my profound indebtedness to my supervisor Prof. H.S. Prabhakar which is registered through the length of this work. His wide knowledge in the field of Japanese management studies steered me away from making many errors of judgement or fact. His able guidance and constructive criticism through questions and often incisive discussions on the subject, provided invaluable encouragement. I wish to place this on record.

I also express my gratitude to the library staff of Jawaharlal Nehru University and Japan Cultural and Information Centre whose assistance in the process of data collection has been appreciable.

Ma, Didi, Putli and Angana deserve a special mention for their constant moral support which helped me tide over all the highs and lows which inevitably precede a work of this sort. Special thanks to all my friends specially Kitu, Ruchi and Sarabjeet who painstakingly scanned the manuscript at its final stages.

Finally, I thank Mr. Gajanan Hegde and Mr. Ravi Chandran for having the courage to unravel the mystery of my handwriting and producing this manuscript in the process.

Any errors that might have inadvertently crept in are entirely my responsibility.

April 20, 1990

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## INTRODUCTION

While speaking of business corporations in general terms, paternalism in management is understood to be an amalgamation of authoritarianism and welfare expenditure for the employees. The term 'Corporate Paternalism' or 'Company Paternalism', may be defined "as present when the managerial element assumes responsibilities for workers over and beyond the basic contractual provisions for wages and routine working conditions."<sup>1</sup> Under such a practice, the nature of the relationship between the company and its management, and the employees is not merely functionally specific, but "diffuse and particularistic."<sup>2</sup> The employee is not merely viewed as a factor of production, where, in lieu of offering his services or labour, the company remunerates him. At least in the Japanese situation, the employee becomes a member of the company actively participating in all the activities held under the aegis of the company, beginning from Quality Control Circles to leisure related programmes. The company on its part, adopts the role of the father figure by assuming all responsibilities for the welfare of its employees, from ensuring retention of the employees in periods of business decline to granting housing and religious and recreational facilities as well. As a result of such a practice, the company, with its whole unit of management cadre as well as the blue-collar workers, functions as a well integrated a social unit than just an economic or business

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1. Robert M. Marsh and Hiroshi Mannari, Modernisation and the Japanese Factory, (Princeton, New Jersey, 1976) p.10

2. Ibid., p. 10

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3. R.P. Dore, British Factory-Japanese Factory. The Origins of National Diversity in Industrial Relations (Berkeley, 1973)

Whereas, the medium and small scale corporations, even if a large number of them are subcontracted by the large-scale corporations, can seldom adopt such a paternalistic attitude, with all its fringe benefits, towards its employees. Hence, given the limited application of Corporate Paternalism, this study will primarily be on the large Japanese corporations (referred to as 'corporation' throughout the dissertation) and thus, relate to the private sector only.

### EVOLUTION OF THE PRACTICE OF CORPORATE PATERNALISM

In spite of a constant research by a section of scholars and observers of Japanese industrial relations exclusively from the cultural stand point and also the reiteration of the belief that this practice evolved continuously from the feudal period, it is interesting to note that the history of industrial relations in Japan, from the Meiji period, tells a different story. Andrew Gordon<sup>4</sup> has very systematically traced the evolution of control of management over the employees and the gradual adoption of the paternalistic attitude towards them in three stages - the first spanning from 1850 to 1900, the second from 1900 to 1939 and the third from 1939 onwards. Though Japan was still predominantly an agricultural nation even by the end of the nineteenth century, it was from the middle of the century that light industries and to a small extent, heavy industries, were gradually making their appearance. So, till the end of the nineteenth century, the labour force mainly consisted of the artisans retrained according to the needs of the emerging heavy industries, and was characterised by mobility, as well as a lack of organisation. The

4. Andrew Gordon, The Evolution of Labor Relations in Japan Heavy Industry, 1853-1955 (Cambridge, Massachusetts & London, 1988)



urban guilds which had existed during the late Tokugawa period failed to adopt themselves to the changing economic conditions and hence the possibility of these becoming the champion of the growing number of industrial workers was wasted. The unregulated lifestyle of the artisans and the journeymen of the preceding Tokugawa era was maintained by the workers trained in new industrial establishments. Hence, the factories which were coming up in the second half of the nineteenth century were confronted with the often difficult task of breaking these men into the pace of industrial production and it was also an uphill task for the union organisers in their bid to promote a labour movement. The task of organisation of the workers, whether in the factory or as a union, was made even more difficult because of the ambivalent attitude of the typical Meiji labourer towards work and life. Despite being stricken by poverty, his traits included a tendency to gamble, to drink and to be extravagant beyond what his means would permit. But on the other hand, he had a strong desire for independence and advancement, a spirit of camaraderie and also a demand on the society that it accord respect to the labourer. Although, the managers of the factories (small industries) accused the labour force of indiscipline and a lack of work culture, they however did little to improve the working conditions which were definitely unhealthy as well as hazardous (the working hours were also very long, stretching to almost ten to twelve hours a day). Given this unprofessional attitude of both the workers and the employers, discipline among the former was naturally at a discount and instances of mobility among workers very high. However, mobility among workers, whether of the heavy industries or small workplaces (the case of the textile industry was a little different, given the nature of its almost

captive labour, most of which being women) was not only prompted by a desire for higher wages, it was seen also as a "central part of the proper worker career"<sup>5</sup>. Juxtaposed between the dissatisfied employer and the indisciplined and mobile workforce was the Oyakata the master, or the labour boss. The Oyakata could be owners of small establishments, or exclusively, labour bosses under contract of large companies or factories for the supply of labour, or even powerful foremen, only who could take decisions over hiring and wages of labourers. The Oyakata were basically subcontractors who supplied labourers from the men under their authority, fixed their wages and occupied a more or less independent position between the company and the workers. However, by the early 1890s, the number of Oyakata attached to a particular company began to increase and hence the instances of a fully independent labour boss began to lose ground. By the first decade of the twentieth century, though the earlier degree of their preponderance was gradually diminishing, the managers still could not ignore these men who were skilled, could judge, and had experience necessary to organise the workers in the work place and get the work done. So, this whole period from the 1850s to 1900 was characterised by either an indirect control or very little control by the managers over the workers, because of the nature and characteristics of the labour force itself and the presence of straw bosses or the Oyakata. The predominance of the Oyakata continued till the early 1900s because of the inefficiency and ineffectiveness of the qualified technicians who were gradually replacing the foreign technicians in the factories since the 1880s. These graduates hired by the companies as

5 Ibid., p. 36.

technicians, in addition to lacking a proper understanding of the work place, also had a strong sense of social distance from the uneducated workers, who happened to belong to the lower class of the society. To the workers, these educated supervisors seemed to be totally incompetent to legitimise their authority over them and hence there was a constant friction between the workers and the supervisors. Though the managers controlled work indirectly out of necessity, a few enterprises tried to create a more systematic mode of labour supervision. Some tried to bypass the authority of the Oyakata by establishing a scale of day wages and ranks for the workers, and also by signing selected men to long-term contracts on an individual basis. Some even offered semi-annual bonuses equivalent to one month's wage to workers with good records. But the very fact that inspite of these offerings by some companies, the mobility of labour did not decrease proves that the company was unable to draw the workers within its folds, and hence was kept dependent on the services of the Oyakata.

However, from the 1890s, a change in the technology of industrial production and the resultant specialisation in the work place necessitated a change from the inefficiency involved in the indirect management of labour. The large companies being most sensitive to any slight loss of profit due to such inefficient labour-management relations undertook to device a new structure of direct control of work in the production units. The adoption of changed technology necessitated a different and a more apt kind of an organisation of work at the factory level. The first step towards the implementation of the policies of direct control consisted of, on the one hand, the formation of small groups of workers at the level of the shopfloor to work on

narrowly defined tasks, and on the other hand, the gradual absorption of the yakata into the company by offering them the posts of privileged foremen who would wield authority over his subordinates (the workers), but, according to the directives of the management. The incentives offered to the Ōyakata in exchange for their surrender to a particular corporation came in the shape of retirement or severance pay, wages pegged to tenure to a certain extent, bonuses, savings plan etc. Training programs either in the company school or, as in most cases, in company sponsored programmes held in local vocational schools also sought to cultivate a core group of committed workers, foremen and shopfloor leaders. So, gradually, from this period onwards the beginnings were being made in the articulation of a paternal ideology aimed at encouraging the workers' (supervisors, skilled workers) dependence on the company. The capitalist managerial elite gradually began to articulate its ideas on paternalism (prodded by an undercurrent of official skepticism) as a means of seeking to justify its political as well as economic power. The ideology of paternalism had more of a practical necessity than of a normative value because its purpose was to resist the introduction of the factory law by the government and also to indicate the gradually emerging institutional structures of labour cultivation and control. However, in spite of the advocates' defence of paternalism as a progressive and feasible concept, drawing its essence from the traditional norms of behaviour in Japan, the reformers in the Ministry of Agriculture and Commerce did succeed in their bid to introduce a rather weak Factory Law in 1916. This law which was actually more of a gesture towards the protection of the interests of the workers, and the ensuing ideology of paternalism adopted by most of the

company managers, were expected to facilitate the growth of a healthy industrial society.

In spite of these paternalistic overtures, on the part of the employers, the workers' reaction was almost antagonistic. Two following factors can be made accountable for this antagonism on the part of the workers: First, the end of the Russo-Japanese war in 1907 with its resultant termination of the war-time boom in the economy was accompanied by the decrease in real income in view of higher prices and hence a feeling of dissatisfaction among workers. Secondly, there was an acute resistance on the part of the workers to the plan of unleashing a direct control over them by the company. So, both these issues, as also the adverse economic situation of the post-war period and the imposition of direct control by the corporation precipitated industrial action by the workers in a number of factories. The other factor which also caused a feeling of alienation in the work place were the preferential treatment in the form of bonuses, wage increases, company welfare benefits offered to the foremen in the factory. This introduced new tensions into the relations of foremen and the workers and hence, between the latter and the company. In some factories, the attitude was sympathetic and in some others, it was authoritarian and tyrannical. The latter kind of an attitude was very evident in the case of the Shibaura Engineering works,\* where Suzuki Bunji, a self-styled leader of the Japanese labour founded the Friendly Society or the Yuaikai in August 1912. Suzuki did not conceive of the Yuaikai as an organisation of labour along militant lines, but as an instrument to socially educate the workers. Though, the

organisation was not formed with the intention of assisting the labourers in their industrial actions against their employers/companies, it did work to cultivate among the workers a sense of belongingness to the community and towards a strength that unity would bring about. The acceptance of such an organisation for the welfare of labour is brought out by the fact that, the membership of Yuaikai rose from 13 in August 1912 to 15,000 in 1916.<sup>7</sup> Even in terms of quality of membership, the organisation claimed credibility, because most of its members were either the skilled workers or even the foremen of the factories. So, the organisation attracted the workers not only by virtue of its ideological basis but also by the prospects it held for workers to benefit from an interchang of ideas/knowledge among the skilled workers/members.

The response of the employees to the formation of such an organisation of workers is well exemplified by the case of Shibaura Engineering Works. Since the Yuaikai was founded in Shibaura, the managers sensed imminent danger from such an organisation functioning from without and hence, in a bid to save the situation, introduced an expensive labour policy, though the Shibaura branch of the Yuaikai had succeeded in organising just about one-tenth of the total labour force of the Shibaura Engineering Works. The management of Shibaura introduced a new set of personnel policies covering all aspects of work. This new set of factory regulations included the following: a) Coverage for illness or injury, b) the setting up of an infirmary with a doctor and a nurse, c) organisation of a mutual aid society which

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7 Ibid., p.71.

had a fund administered by the foremen. The fund was supported by deductions from the workers' pay as well as a contribution from the company, d) Retirement Fund in which the company contributed 5% of its profit every six months, e) Bonuses which increased with tenure and was paid to the worker at the time of retirement, f) adoption of an Education Policy under which a separate education section was set up. This marked the beginnings of in-company-training, g) Setting up of a Foremen's Council. This was perhaps the most important innovation because this marked the initiation of the practice of holding discussions between the company officials and the foremen on issues like, pay, work duties, aid and treatment of workers.<sup>8</sup>

A more or less similar line of action in terms of the adoption of personnel policies was followed by other companies like Hitachi Engineering Works and Mitsubishi. All these companies quickly responded to the emergence of a working-class organisation, transcending the company framework hoping to nip this vague future threat in the bud by giving a concrete form to its abstract ideas of paternalism, through the introduction of these policies. However, inspite of the adoption of such policies, the problem of grappling with a labour force characterised by mobility remained. The scarcity of a skilled labour and an accompanying high rate of labour turnover remained, also because of a paucity of a sufficient number of vocational training schools, and this kept the necessity for the practice of in-company-training in the private sector companies alive. So, the adoption of the paternalistic personnel policies did not

<sup>8</sup> Another important feature of the new Personnel Policies was that, for the first time, it sought to bring the blue-collar workers within the company's folds also.

fully diminish the sense of crisis among the company managers. A complex of domestic and international changes continued to render ineffective the instantaneous effect of these policies introduced prior to the first World War. The war brought on a substantial industrial boom which entailed a shortage of skilled labour and also soaring inflation. In addition, the Russian Revolution and the creation of the International Labour Organisation provided a favourable climate for workers to organise themselves. This changed political climate at the international level and its impact on the economic situation within Japan with a constantly soaring rate of inflation made union activity attractive, necessary and in view of the scarcity of skilled labour, often successful. So, the post-first World War situation within Japan posed two problems to be solved by the government, managers as well as bureaucrats. The first two related to the problems of the old labour force, problems arising inspite of the paternalistic policies of the company. The second was related to the problems of the new working class which was gradually organising itself along radical ideological lines. The working class movement reached a peak in 1921, a testimony to which is borne by the labour-management relations in the Uraga shipyard. It was during this period of labour unrest that another organisation for labour welfare called the Kyocho kai was formed in 1919. The Kyocho kai proposed to study and help eliminate the causes of labour-capital tension by promoting cooperation and harmony (KYOCHO) in the work-place and society. The first round in the clash of a nascent and charged working class movement, with the limited paternalism offered by the company managers went in favour of the workers. Though, none of the labour movements in this period adopted a violent stance, the management was nevertheless forced to reform



some of its policies towards the labourers, not only the white collar or the foremen but also to a certain extent, the regular shopfloor workers. So, the subtle tensions between the worker and the management yielded results of the type a violent or militant stance on the part of the labour would have. The seemingly unilateral decisions and innovations on the part of the management, as exemplified by the Shibaura reforms, the decision to bring down the working hours from twelve to ten hours per day in the Nippon Kokan, or the introduction of a pioneering system of seniority wages based on need, by the managers of the Kure Naval Yard were actually triggered off by an implicit threat of a strike or agitation on the part of the workers. It was under pressures from the wartime labour shortage and the labour movement, that the managers offered to succumb to the demands of the labour. The incentives which were granted, such as, a pay raise, introduction of bonus and allowances, were more often than not, defensive responses to worker demands, or appeasing gestures aimed at discouraging the mobility of the skilled labour. Irrespective of the nature of the dictates of the situation, the response of the management to organised labour in the 1920s was expressed in a slightly revised form of ideology stressing a cooperative type of paternalism. This changed qualification attached to the ideology of paternalism was justified through the setting up of discussion forums between the representatives of the workers as well as managers. Though theoretically, such a measure aimed at broadening the Foremens' Council, in practice, the discriminatory practices within the workforce, between blue and white collar workers remained. (These concessions were granted basically to discourage the affiliation of the company labour to independent labour unions.) So this kind of a

dissonance between the new ideology and the continuation of the discriminatory treatment resulted in a continued undercurrent of dissatisfaction among workers as well as a demand for change. Among these demands were included two very important bases for the post-second World War employment system, for example, the demand for membership of the company and regular seniority wage increases along with a limited use of output wages (or incentive wages). At the turn of the century, managers fired workers at the slightest indication of a dip in the business and the same practice continued even in the post World War slump. But labour activities in defence of the above mentioned demands had an impact on the policies as well as ideas of the management. The value workers placed on membership and the tenacity with which they defended their jobs in the 1920s drove home the idea that the regular workers wanted to be treated at par with the superiors in the organisation as far as membership and respect were considered. Though the need for converting this idea into a practice struck the workers more than the managers, nevertheless, the latter did show some restraint in their policies of retrenchment. This attitude of the managers can be exemplified by the way the mass dismissals during the Depression years of 1927-1932 were conducted, where the groundwork for the lay-offs was carefully laid in consultation with the representatives of the workers over issues like, terms of separation and number of workers to be retrenched. Similarly, in the realm of wages, the demand that wages be calculated with reference to a worker's needs and that regular raises should be offered, for instance, in times of expansion, did not totally fall to deaf ears. Though this demand could not achieve wide acceptance, nevertheless, it did succeed in certain cases, for example, in the case of the

Yokohama Dock Company in 1929, where workers' wages were assessed on the basis of need.' However, the possibility of a uniform acceptance of such demands by the workers was nullified by the fact that the labour movement pressures in the inter-war period had weakened and hence the management of the company could afford to ignore such demands. This kind of a management attitude along with an uncertain worker commitment to the corporation dominated the nature of the labour-management relations during the inter-war period leaving the system to be characterized as that of an authoritarian labour control.

The second World War saw an attempt at fulfilling these demands of the workers by the interference of the bureaucracy who wanted to recast the system as a more secure one with a more predictable set of practices and applicable to a larger portion of the work force. The Welfare Ministry bureaucrats realized the necessity of an application of the idea of 'living wages' for workers, not only on grounds of any moral justification, but also, given the mobilisation for war, to ensure the workers' continued willingness to work. The bureaucratic initiatives also sought to systematise the other practices like, the periodic pay increase or the use of factory councils. In 1942, the government intervened in the affairs of the management of companies regarding the setting of the terms of work. It imposed the acceptance of a wage system that guaranteed to all who worked in a company, a yearly or semiannual pay raise. Hence, this made need, the much demanded yardstick for fixing wages, a mandatory variable for the calculation of wages. So, the government intervention lent the force of law to the customary benefits

expected by workers. The setting up of the national network of Sanpo patriotic labour organisations by the war-time state was another instrument aimed at stabilising the labour relationship, and to raise productivity. Sanpo also emphasised the need for equality in treatment of both white-collar as well as the blue-collar workers and for respecting the contribution of the labourer.

Most of the above mentioned war time policies however did not have any immediate effect. During the war, the management of the companies inspite of such directives continued with their pre-war policies. The managers continued and in some cases, increased their use of output pay and also resisted pressures for more egalitarian treatment of workers and staff. The gap between the labourers' expectations and a suitable response from the management, resulted in rising absenteeism, a loss of morale and declining productivity - all pointers to a continuing shop-floor tension. It was not until the late 1940s, beginning from the post-war years, that a new wave of worker enthusiasm for democratising the work place swept away these practices.

In the first two years after the Second World War, organised workers gained a lot more than their pre-war demands, as they based their demands upon the earlier claims like job security, wage security and higher status within the company and society. This period was marked by successful strikes and rapid organisational gains. Japanese workers had almost established the labour version of an employment system with a guaranteed job security, a need based seniority wage, and a marked degree of labour participation in the management of factory affairs. But by 1945-50, the management succeeded to defeat such radical designs

on the part of the labour by rejecting the labour version of Japanese employment practices. However, the resultant post-war employment system, inspite of ultimately being the management version marked a tremendous advance for workers in relation to their plight before the Second World War. Most of the practices integrated into the new employment system as well as the demands of the organised labour helped to give it a changed texture. The management, in their dealings with labour had to take into account the reforms of the American Occupation and the new legal framework within which the management and the labour had to function. The Labour Union Law passed in December 1945, guaranteed workers the right to organise, to bargain collectively and to strike. It protected the labourers against employee discrimination for union activity. These provisions were designed to encourage unions to protect their economic interests against their employers, but at the same time, the law had not intended to promote political unionism, which however could not be avoided, nor suppressed, as the labour unions showed a marked proclivity towards the Left. The two other legal measures which helped establish a favourable post-war framework for labour activities, were the establishment of a national Central Labour Relations Commission and regional commissions in each prefecture. The Labour Relation Adjustment Law of September 1946 which clarified the position of these bodies was tested in October 1946, when the workers in the electric-power industry demanded and won a new structure of living wages with the help of its application. The Labour Standards Law of April 1947 was the final of the three post-war fundamental labour laws. It set the minimum standards for hours, wages, insurance, injury compensation and unemployment benefits (These were also designed to protect the

non-union workers). This period saw, on the one hand, the introduction of such labour laws and on the other hand, it witnessed a rapidly increasing adoption of Left ideology by the labour union. Hence, by 1948 and 1949, the Occupation Authority (SCAP) came down heavily on the labour union's attitude, resulting in legal changes designed to restrict the political activity of these unions and limit their roles in the public sector. These steps on the part of the Occupation Authority as well as the post-war economic condition helped bring about the revival of management authority and their ability to control the unions. The overall economic policies, especially the harsh deflationary policies forced on the Japanese, beginning in December 1948, provided management with the need as well as the scope to pursue a hard line against the unions. In spite of being in a position of advantage, the industrial management considered it wise to accommodate some of the demands of the labour movement, a gesture, which they considered prudent, given the necessity of an amicable relation between the management and the labour.

It was through this realisation of their mutual dependence that the post-war employment system emerged. This evolving system took into account the various demands as well as the successes of the workers through their labour struggle. The demand of the early post-war union like, 'living wages' defined as payment based on need, or age, family size etc., was to a large extent considered for application in the case of the wage structure of the permanent members of the company. Secondly, the degree of status discrimination among the workers and the staff was also reduced. As full members of the company, the (unionised) workers gained a position on a single hierarchy of employees and hence

the discriminatory usage of terms such as, staff and workers was done away with. This hierarchical ranking of employees meant an increased access to welfare benefits and facilities, as well as a payment of monthly wage and bonus calculated on the same basis as that of the managers, and also a considerable provision for participation in decision making process..

Another development which grew in extent and application was the tendency of unionised workers to place the emphasis on jobs within the company. Since the meaningful unit of union organisation was the company, the workers preferred to defend jobs narrowly within the company rather than demand for the promotion of employment within an industry. So unionisation tended to become even more enterprise oriented in the 1950s. The other demand of workers, which was also met by most of the companies, was regarding the refusal to grant the managers the right to dismiss anyone defined as a regular member of a corporation. So, this attempt at an integration of these demands of the workers within the folds of the emerging employment system, being gradually accepted by all the corporations, marked the beginning of a more or less egalitarian social relationship between workers and managers-which is the much acclaimed and commended hallmark of the Japanese management style. So, it was the 1950s which marked an end to the turbulence of the pre-war and the immediate post-war labour movement characterised by the struggle between workers and the management, and saw the beginning of a gradual crystallisation of the pillars of the post war employment practices on which was to be based the practices of the ideology of paternalism by the corporation.

## LABOUR AND MANAGEMENT ORGANISATIONS

Japanese labour unions in the corporations are mostly organised on a company basis. These enterprise unions, as they are called belong to a federation of unions which again, is organised on an industry basis. Major industrial labour groupings include the All Japan Prefectural and Municipal Workers' Union (Jichiro), the Confederation of Japan Automobile Workers' Unions (Jidosha Soren), the All Japan Federation of Electric Machine Workers' Unions (Denki Roren), the Japanese Federation of Textile, Garment, Chemical, Distributor and Allied Industry Workers' Unions. These industrial unions are in turn grouped into a number of national confederations. Enterprise Unions however remain autonomous and the extent to which an individual union adheres to the directives and regulations of its industry union or the national confederation is entirely upto the enterprise union itself. It was the Sodomei or the General Confederation of Labour, which can trace its origin to the first labour organisation called the Yuaikai, and the Congress of Industrial Labour Union (Sanbetsu Kaige), which, in 1946, espoused the cause of unionism and economic activity. Efforts to integrate the national confederations and develop a united labour front began from 1960 and culminated in 1982 with the formation of the Zenmin Rokyo (Japanese Private Sector Trade Union Council). This however, was subsequently dissolved to make way for the formation in 1987 of the biggest labour organisation in the history of Japanese labour movement, Zenmin Roren (Japanese Private Sector



Trade Union Confederation) generally known as Rengo. Before the emergence of Rengo, it was the Sohyo which had the maximum membership. But at present, Rengo represents 45% of all union members and 58% of these in the private sector<sup>10</sup>. The emergence of Rengo has supposedly brought on a change in, the focus of the labour movement in Japan. Although wage increase is still a top priority subject for labour-management consultations, the need to address such socio-economic issues as inflated land and commodity prices and a reform of the taxation, housing and pension system has also been realised by the labour unions.

Though these organizations have been formed, their activities are restricted when it comes to a direct labour-management consultation. The labour federations and the national confederations have only an advisory position when it comes to a labor-management confrontation or consultation. This is reflected in the way the collective bargaining takes place and how it affects the different corporations within an industry as well as the working of the labour-management consultation systems. Though the enterprise union and the process of collective bargaining will be given a detailed account of in the following Chapter-1, a short account of its functioning is necessary in this context in order to put the efficacy of the macro level unions in the right perspective.

A vital part of the process of collective bargaining is the Shunto or the annual Spring Labour Offensive, which is a concerted union drive for improvements in working conditions, as well as wages. This Shunto scheme was started by the Sohyo and

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10 Yoshio Sasajima, Labour in Japan, (Japan, 1988)

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was based on the idea that several enterprise unions within one industry of more or less the same size and importance should coordinate their bargaining strategies, harmonise their wage demands and schedule their negotiations and strikes around the same period each year under the leadership of the industrial federation. But in spite of attempts by the federations to strengthen the industrial unions through these means, the main thrust of Japanese industrial relations today is still to be found at the enterprise level. The Shunto manner of collective bargaining loses its efficacy because of the overwhelming importance bestowed upon enterprise unionism, the nature and scope of which was given a shape and primacy by both the management and the workers of a company since the pre-war years. The existence of the enterprise unions, makes the Shunto inevitable in an ironic way, where joint bargaining takes place only among certain oligopolistic corporations and within a limited industrial sector only, i.e., the large-scale industrial sector. Moreover, if both union and management occasionally support industrial bargaining in the belief that it is advantageous for their enterprise, the enterprise level union naturally tends to forego the united front, whenever joint negotiations run counter to the interests of the enterprise. This enterprise oriented unionisation in the case of the Japanese corporations also defeats the purpose of the labour-management consultation system on an industry level. Since such similar types of consultation systems, covering the same broad topics like, general management policies, basic production and sales plans, working hours, organisational charge etc, also exist at the corporation level, the macro level consultation systems naturally lose their importance.

The management organisations or the employers' groups promote solidarity on labour issues in addition to offering such services as collecting relevant information, undertaking public relations work, and developing labour policies on behalf of member employers. These organisations are scattered all over the country and are grouped according to either region or industry. The central body representing these organisations is Nikkeiren (Japan Federation of Employers' Associations). Although, neither Nikkeiren nor the local employers' groups participate in collective bargaining on behalf of member employers, they do influence labour-management relations by issuing statements prior to the annual Spring Offensive outlining the employers' basic stand and presenting wage increase levels that are acceptable from the employers' point of view. Though the employers' associations may provide leadership and guidance for member corporations in their industrial relations, they however have no power to compel those corporations to follow their lead. In this sense, the power structure on the employers' side in Japan is as decentralised as it is on the union side. The ineffectiveness of the employers' associations is also due, apart from the structural limitations, to the lack of solidarity among the members of the associations. Since each member wants ultimately to maximise his own gain, the unified actions of the association depend on, apart from other things, the economic and political climate of the period. For instance, in a period of economic boom, when the supply and demand relationship in the labour market is tight, employers are in intense competition for workers, and the employers' associations, being able to use only persuasion, find it difficult both to secure their members' cooperation and to convince them to maintain a unified position.

When the labour market is loose, individual members do not want to become isolated from other members by not assuming a pattern setting role. Moreover, as Shirai<sup>11</sup> points out, there are particular situations where some employers develop close co-operation, primarily through exchange of information in formulating policies and making decisions on labour matters and it tends to be these informal management groups formed on an ad-hoc basis, among a limited number of leading corporations in a particular industry, rather than the association, that are the actual decision-makers in every Spring Offensive.

So, as can be concluded from the above resume' on labour-management organisations, it is not so much the formal organisations at the industry or national level which take part or which have succeeded in the negotiations between the respective enterprise unions and the immediate management circles.

#### ORGANISATIONAL RANKING IN A CORPORATION

For reasons of convenience, the corporation in this study, will refer to the joint-stock company, one of the four types of companies which the Japanese law recognises. The joint-stock company is the most popular and important form of the business organisation all over the world. This kind of a company is a legal entity distinct and independent of the existence of its members who own it, one of the reasons for which is that, it has a large number of stakeholders. Since this entire body of shareholders cannot administer or control the corporation, the

11 Taishiro Shirai, "A Theory of Enterprise Unionism", in Taishiro Shirai, ed., Contemporary Industrial Relations in Japan, (Wisconsin, 1983).

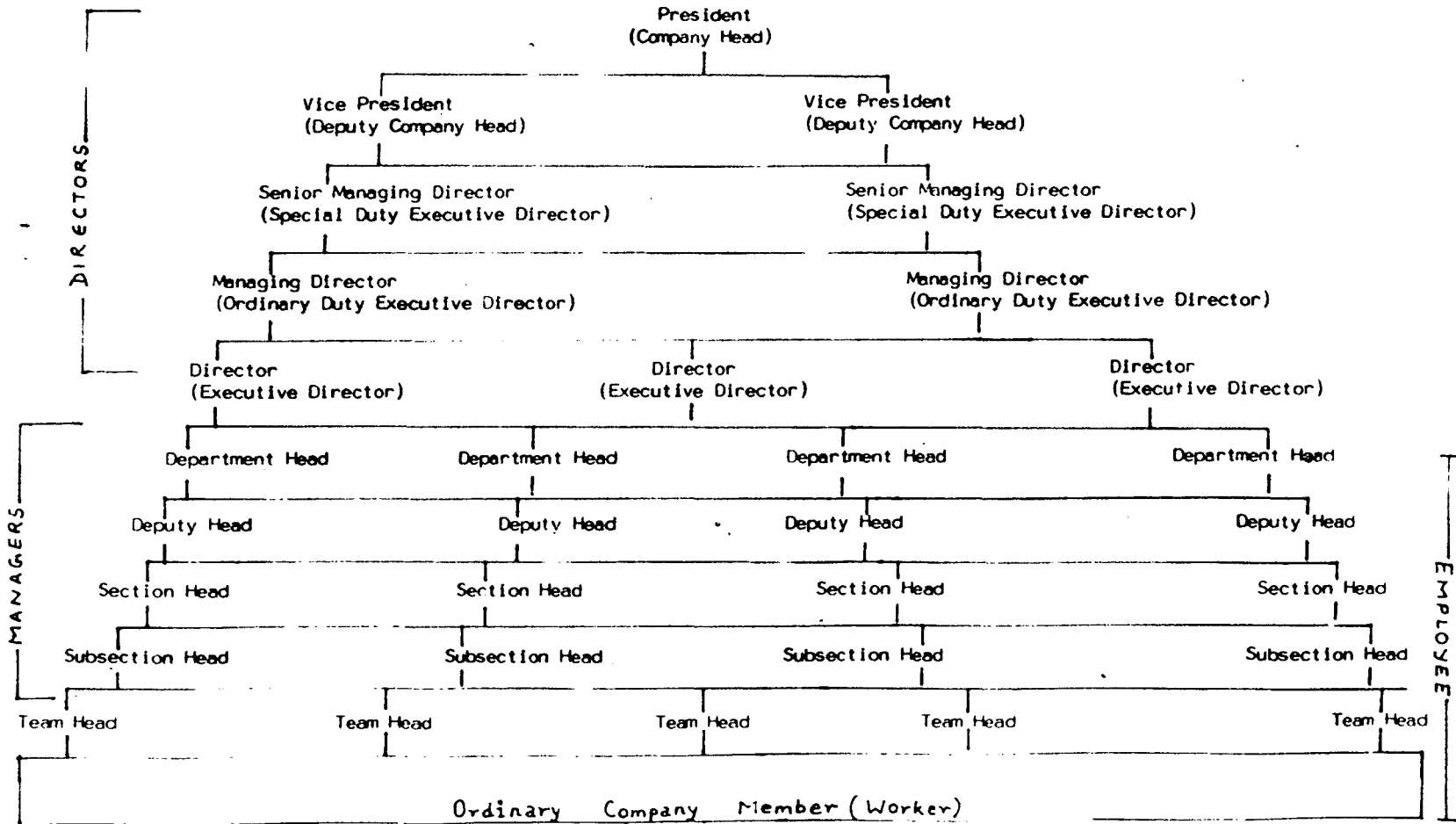
responsibility for the management and conduct of the business of such a corporation is assigned to a Board of Directors. The directors in turn are assisted by the executives or the professional managers in their respective fields. All policy decisions are made at the directors' level but routine working decisions are left to the managers' discretion, who in fact control the entire business of the corporation.

In the case of Japanese corporations, most of the directors, other than the President, who is a representative, usually come from the ranks of the employees having been promoted through the management ranks over twenty or thirty years. In fact, it has often been the case, where a majority of directors also remain managers, in the sense that they still supervise over departments or decisions of the corporation. Given such a nature of the directors as well as the hierarchical position in which they are ranked (as in Figure 1), it is but natural that they represent the interests of the employers more than they do of the shareholders. Secondly, such a ranking also eludes the possibility of a critical discussion among the directors regarding the corporation's policies and programmes, as an ordinary director is not supposed to be critical of the decisions/opinions of his seniors. Though a small minority of outside Directors also constitute the Board of Directors, their presence does not fully overcome this problem (of indifference to the interests of the shareholders) because these directors are either the retired bureaucrats (Amakudari) or representatives of the corporations' allies in the society of the industry, and hence usually share the point of view of the other directors regarding the corporation's management.

The Commercial Code of Japan consists of a lot of dictates regarding the position and status of the Board of Directors and the General Meeting, but a proper directive regarding the organisation of the working body (employees) is conspicuous by its absence. According to the Commercial Code, a company/corporation can appoint any number<sup>12</sup> of employees and place them under any position of subordination or authority. The possibility of the misuse of the latter clause is limited by the Labour Laws which see to it that there is no exploitative use of the employees. In spite of the ambiguity, room for flexibility regarding the organisation of the employees of a corporation and their ranking, there exists, surprisingly, a uniform system of ranking of the employees in almost all these corporations under review. The overall organisation of the workforce follows a hierarchical, pyramidal structure, beginning from the President at the top, and gradually broadening itself until it reaches the board based workers' rank. It is from these "standard ranks"<sup>12</sup> that the allotment to the functional divisions like marketing sections, purchase departments, manufacturing departments, personnel and finance departments etc., of the corporation is made. The ranking structure as diagrammatically shown in Figure 1, is followed by almost all the corporations with a further addition to the ranks, if and when necessitated, either by the scale of organization and production or business activities of the corporation, or by the nature of the industry to which the corporation belong. The practice of the usage of the standard ranks for addressing the people, as well as to refer to them both within the corporation, as well as in the industry, bestows the

12 Rodney Clark, The Japanese Company, (New Heaven and London, 1979), p.104.

Figure 1: The Organisational Ranking in a Japanese Corporation



ranks with a certain degree of social significance. For example, the position of a particular corporation in the society of the whole industry qualifies the rank of a Japanese employee or a director, in his dealings with the outside world.

The entire hierarchy of the ranks is divided at two points. The first division distinguishes the rank of the directors from that of the employees. In a corporation, there are usually three to four ranks of directors, each one of them being bestowed responsibilities of various degrees. The Deputy Company Heads and the Special Duty Executive Director or the Senior Management Directors are usually in charge of the larger units of the corporation. The Managing Director, or the Ordinary Duty Executive Director is made responsible for two to three departments or a small division, while the Executive Director or Director is either second in command of a division or a department. It is with the Director that the rank of Directors comes to an end and with the position of Department Head begins the rank of the employees. The second division involves that within the employees, namely between the management/middle management and the workers. This division is further qualified on the basis of union membership. In most corporations, the ordinary members, as well as the Team Head or the Foreman are considered to be members of the union, to the exclusion of the ranks higher than that of the Foremen. But there are instances where even the subsection Heads have been extended union membership. So, the management cadre begins either from the rank of the Team Head or the subsection Head and climbs up to that of the Department Head. In this context, one point which should be mentioned and which will be discussed in the subsequent chapters, is that of the mobility of workers/employees along the length of this ranking



structure. The passage from the ranks of the workers to that of a management rank is a lot easier than the mobility of management to the rank of Directors. An employee for example, on reaching the rank of Team Head can, in two to three years' time, reach the rank of a sub-section Head, but the promotion of a Department Head to that of an Executive Director is not ensured by his length of service alone. So, it is along the length of the employees' rank that mobility is mostly witnessed/possible, whereas, the process of crossing the boundary of the employees, into the territory of the Directors is marked by less mobility, if not a certain degree of rigidity. The subsequent chapters of this study will unfold each aspect of the paternalistic practices of the corporation, keeping in view the above mentioned organisational, structural as well as the historical basis of such a practice. Chapter-I has discussions about the employment system as it evolved after the 1950s and exists at the present. In the same context, it would also briefly touch upon the supports of the system, for example, the labour market and its degree of internalisation, and also the subcontracted labour etc. Chapter-II will describe the manners and process in which the worker is socially integrated into the corporation. The extent to which and how the employee benefits offered by the corporation help in building up the sense of cohesiveness among the employees also figure. The much talked about Japanese work ethics is being given a critical assessment in Chapter-III. The study also makes a modest attempt to explain the nature of Japanese workers' consciousness and its relation with the formation of work ethics/culture, and paternalistic system as a whole. The conclusion, will adopt an eclectic approach to knit together all the previously discussed aspects of the Japanese practice only to

figure out the reasons, the nature, the supports, the consequences, as well as the feasibility of transposing the practice of Corporate Paternalism in corporations elsewhere.

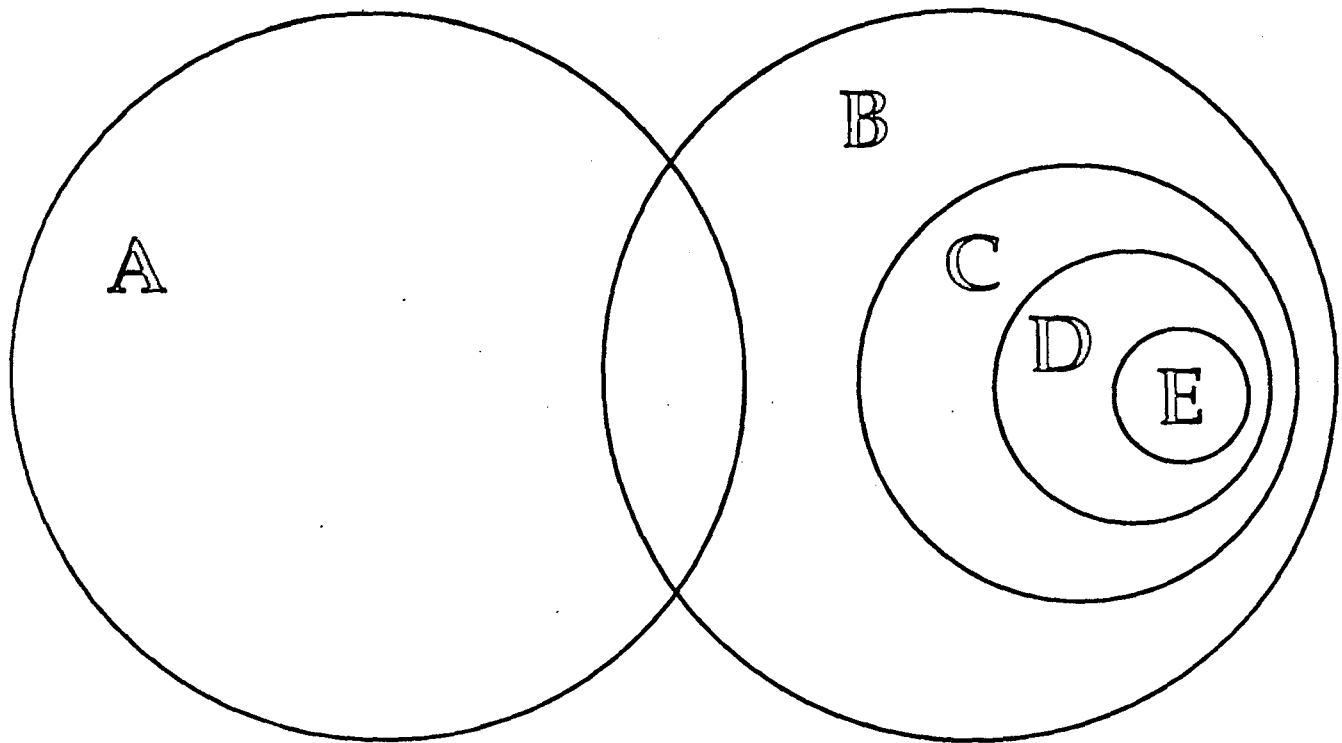
CHAPTER I

## EMPLOYMENT PRACTICES

The deliberate adoption of the paternalistic style of management by the large scale business corporations has gradually resulted in the articulation of a certain type of employment practices which are more or less universally applied by all such corporations (a ranking of twenty five such corporations is given in Appendix, Table I). The much talked about life-time employment practice or the permanent employment system in Japan, and the rewarding system of an employee being based on seniority and the existence of the enterprise unions form the three main components of the employment system. These three components along with their respective and cumulative fallouts function within the internal labour market of the corporation, while the external labour market in Japan gives a vital support to the whole functioning of the employment practices in the corporation. The interaction and inter-dependence between the two types of labour markets as well as that among the component practices within the internal labour market become clear from Figure No.1.

The diagram points out two vital aspects of the whole employment system. First, the position of each of the components of the employment system, both in relation to each other as well as in relation to the whole, i.e., the internal labour market of the corporation. Secondly, the dialectic of the internal labour market and the external labour market, the latter playing the role of a very important buffer to the whole system of employment practices of the Japanese large scale business corporation.

Figure 1: The Structure of the Employment Practices in a Japanese Large-scale Corporation



Note:

- A - External/Open Labour Market
- B - Internal Labour Market
- C - Enterprise Union
- D - Life-time Employment
- E - Seniority-wage System

It is within the above mentioned structure that this chapter will discuss the employment practices. The following rendition will cover, under separate sections, the three components of the employment practices, the nature of the promotion system, the internal labour market and the supports of the system.

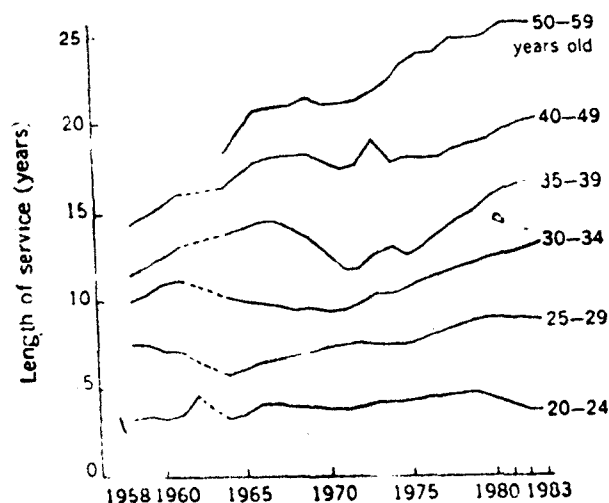
**LIFE-TIME EMPLOYMENT PRACTICE:**

In order that a corporation can adopt an attitude of paternalism towards the employee, and at the same time the employee can also feel a sense of belongingness to the corporation or the 'community', it is necessary that the member remains in the company for a long period, and hence the practice of offering life-time employment to the regular, male employee by the corporation. Each corporation recruits most of its regular employees in the month of April after their graduation from high school or university (Placement of school leavers by Occupation and by industry shown in Appendix, Table II). After the recruitment, there is no legal compulsion for employees to stay in a particular corporation longer than one year<sup>1</sup>, nor does the employer have a legal obligation to keep his workers. But usually, after a period of probation ranging from two or three weeks to three months, depending on the corporation, workers gain the status of regular employees. Thereafter, they are 'expected' to stay in the particular corporation until they reach the retirement age as per company rules, which normally is fifty five years or in some enterprises sixty years. Employers otherwise are again not expected to dismiss the permanent employees unless the business faces an unusual decline. So, this concept of permanent employment is not founded on law but on certain conventions or practices which prove to be economically viable in the long run. The basic pattern of life-time employment in the long run for employees in the corporation is shown in Figure 2. This

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1 Bernard Eccleston, State and Society in Post-War Japan (Cambridge, U.K. 1989).

Figure 2: CHANGES IN AVERAGE LENGTHS OF SERVICE (Male, Manufacturing Enterprises with 1,000 employees or more)



Source: Takeshi Inagami, Japanese Workplace and Industrial Relations, Japanese Industrial Relations Series No.14 (Tokyo, 1988).

shows the average lengths of service for the male workers only, because the female workers usually do not complete very many years of service continuously as they take a break to get married, and come back, if willing, only after their children grow up. So this break in the continuity deny them the status of life-time employees. As seen in Figure 2, there have been slight changes in the otherwise progressively ascending curves of the lengths of service. These changes can be connected to the impact of external factors of the corresponding periods. For example, the period of oil shock has given the curve for the 35-39 age group, a descending pattern, and also economic changes in

the 1980s have affected the 20-24 age group. However, inspite of the slight dip in the curves, the basic trend which surfaces from the figure is that of life-time employment of the employees.

It would be wrong, however, to assume that the practice of life-time employment was adopted by the corporation only because of the pre-war and the post-war demands of labour for job security. Though it would seem that adoption of life-time employment made labour a quasi-fixed factor of production (a point which will be dealt with in the subsequent part of the chapter) for the corporations, the latter actually was benefitted in a vital way. An over-reliance on the open labour market would have resulted in wastage of time for recruiting proper workers, training them, attracting them with high wages as well as the problem of externalities and high labour turnover of core employees. The employee, on the other hand, is benefitted with a sense of security, as well as the availability of opportunities for training as well as mobility along the rank and file of the organisational hierarchy. So, the feasibility of this type of employment is based on the fulfilment of a dual set of expectations that are rooted in Japanese tradition and cultural norms.<sup>2</sup> The worker, on the one hand, expects his employment tenure in the chosen corporation as permanent, an attitude which is fortified by prospects of his financial gains. On the other hand, the employer, again, expects his employee to stay on in the job in view of the 'standard wages' and the other conditions of employment which are offered to him. According to Sethi, "social

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2 Prakash S. Sethi, Nobuaki Namiki, Carl L. Swanson, The False Promise of the Japanese Miracle: Illusions and Realities of the Japanese Management System, (Boston, 1984) p.43.

conditions and cultural norms impose a sense of obligation on the employer who is expected to provide work for his employees and take care of them.<sup>3</sup> The existence of this pressure of social norms on the employee has also been harped on by Ronald P'Dore<sup>4</sup>, as he points out the consequences of flouting these norms. An employer showing indifference towards his employees not only has to face a loss of worker morale and union resistance, but also governmental intervention, not to speak of adverse public opinion. The general impression that this practice of permanent employment gives is that of acceptance by and benefit to both the employers and the employee. Not only does this practice create a high degree of employee stability (and hence a decrease in the cost of externalities), it generates, in the long run, employee loyalty towards the corporation. A corporation can afford to invest money in the training of the employees, on the basis of the informal assurance that the employee will not offer his thus acquired knowledge in the open market for a higher price.

However, a point which should be pondered upon, is the extent of this practice. It is interesting to note that, in reality, it is actually a handful of key employees who are given the benefit of being permanent employees in a corporation. So life-time employment is a benefit not offered to each and every blue-collar or white-collar employee of the corporation, though the instances of offering permanence of employment to the latter is much more than to the former. The various ranks of managers as well as the other white-collar employees are more often than not offered

3 Ibid, p. 44.

4 R.P. Dore, British Factory - Japanese Factory: The Origin of National Diversity in Industrial Relation (Berkeley, 1973), p. 35.



life-time employment. But a substantial part of the blue-collar workers, the ones who are not regular employees, do not come under the category of permanent employees. There is also the practice of transferring permanent employees from the parent company to the subsidiary company, as well as that of pressurising the employees of a certain age to retire early. Though the adoption of both these practices have come as virtual imperatives to the corporation, given the pace of economic/external changes, nevertheless these have rendered the much talked about life-time employment relatively ineffective in practice, in the case of certain corporations, which have had to find means and ways of maintaining the facade of permanence of employment.

#### WAGE SYSTEM:

The so-called seniority wage system is being discussed as a part of the total wage system in the corporation, to facilitate a better understanding of the practice as well as to judge the importance and extent to which it is adhered to (a general account of wages and labour is shown in Appendix, Table III). A discussion of the wage policy of a corporation and the wage determinants analysis has a critical assessment of the seniority based wage system which provides the economic support for life-time employment.

The total basket of remuneration of an employee of a corporation is made up of three components--monthly wages, bonuses and retirement benefits.<sup>5</sup> The monthly wages of both the blue-collar and the white-collar workers consist of base pay and

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<sup>5</sup> The welfare/enterprise benefits will be discussed in detail in chapter II.

various types of allowances and also, if and when necessary/applicable, payments for overtime. The different types of allowances, apart from the base pay, generally account for about one-tenth of the monthly wage in total and include such benefits as those for management posts, commuting costs, dependents and housing expenses etc. (An idea of the monthly wages can be formed from Appendix Table IV). The second component of the wage system, the bonus which forms a very integral part of the total wages, is generally paid twice a year, in summer and again at the year end.

In the corporations where the workers are organised in unions, the level of bonuses is set through the process of collective bargaining. The actual amounts paid to the workers are actually determined partly by their base pay, and also, to a certain extent, by their performance during the preceding six months.<sup>6</sup> As the Table-I shows, on an average, bonuses amount to almost 4-5 months of base pay, the progression of which has a positive relation to progression in seniority. In this context, it is important to note, that the practice of paying bonuses has a direct link with the concept of profit sharing by the corporation with its employees. At the initial stages of Japan's industrial development, the amount of bonus often fluctuated with the overall performance of the corporation, but gradually, the settling down effect of the years has given this practice of bonus payment the shape of a component of fixed salary. For example, in the corporations of the tertiary sector, bonus payments have witnessed a steady rise as a result of a commensurate rise in the overall performance of this sector.

<sup>6</sup> Yoshio Sasajima, Labour in Japan (Tokyo, 1988).

The retirement benefits take the form of lumpsum payments and pensions, the latter being a more or less recent addition. The retirement benefits consist of a separation payment (Taishokukin), which constitutes about 70% of the retirement benefits at the time of mandatory retirement, and other company paid supplements to public pensions (Choseinenkin). The

Table I: AVERAGE ANNUAL BONUSES BY AGE IN CORPORATIONS WITH 1,000 OR MORE EMPLOYEES

Age	Bonuses (Y 1,000)	Multiple of monthly pay
25-29	873	4.7
30-34	1,162	4.9
35-39	1,415	5.1
40-44	1,695	5.3
45-49	1,855	5.4
50-54	1,888	5.5
All Ages	1,249	5.0

Source: Yoshio Sasajima, *Labor in Japan* (Tokyo, 1988)

separation payment rises quite sharply with the years of service, especially, as Table-II shows, (a more detailed account of retirement allowance is given in Appendix, Table V) after the completion of 25 years of service. However, the amount of such separation or retirement benefits depends on the reason for separation from the corporation - whether for private or for company reasons.<sup>7</sup> The former category of mid-career separation,

<sup>7</sup> Masahiko Aoki, *Information, Incentives and Bargaining in the Japanese Economy* (Cambridge, 1988), p.58.

though not very infrequent, usually carries a financial penalty. The latter category includes, mandatory retirement (at the age of fifty five or sixty years), transfers to related corporations by the parent corporation itself, the transfers being in effect, discharges in the garb of 'voluntary early retirement', and promotion to the Board of Directors. Given the problems regarding an aging population of Japan, many corporations have introduced retirement pension plans as a form of and in addition to the lumpsum amount paid at separation. In this mode of payment, a part of the lumpsum amount payable at separation is paid out in the form of a pension while the other part is given to the employee as usual.

Table II: AVERAGE RETIREMENT BENEFITS FOR MALE EMPLOYEES IN CORPORATIONS WITH MORE THAN 1,000 EMPLOYEES, 1985

Years of Service	Amount (¥ 1,000)	Multiple of monthly pay
20-24	7,250	25.9
25-29	12,160	36.0
30-34	16,900	42.3
35-	17,710	49.6
Average	15,480	43.6

Source: Yoshio Sasajima, Labor in Japan (Tokyo, 1984)

The whole basket of wages for an employee in Japan, irrespective of the size of the corporation, has shown a positive and also rapid rise over the years. An instance of this overall improvement in the wage level is the increase in hourly wages in

Japan from ¥ 336 per hour in 1970, to ¥ 1,480 in 1986.<sup>8</sup> The maximum increase in the growth of the overall wage level of workers in Japan was between the years 1960 to 1973. Though the period after that, till 1987, has shown a decline in the rate of increase, the impact of the appreciation of yen has again raised it. However, the increase in real wages, as well as an increase of the purchasing power of Japanese workers, given the high prices in Japan, remains a debatable issue.

#### WAGE DETERMINATION:

In the Japanese corporation there are basically two methods of determining wages at the general level. The first is the "annual automatic increment"<sup>9</sup> which means an upward movement on the pay scale or an originally fixed and automatic step increase on the pay scale which takes place at a certain time of the year. The second method at the general level is the 'base up' which is also an upward revision of the pay scale for all employees. The extent of the increase in the wages in this case is decided through the wage negotiations, a vital part of Shunto (Spring Labour Offensive) held every spring on a nationwide basis. The wage determinants at the level of the individual can be streamlined into the following: age, length of service, sex, educational background, job classification (job content and job performing abilities), performance. All these factors contribute in varying degrees to the determination of the total basic wage package. Figure 3, diagrammatically shows the interaction and the

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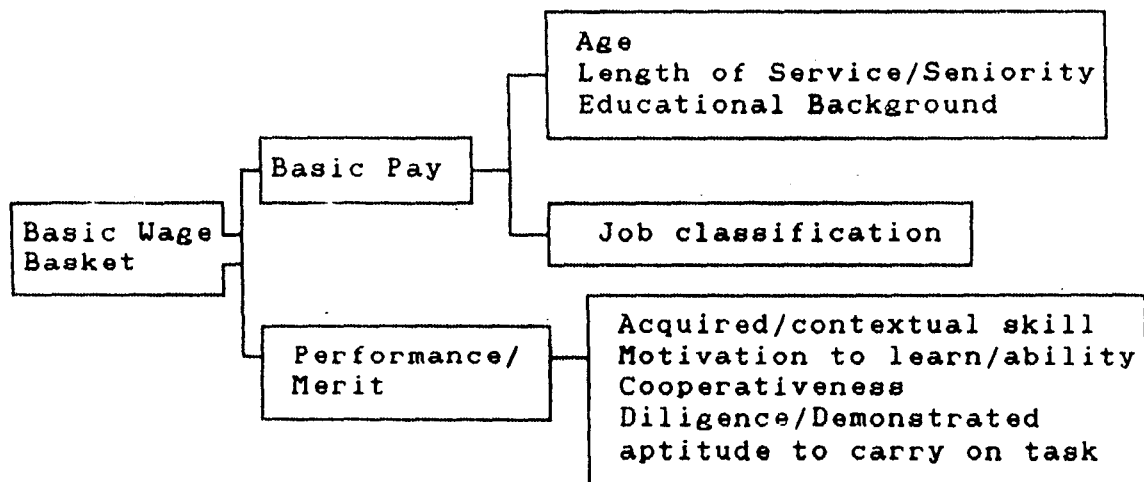
8 Japan - 1989, An International Comparison, Foreign Press Centre, Tokyo.

9 Wages and Hours of Work, Japanese Industrial Relations Series, No.3. The Japan Institute of Labour, Tokyo, 1984.

blending of the factors which a corporation purportedly considers as the wage determinants of an employee, whether blue or white collar.

There is a sufficient amount of literature on the nature of wage determination of an individual employee in a Japanese Corporation. Each author has tried to emphasise a set of determinants as predominant over the rest of the factors in the process of determination of wages, especially, the basic wage basket. This variation in emphasis depends on the thrust of the author's argument or the premise he operates from, which may

Fig. 3: FACTORS INFLUENCING DETERMINATION OF WAGES OF MALE EMPLOYEES IN LARGE-SCALE CORPORATIONS



range from an attempt to decry the validity of the existence of a seniority-wage system, to an attempt at proving the relevance and existence of the above. This section on wage determinants would seek to explain the extent to which each of the variables mentioned in Figure 3, contributes to the determination of wages and also examine the predominance of the seniority or length of service factor in it. Any discussion on this topic should keep in

mind the totality of the structure, of which wages form a part, and to nurture the existence of which, wages are given to employees as a part of the incentive package. A typical Japanese corporation is characterised by, among other things, a "horizontal information structure",<sup>10</sup> where, each employee needs to develop a proper understanding of, as well as a complete absorption of the full range of organisational activities in which they are directly or indirectly involved. This kind of a broad understanding on the part of the employee is possible only when he has experienced various operational and/or managerial tasks within the context of the particular corporation. The acquisition of such experience in totality (which would increase the efficiency of the individual) can be possible only when the employee has been given enough length of time to stay in the corporation and experience and participate in its activities. The degree of comprehension of the work as well as application of knowledge in an individual activity related to the corporation, would again depend on the employee's educational background or the degree of his already acquired knowledge before entering the corporation's circle of activities. So, according to the educational background of an employee, he is incorporated within the corporation at a corresponding rank. Hereafter begins the assessment of the employee based on his capacity to internalise knowledge diffused through the horizontal information structure of the corporation, as well as the dexterity shown by him in the application of such knowledge during the whole process. In order to facilitate this constant process of absorption and application

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10 Aoki, n. 7, p. 32-43.

of knowledge, each employee is given an incentive package of which the basic wage basket forms a vital component.

So, from the above discussion of the conceptual basis of the incentive scheme for an employee, the following determinants of the basic wage emerge: age, length of service or seniority, job classification and an assessment of the performance or ability of the employee. The juxtaposition of these factors in Fig.3, also indicate the degree of importance attached to the determinants thus enumerated. A high school graduate when taken into the corporation usually corresponds to the rank of the blue-collar worker. On the other hand, a university graduate is recruited to the level of a white-collar worker. It is according to this ranking that their respective initial wages are fixed. This first set of determinants with special emphasis on the seniority/length of service of an employee is the most important as the other determinants are usually subsumed within its folds. At this point, a clarification needs to be made regarding the factor of job classification. In a Japanese corporation, job classification would correspond to the different ranks in the entire hierarchy. Within each rank, there are various types of 'jobs' which each and every employee can perform and is made to perform at a certain point of time. So the conventional understanding of a 'job' as that related to a particular occupational category does not hold good in the context of a Japanese Corporation. The rank of the blue-collar factory workers can include a variety of jobs between and among which each employee is rotated, but his pay-scale is not based on the type of job he performs, but on the rank he occupies in the hierarchy (wage differentials by job status, at a general level, is shown



in Appendix, Table VI). So, length of service, educational background and the occupation of a rank or job classification form the first set of essential components of basic pay. The second section of determinants, under the category of performance, when added to the first set, gives form to the total basic wage basket. This set of variables assesses the performance of each employee according to which an employee is differentiated in pay as well as in status in the long run. This scheme of merit or performance judgment is used to evaluate and reward an employee in the long run for competing in the development of the much required contextual skills. This same set of variables is also used to identify the less productive, slow learning and uncooperative employees and accordingly fix pay and status in the long run. Thus, in order to retain the fast-learning and highly skilled, motivated and productive employees, the corporation uses both seniority as well as merit-rating as the two most important determinants of wages on the one hand, and on the other, brings them under a system of internal promotion discriminately applied to those who qualify to the corresponding merit rating. This explains why, not all blue-collar workers reach the topmost managerial rank just short of the Board of Directors. However, the evaluation scheme for merit rating is prepared centrally by the personnel department of the corporation. This scheme bases the process of identification of each employee's position in a particular pay grade, according to his seniority as well as merit rating. Except in the foreman and management job categories pay grades are not normally associated with a specific function and higher grades simply mean higher status and higher annual increases in pay. Another important point to be noted here is that usually there is a collective

agreement between the corporation and the union specifying the maximum and minimum frequency of promotion from each grade to the next as well as the annual increases in basic pay for each grade in the hierarchy of the standard ranks. The merit payment or the performance payment which supplements the basic pay and is a certain percentage of the basic pay determined by the supervisor's assessment of the employee is usually limited to an amount within the range agreed upon in collective bargaining. So, in a way, collective agreement limits the extent of the discretionary power of management. The merit assessment actually has more weight on the promotion decision than on individual wage determination. This is because both the corporation as well as the unions want to maintain a kind of an egalitarianism as far as the treatment of employees in terms of wages is concerned, and since, most corporations have a single wage rate for each grade, the purpose of keeping wage assessment hooked to seniority and the permissible degree of merit-rating is usually fulfilled.

The above discussion on the individual determinants shows that though the usual and conventional variables such as skill, ability and over-all performance contribute to the construction of an entire wage packet, nevertheless, the results of the assessment of such factors in an employer is awarded only in the long run and at a gradual pace. Hence, all these determinants remain subsumed within the most important determinant, which is, seniority or length of service of an employee in the corporation. Since the nature of skill acquired by an employee is basically related to the corporation and its level of technology as well as nature of production/service and more importantly, since the employee is trained in such skills by the corporation in-house

training facilities, it becomes important for the corporation to retain him. Hence, the corporation rewards his degree of contextual skills, as well as his gradually ascending level of capability and higher productivity, through a gradual rise in the amount of his basic wage packet, a rise which is positively related to his length of service in the corporation and which in most cases coincides with his age progression.

It would be proper to begin the analysis of seniority-wage system by considering its five important characteristics as mentioned by Umemura Mataji.<sup>11</sup> According to him, first, in the absence of any recognised occupational wage rates which extend across the whole economy, wages for different occupational groupings exist only within the firms. Hence, there exists an inter-firm difference in the absolute and relative size of occupational wages, which are decided upon independently within the framework of each individual enterprise. Secondly, in view of a low level of overall real wages, each corporation tries to guarantee every worker a minimum standard of living and to this end, each corporation ties wages to the individual life-cycle needs, which in turn implies the age of each employee or his tenure of service in the corporation. A result of this is the high degree of emphasis laid on seniority as a factor in determining wage rates. This fact is reflected in the low starting pay for the young employees because of which it becomes almost imperative on the part of the corporation to raise the employee's wages as he ages and assumes added financial responsibilities after marriage. Thirdly, in view of this

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11 Umemura Mataji, "The Seniority - Merit Wage System in Japan", in Shunsaku Nishikawa, ed. The Labor Market in Japan, (Tokyo, 1980), p. 177.

emphasis on seniority, wage rates do not fully reflect the quantity or quality of skill of each worker. This feature needs to be modified a little because, in the long run, the promotion of an employee to a higher grade, whether in the case of a blue-collar rising up to the rank of a foreman or the white-collar employee rising up to a higher managerial rank, does change the amount of his wage packet, while he remains in the same age group. So, his seniority wage curve shifts from its earlier position corresponding to a certain rank. Hence, in the long run, an employee can supersede the rank occupied by employees of his age group and hence be entitled to an increased wage packet. Fourthly, the wage differential between those in the top age group and those in the youngest age group, in a particular firm is much greater than that found in other industrialised firms and this Umemura observes is very typical of Japan. Lastly, he endorses the fact that the seniority-merit wage curve is most prominent among employees, both white as well as blue-collar, of the large corporations.

Given these characteristics of the seniority-merit system, it is necessary to look into the causes of the adoption and continuation of the practice of putting so much emphasis on this factor of seniority. An explanation of the reasons has two aspects to it. First, the influencing factors at the macro level, which seek to explain the existence of the seniority-wage profile in terms of supply and demand factors of the aggregate labour market.<sup>12</sup> Secondly, the explanation is sought at the micro level,

12 Carl Mosk and Yoshi-Fumi Nakata, "The Age-Wage Profile and Structural change in the Japanese Labor Market for Males, 1964-82", The Journal of Human Resources, (Wisconsin) Vol. 20, Winter 1985, p.100-16.

i.e. the level of the corporation, where "wage is made a positive function of seniority as a means of reducing labour turnover and thereby the training costs incurred by the employer in providing firm-specific skills".<sup>13</sup> Nevertheless, none of these two aspects is a water tight compartment. The nature of the explanations at both the levels can and do overlap at certain points because of the basic interdependence of the structure and the components.

The chief cause for emphasising on seniority or length of service of the employee by the corporation can be attributed to the presence of an internal labour market in the aggregate labour market in Japan. This assumes that the labour market in Japan is segregated, with some workers being absorbed into corporations, which exhibit steep age-wage or seniority-wage profile (the internal labour market) while some others have to operate in the external or secondary market characterised by a wage profile with negligible returns to age and seniority and hence also marked by a high rate of mobility among labour. The first type is found in the large-scale corporations which sell their output to relatively stable markets and also have the proper infrastructure enabling them to enter into relatively 'permanent contracts' with labour. In such corporations, since there is an accumulation of firm-specific human capital with the help of the in-company-training process which leads to an increase in productivity of workers, the employers are encouraged to pay workers according to seniority. This kind of an incentive scheme is also provided in

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13 P. Collier and J.B. Knight, "Seniority Payments, quit rates and internal labour markets in Britain and Japan" Oxford Bulletin of Economics and Statistics (Great Britain) vol. 47, February, 1985, p.19.

order to encourage worker effort, in view of the high cost involved in the operation of comprehensive process of monitoring the workers' effort and contribution to productivity. The nature of the internal labour market also facilitates the acceptance, absorption in and application of new technology introduced in these corporations by the employees. It provides an institutionalised set of practices that work as an antidote to the possibility of any potential resistance by the employees in face of the introduction of new technology. This system also gives rise to a feeling of loyalty on the part of the employees which helps in guarding against instances of externalities regarding industrial secrets which may occur in a system marked by labour turnover. On the other side of the coin, the risk-averse workers find this system involving security through the prospects of permanent employment and seniority-wage payments attractive because it insures them against uncertainty over the life cycle. Over the years, this demand factor in the aggregate labour market has undergone a structural change, triggered off by a change in the nature of economic growth in Japan. As a result of the technological advancement and its application in the industries of Japan, output growth has declined. As a result of this and the Oil Crisis, even the large scale corporations can not take in as many permanent employees as they used to, because of an uncertainty involved in the degree of increase of the corporation's future profits, a part of which usually covers the cost of retaining permanent employees. This change in the demand side has also neutralised the change in the supply side of the aggregate labour market. Given the fact that a major part of the population in Japan is aging, the resultant imperfect substitutability of labour between old and young workers

theoretically should have led to a tilt in the relationship between age and wage factors. In addition, a difference in the level of educational background should also have had an effect, in the sense, that a younger and better educated worker would get more starting wage than the older worker. But the potential altering effects of these changes in the supply side, which could have had an impact on the seniority-wage progression profile, has been neutralised by the changes mentioned in the demand side. The lack of a perfect substitutability between younger and older workers of Japan did lead to a greater demand for young workers and hence led to an increase of wages of younger workers relative to older workers. But with the declining growth rate of the Japanese economy and its effects on the level of production as well as receipts/proceeds of the industrial sector, the wages of younger workers in relation to the older workers, have actually decreased from the level they had reached for a certain period. Hence, the balance between these two opposing situations has resulted in a pattern where the wages paid to younger workers relative to the older workers have risen until 1976 and have fallen since then.<sup>14</sup> So this balancing effect has dismissed the possibility of a discrepancy in the wage structure which could have upset the predominance of the seniority factor in the wage calculation.

The explanation for seniority-wage profile at the micro level basically revolves around the perception of both the employer as well as the employee regarding their respective gains from this kind of a system. The corporation, after recruiting the employees who usually have a general educational background, train them in

firm-specific skills or contextual skills in relation to the technological level and pattern of the corporation's production. This investment which the corporation makes on each worker provides, to a large extent, the economic rationale for the seniority wage system. The training costs thus incurred by the corporation gives it an incentive to discourage labour turnover. A means of reducing quit rates would be to pay the labour above its supply price or/ additionally defer the extra payment from an earlier to a later period. The corporation, therefore, has to raise the present value of earnings in order to compensate employees for the postponement of their consumption. This prevents the corporation from deferring the payment of the whole difference until retirement and hence a seniority or age- wage progression profile of wages is adopted, where the pay increases gradually. From the employee's point of view, this system is paying in the long run and it can be shown that an employee would rather stay with the corporation he enters than change over to another corporation, where he can use the same contextual skill he acquired in the original corporation. The investment which a corporation makes on an employee is recouped over his average period of service with the corporation. The worker therefore is paid less on an average than his post- training marginal product. Since the wage of the employee is monotonic in seniority, the excess of marginal product decreases with each year of seniority. Since wage does not exceed marginal product, the seniority scale stops at the point where the equality between the two is met and this scale of wage is maintained for the remainder of the worker's/employee's tenure. However, the greater the corporation's initial investment in training, the higher is the post-training marginal product of the employee and hence, the



longer the period to the recoupment point and higher the wage at that point. Since all the corporations in a similar industrial set up follow more or less the same pattern of wage system, an employee functioning in the internal labour market of a corporation, does not quite gain much from quitting in his mid-career, intending to use his acquired skill in a similar corporation in the industry. Moreover, the marketability of the acquired skill is usually low in the circle of the corporations in Japan. This is not only because of the intrinsic content of the acquired skill, but also because of the collusive agreements against the poaching of labour by the other corporations by which an intrinsically general skill is converted into a firm-specific skill.<sup>15</sup> So, from the above discussion it appears that the seniority or age-wage progression system stands vindicated as both the employer and the employees can maximise their respective gains by it which again leads to the feasibility of the practice of life-time employment, hence resulting in the possibility of a higher labour productivity and the overall higher efficiency of the production unit.

#### PROMOTION SYSTEM:

The system of promotion of the employees, both blue as well as white-collar workers has a very vital link with the wage system, as well as with the validity of the idea of paternalism/egalitarianism attached to the nature of the attitude of the corporation towards its personnel. In a corporation promotion refers to two aspects. The first is the rise in the corporation's hierarchy of posts or ranks and the second is the rise in the hierarchy of grades within and between those ranks.<sup>16</sup>

15 Collier and Knight, n. 13, p. 26.

16 Takeshi Inagami, Japanese Work Place and Industrial Relations, Japanese Industrial Relations Series No.14 (Tokyo, 1988).

which is based on ability. So, the employee's ascent along the corporation's promotional ladder depends on his capability, the degree of internalisation of knowledge, contribution to the efficiency of the organisation etc. If he scores well on these points, by his late thirties he could be promoted to the grade of sub-foremanship, in the case of a blue-collar worker, or to a lower management post, in the case of a white-collar worker. The data for 1987<sup>17</sup> shows that 88.1% of corporations with 5,000 or more employees and 81.8% of corporations with 1,000 or more employees used this system of ability based promotion both along the hierarchy of grades and posts. This system of promotion, however, is not to be considered as an index of employees' status or rank. It is more a criterion for judging the level of work performance of the employees, set against a certain standard. Under this system, each post and rank is subdivided into different grades, the number of which may vary. When an employee joins the corporation, he is put into a grade which corresponds to his educational background. After a length of time in the corporation, the employee is promoted to a grade, which, again corresponds to the result of his formal appraisal. Only when the employee reaches the highest grade in the post, is he promoted to the next rank. On the other hand, if an employee's ability and performance are not totally upto the expected standard, even then he is promoted till a certain level. This is because, the lower grades have a period of maximum duration, on the completion of which an employee is automatically transferred to the next grade and then to the subsequent post. But these employees are naturally not promoted beyond a particular post and also are usually entrusted with the most peripheral kind of work.

It is usually among the able employees that the competition for higher supervisory or managerial positions becomes keener. On the white-collar career track only the most successful employees climb the internal promotional ladder. In this context, it is also important to make a mention of the employees who are transferred or despatched (Shukko) from the parent firms to the subsidiaries. The despatched workers consist of blue-collar as

well as managerial personnel of various ranks usually in their forties and fifties. This system of despatching of workers however should not be viewed only as a means of disguising retrenchment, because it is also used for positive purposes such as assisting the management of affiliated firms and subsidiaries and facilitating the career development of promising young employees. There have been instances where, if and when a transferred employee has proved his managerial or specialist ability, he has been recalled to the parent corporation. So, the motive behind Shukko should always be judged in terms of the then existing business performance of the parent corporation.

The above mentioned kind of grading system became widespread from the later half of the 1960s. The intention behind the introduction as well as continuation of such a system was to reward and promote the employees according to their ability to perform and actual performance. Hence, the seniority wage system is also referred to as the seniority-merit system. The amalgamation of both seniority as well as merit has been possible because of the adoption of such a system of promotion. If reward had been based on post or rank only, then, some may have been promoted while the others with the same ability would/could not have been promoted because of a paucity of an adequate number of ranks. This would have resulted in a difference of pay which, again would have contradicted the principle of all employees being treated according to their ability. Hence, the justification of the adoption of the above mentioned system, where, even if an employee was promoted to a higher rank, it would not necessarily lead to a difference in wage levels.

Given the operation of this kind of a system, it cannot be inferred that promotion is fully paternalistic in a Japanese corporation. To a certain extent, behind the system of promotion exists an undercurrent of intense competition among and between the capable employees. The system is paternalistic to the extent that it does not eliminate the incapable employees from the corporation, but when it comes to promotion to the ranks beyond the normally accessible ranks, the system becomes competitive. The other important aspect of the promotion system in a corporation is the possibility of a gradual white-collarisation

of the blue-collar worker.<sup>18</sup> The cornerstone of the process and phenomenon of white-collarisation is the "internal promotion type"<sup>19</sup> of career pattern, which is typical of the Japanese corporations and is characterised by work careers, within the corporations, that have late and high ceilings. In such a typical career pattern of a Japanese corporation employee, he is not confined to only one job during his working tenure with the corporation, rather he has a series of closely related jobs, which again determine the breadth of his skill and how much his wages would increase. However, since the wage rates are determined separately from the job performed, workers can move flexibly from job to job within the workshops and because there are only minor differentials in basic wages among workshops, frequent transfers do not cause disruptions. The earlier description of wage-determinants as well as of life-time employment also help to understand why Japanese blue-collar workers in these corporations have as stable employment as white-collar employees in the west. Not only is stability of employment a point of similarity between the blue-collar and the white-collar workers of Japan and those of West Europe and America, formation and acquisition of skills as well as the climbing of the hierarchal company ranks to the level of the supervisor's by the blue collar employees are equally important points of analogy. The type of skills the workers in a Japanese corporation acquire is perhaps a lot more varied than that of their counterparts in the West, and this thrust on the acquisition of firm-specific general skills gives the Japanese workers a more holistic view of the whole production system and hence makes their functioning within any shopfloor group possible. Hence, both in terms of skill as well as work motivation, a white-collarised blue-collar worker and, for example, an engineer, a white-collar worker, in a Japanese Corporation has little difference. Though the instances of white-collarisation of blue-collar workers both in terms of wages as well as rank is almost a universal phenomenon/practice in the Japanese corporations, nevertheless, this practice is not unique to Japan, as some

18 Kazuo Koike, "Internal Labor Market: Workers in large Firms", in Taishiro Shirai ed. Contemporary Industrial Relations in Japan, (Wisconsin, 1983).

19 Ibid, p.50.

observers would like to believe and interpret. The West European as well as the American large-scale manufacturing companies have also recorded the gradual white-collarisation process, but when compared to Japan, the degree and extent of white-collarisation is lower than that of Japan. So, this characteristic of the promotion pattern in a Japanese corporation, though relatively a lot more widespread than in the case of other developed countries, with more effective ramifications, is nevertheless not unique.

#### ENTERPRISE UNION

As the term signifies, it is the conglomeration of the regular workers of a corporation, being both buttressed by, as well as giving important support to the above mentioned practices of the employment system of a Japanese corporation. The enterprise-based union is a substructure of a Japanese corporation which mediates and represents the collective interest of its permanent employees vis-a-vis the management. The firm level labour unions are characterised by the following features: first, as already mentioned, the membership is limited to the regular employees of the corporation. Secondly, the extension of membership is usually limited to the blue collar workers, and in some unions, also stretched to a certain rank of white-collar workers. Thirdly, the union officers are elected from among the employees and are paid by the union, but side by side, also retain their employee status in the enterprise. Fourthly, though almost 72% of the enterprise unions are affiliated to large federation of workers outside the corporation,<sup>20</sup> nevertheless, they manage to retain their sovereignty at the firm level.

The functioning of the enterprise union is usually held at two levels, each level explaining the two different types of stands taken by the union. The first is the collective bargaining process, where the union takes an aggressive stance and the second is the labor-management joint consultation system where the attitude of the union is more co-operative. Normally,

20 Taishiro Shirai, "A Theory of Enterprise Unionism", in Taishiro Shirai, ed. Contemporary Industrial Relations in Japan (Wisconsin, 1983), p. 119.

collective bargaining takes place once every year with the onset of Shunto or the Spring Labour Offensive. This form of protest culminating in collective bargaining between labour and management, is a concerted union drive for improvements in working conditions. The most discussed issue in each Offensive is the extent to which wages would rise that year. The size of the wage increase is said to be influenced by such factors as the rate of increase in the Consumer Price Index, labour market conditions as well as business performance. The joint consultation system on the other hand, is used by the management as a channel for dissemination of information as well as for consultation with the enterprise union regarding issues such as, current business performance and status of the corporation, management, production or other related problems and solutions to them, plans for future investment, plant location or relocation, manpower adjustments in the wake of adoption of new technology, and the latter's impact on employment as well as working conditions. Apart from these general matters, the consultations also cover such particular personnel matters like: recruitment, transfer, placement, working hours and schedules, training and discipline, social concerns related to employees' welfare activities and benefits, industrial safety and environmental hazards and others. An interesting point to be noted here is that it is to the employer's interest that the joint consultation system includes as many varied and important subjects as possible, because, according to convention, the unions do not have the right to strike over the subjects or issues which are discussed in the joint consultation meetings. Given their nature and guidelines of operation at these two levels, an enterprise union can be said to be functional in two ways. On the one hand, the union as a workers' organisation confronts and resists the management in order to protect the employees' interests in the wake of a conflict between the two. On the other hand, it also co-operates with in promoting the mutual interests of the employee and management relations. The attitude of confrontation or conciliation/co-operation are the two sides of the same coin. Which side of the coin the union would place on the table is determined by the nature of the issue, the ideology of the union leadership, the reaction of the members of the union, labor policy of the management etc.

The efficacy of the bargaining strength of the enterprise unions has been felt through the years in that, the Shunto has succeeded in increasing the basic wages of the employees but as Table-III shows, the percentage of increase in wages from the previous year has been showing a decline. For example, the decline in the rate of increase in 1987 can be attributed to the impact of the appreciation of yen on industrial performance. The percentage rise in the following year however reveals that the Shunto pay

Table III - SHUNTO WAGE INCREASE

Year	Basic Wage Prior to increase	WAGE INCREASE	
		Amount	Percent
1980	173,320	11,679	6.74
1981	182,690	14,037	7.68
1982	194,154	13,613	7.01
1983	203,655	8,964	4.40
1984	209,617	9,354	4.46
1985	215,998	10,871	5.03
1986	222,869	10,146	4.55
1987	232,118	8,275	3.56
1988	238,409	10,573	4.43

Source: Japan 1989, An International Comparison, Foreign Press Centre, Tokyo.

rise is effective in fixing a raise according to business performance, because 1988 had shown an improvement in the business performance of the industries hit by yen appreciation.

In general, the enterprise unions have succeeded in improving the wages and working conditions of the employees. Their constant harping on the attainment of a kind of egalitarianism among the employees of the corporation has

resulted in a gradual narrowing down of wage differentials between the white and the blue-collar workers as well as a less rigorous system of status distinction/differentiation. For instance, both the bonus scheme and the provision of welfare benefits are extended to all regular employees rather than restricting to the management only. Another positive contribution of the enterprise union, pointed out by Bernard Eccleston<sup>21</sup> has been, regarding the retention of the system of "life-time employment". He notes a positive relation between the degree of strength/power of an enterprise union and the longevity of an employee's tenure in a corporation. Thus, if and where the union representation is strong, the tenure of the employees has been longer, thereby giving members access to the higher/highest parts of the wage profile. Between the period 1955 and 1975, for example, the total earnings rose sharply and the real wages of the employers increased by more than 300%.<sup>22</sup> Though real wages did not rise commensurate with the rise in real productivity, nevertheless, in absolute terms, there has been a progressive rise in wages of employees, and in this, the activities of the enterprise union have played a significant role.

The activities and the nature of enterprise union however have invited a lot of criticism. For instance, their participation in the joint consultations with the management has been criticised as in the nature not of co-operation but of conciliation. The other point over which the efficacy of the enterprise union has been doubted by several is, regarding the transfer of employees as well as the increasing instances of voluntary retirement of older employees before they can reach the highest scale of the wage profile and continue to be positioned at that level before the normal time of retirement. Though the enterprise union stands as an autonomous body from the larger labour federations, there have been instances of a considerable degree of company interference over the methods of consensus building etc. Any resistance shown to vote for a company-backed candidate is considered an index of a show of defiance on the

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21 Bernard Eccleston, State and Society in Post-War Japan, (Cambridge, U.K. 1989), p. 82.

22 Ibid



part of the employee towards the enterprise union as well as the corporation. A similar kind of pressure is put on the members of the union when an issue comes up for endorsement through a consensus. So, actually, the overwhelming pressures placed on workers to display co-operative and diligent attitude place severe constraints on the independence of unions. However, inspite of these drawbacks, these enterprise unions have proved to be the most suitable form of labour representation in the Japanese corporations.

The rationale behind the existence of the enterprise unions can be sought in two things: first, the whole employment system, functioning within the internal labour market. Secondly, the historical, and to a certain extent, the cultural conditions. The importance of the latter emerges from a study of the evolution of enterprise unions through the pre-second World War period till the 1960s. As Dore<sup>23</sup> points out, it was the lack of a tradition of craft or industrial unions that contributed to the development of enterprise unionism in Japan. The existence of an "enterprise consciousness" among the employees of the Japanese corporations, the emergence of which was to the interest of the employers, and the absence of a market based wage system, helped the company based unions to consolidate their power. The existing imperfect labour market conditions as well as the eagerness of the employers assisted these enterprise unions to play an influential role in entrenching the system by being able to demand security of employment as well as, by virtue of their increasing power, to further reinforce the enterprise consciousness. The employment practices, as described above, however, also find a proper expression and a valuable support from the enterprise unions. In such a corporation, the workers find their common interests as industrial workers within the context of the particular corporation. Their basic conditions of employment, such as wages, welfare facilities, fringe benefits, working hours as well as employment security, are usually determined by the component characteristics of the particular corporation, such as technology, the structure and composition of the labour force,

23 R.P. Dore, British Factory-Japanese Factory: The Origins of National Diversity in Industrial Relations (Berkeley, 1973), p. 400.

the required skills and the in-house-training system, the market, the overall labour policy of the management etc. So, commonality of the factors affecting the workers creates a kind of a sense of solidarity among them, where their common interests are shared primarily with fellow workers at the shop-floor, plant and at the level of total corporation. Enterprise union, whatever its drawbacks, however has, till now been of benefit to the employers certainly and also to those employees, who however form a very small percentage of the total labour force of Japan. Thus, the organisation of the employees has both sustained and has been sustained by the employment system.

The above discussion on the employment system would remain incomplete without a brief mention of the two major support factors which actually sustain it. These are, first, the existence of the internal labour market within the corporation. Secondly, the supply of the buffer labour stock from the open, or the external labour market. As figure 1 in this chapter shows, the totality of the employment practices of a Japanese corporation actually functions within the wider folds of the internal labour market, and the entire gamut of the employment practices constitute the whole, i.e., the internal labour market. As has been seen before, the management of the corporations have preferred to substitute the search costs involved in finding suitable workers from the external market, with the costs over the on-the-job training of employees recruited on the basis of their basic educational background. This system has been made possible because, first, the skills thus acquired have been made firm-specific either by the adoption of anti-poaching agreements between and among the different corporations or by the adoption of a specified and untried technology. Secondly, this system works efficiently in a structure where an organisation operates a job hierarchy, the ascent of which involves workers moving to jobs of ever increasing complexity. Such an internal labour market enables the management to conduct controlled experiments in which the employees are trained and their skills are assessed. The willingness of the management to invest in training a worker emerges from the guarantee that the sums of the expected present values of the marginal productivity of the worker would increase and in the long run help the company. Again, the employee, who is

assumed, in the case of Japan, to be risk averse, is offered a salary contract which guarantees a fixed reward and employment. This, in sum, is the relationship of the employer and the employee in the context of the Japanese corporation. However, the point which should be borne in mind is that, this kind of a treatment is offered by the management only to those specific groups of employees belonging to white-collar as well as blue-collar workers, whose replacement costs are high, and hence, who form the core group of treasured employees. So, the much talked about internal labour market with all its components, actually consists of the core group of employees who constitute a certain percentage of the larger work force within the corporation. The limitation in the percentage of the core employees is more so in the case of the blue-collar workers than among the white-collar workers. It is only this core group of employees which enjoys the paternalistic facilities. This privileged section of the internal labour market is actually buttressed to a sizeable extent, by the supply of labour from the external labour market. When the business performance of the corporation declines, it is the despatched, the subcontracted and the temporary labour incorporated from the subsidiaries or from the open labour market who get retrenched. Similarly, since the corporation cannot afford to incorporate too many workers into the folds of the internal labour-market, such workers from the external/open labour market are recruited for the kind of jobs which may/do not need a high degree of skill specification. So, the external labour-market acts as a shock absorber of the internal labour market and acts as a very integral support structure to the whole functioning of the internal labour market and the employment practices of a Japanese Corporation.

CHAPTER II

## SOCIAL INTEGRATION OF THE WORKER INTO THE CORPORATION

A positive response from the employees to the paternalistic attitude of the corporation towards them is the consequence of a social integration of the employees into the corporation. When the latter is achieved, the corporation does not remain only an economic unit, rather it functions more like a community which sustains both the economic as well as the social life of its members. The members on the other hand, begin to identify themselves with the community and harbour a sense of belongingness to it. A Japanese corporation which purportedly functions like a community, offers to its members, both economic and cultural facilities through which it gets its societal nuances, thereby, being able to provide psychological and material satisfaction to the employees/members at large (the latter point is discussed in Chapter--III). The employment practices, as discussed in the previous chapter, together with the schemes of welfare benefit offered to the employees, form the instruments with which the corporation pulls the employees into its folds. These facilities, along with the work atmosphere lead to the formation of cohesion among its members/employees which give rise to a practice of give and take between and among the employees and the corporation.

This chapter, while dealing with the broader theme of the social integration of the employer into the corporation, will discuss, first, the labour welfare schemes and secondly, employee cohesiveness. The employee benefit schemes are being separately dealt with in this chapter along with employee cohesion, because of two reasons: first, its separation from the preceding

discussion on employment practices is justified by the extra-economic nature of its manifestations. Second, a reason which follows from the first, is related to its integral role in the formation of the feeling of cohesion among the members of the community/corporation and hence its function in maintaining the social bonds of human relations within the corporation. The formation and sustenance of employee cohesion will be seen as a ramification of the whole set of employment practices inclusive of the employee benefits. In this regard, the instruments which help in the formation of such a bond, both in the workplace, and outside it, will be discussed. Its nature and its impact will reveal its importance and necessity vis-a-vis the sustenance of the social structure of the Japanese corporation. The ramifications, both social and economic will seek to explain the degree and the nature of social integration of the employee into the corporation.

#### WELFARE BENEFITS OF THE EMPLOYEES:

The welfare benefits can be classified in two ways:

- a) According to the nature of their provisions.
- b). According to the decision making levels which plan and implement them.

Under the first classification fall three types of welfare items, namely, legally required benefit items, collectively agreed-upon benefit items and employees' voluntary benefit items<sup>1</sup>. The first category includes the insurance items and the

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1 Yoshitaka Fujita, Employee Benefits and Industrial Relations, Japanese Industrial Relations series no.12. (Tokyo, 1984).

family wage allowances. The second type consists of: retirement allowance; private pension programmes; accident compensation benefits; subsidy for saving and home building/purchase; health services and health insurance benefits, subsidy for community; lunch meals etc.; life insurance premium, gift money. The third group includes such benefits as housing provided by the corporation, recreational and leisure related facilities and setting up of a mutual aid co-operative in which both the employer and the employee participate. These various types of welfare schemes are planned and administered at two levels. The first group of such benefits is decided on and implemented through collective bargaining, and the second group of benefits, through the joint consultative machinery between the employer and employee. Schemes such as retirement allowances, pension programmes, social insurance premiums, gift money, accident compensation etc. come under the jurisdiction of collective bargaining. Recreational activities, housing, whether offered by corporation or in terms of asset formation, and the recent life time total welfare plan are a product of the joint consultative machinery.

The major social insurance programs which the legally required benefits cover are Employees' Pension Insurance which includes old age as well as Survivors' and Disability Pension, Health Insurance, Employment Insurance and Workmens' Accident Compensation Insurance. For all the above mentioned insurance premiums both the employer as well as the employee, as a rule make contributions. As far as the Health Insurance and the Employees' Pension Insurance are concerned, the corporations with the approval of the governmental authorities can manage and

operate these totally, in which case, the corporations are also able to provide more favourable benefits than those offered by the government.

An important test for the compensation system in the case of these corporations is the extent to which it satisfies the personal needs of the employees. It was to this end that the family wage allowance was introduced by the corporations as a part of the total compensation package during the First World War. Gradually, this was adopted by a majority of the corporations and by 1960s, this became a widespread practice. In fact, during the 1960s, the family wage allowance and the community allowances formed the two most important fringe benefits offered by the corporations to its employees. The family wage allowance was basically meant to be an important source of additional income for workers with large families. So, in practice, it adopted the form of a special allowance or an extra compensation for all the family members of an employee, and hence in effect meant, the larger the family of the employee, the heavier the allowance (to a limit) for him. The second half of the 1970s and the end of the era of rapid economic expansion saw a gradual decrease in the workers' desire to continue with the practice of granting this allowance. This gradual change in the employees' attitude encouraged the management to gradually freeze the level of this allowance, because this non-work related compensation item was gradually becoming unnecessary. This decision to freeze the level of the family wage allowance was not decried by the labour union, in fact, some of the unions even agreed to discontinue the practice where the management offered to make an average of this allowance and add it up to everybody's

pay-packet irrespective of his marital or family status. This was welcomed by the unions, because this in effect amounted to an increase over and above the usual increase in the base-pay which was demanded and granted each year with the Spring-Wage Offensive. This change of attitude over the necessity of such an allowance both on the part of the employees as well as the employers can be attributed to certain significant developments, emerging during the last quarter of the 1970s.<sup>2</sup> One of the most important factors was the continuing as well as widespread increase in the real wages of the employees. In view of such a continuous and a substantial rise, the employers considered it less important to put the proposal of small income differentials based on family size, on the bargaining table every year. The second factor was an outcome of a gradually evolving social change. This period witnessed the gradual transformation of the average Japanese family into smaller nuclear families, each with two children. The change in the size of the employees' family began to be considered by the union as the standard family while making the cost-of-living calculations. A third factor came in the shape of the feeling of disgruntlement projected by the workers who were still single, and whose number in the total employee group had been on the rise in this period, towards the practice of granting family wage allowance. They saw the latter as a chief factor widening the wage differentials between their category and the family man's category. This feeling, if only not accommodated, could have led to a feeling of alienation among the single workers vis-a-vis their work group as well as the senior, married workers. The need for an accommodation of such an

2 Shin-ichi Takezawa and Arthur M. Whitehall, Work Ways: Japan and America, (Tokyo, 1983), p. 150.



attitude was felt more by the management than the unions because this was a period of employment expansion on the one hand and a shortage of young job seekers on the other. In this kind of a supply-demand situation in the labour market, the management as well as the union were forced to yield more to the young age group. This was reflected in the way the wage adjustments began to be made during the Spring Wage Offensive period. The period between 1961 and 1976 witnessed an increase of almost 154% in the nominal wages of the young workers, as against an increase of 41% in the case of the older workers<sup>3</sup>. Since the continuation of such a rate of increase, would, in the long run, have led to a tilting of the balance in favour of the younger age group and complicated work relations, the union adopted the formula of the "key-age minimum increase guarantee"<sup>4</sup>. This formula made the minimum age dependent on the standard cost of living of the (selected) key-age employees. The adoption of this formula prepared the ground work for the continuing practice of age-wage progression by which an average Japanese wage curve rises with age, reaching a peak around fifty to fifty five years. This formula and its widespread adoption succeeded in satisfying the demands of both the younger as well as the older workers, in that, on the one hand, the discriminatory family wage allowance, in the form of an additional payment meant for only the relevant employees, was discontinued, and on the other hand, the essence of such an allowance was skillfully accommodated within the wage structure of a regular employee of the corporation. So, although, the widespread use of family wage allowance as an important fringe

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3 Ibid, p. 152.

4 Ibid, p. 152.

benefit lost its popularity and applicability in the 1970s, nevertheless, it survived in its essence within the wage structure of the employee.

The lump-sum Retirement Allowance which has already been dealt with in the preceding chapter may be given a cursory glance in this section in order to justify the important position it occupies in the hierarchy of labour-welfare schemes. All corporations in Japan provide a handsome retirement allowance to their employees. Most of these corporations set the mandatory age for retirement at fifty five years and are recently being pressurised by the government to increase it to sixty years, given the aging of the Japanese population. The small percentage of employers, who have so far extended the age limit to sixty years, usually do not count the years after fifty five as the service years of the employees. So, for all practical purposes, the benefits of employment which are related to the employees' age, stop at the mandatory retirement age of fifty five years. The retirement allowance of an employee is calculated on the basis of his level of the last monthly wage and his length of service. In the case of mandatory retirement, such a co-efficient tends to be higher in the case of employees who are inducted into the corporation, on the basis of a lower educational background, because they usually have a longer length of service (because of their entry into the corporation at a lower age) than those with higher education. However, the former are not effectively paid higher retirement allowances than those with higher education, in absolute amounts, because this kind of a differential gets balanced by the difference in the compensation level of these two categories of employees, as those with lower level of education

are paid considerably less than those with higher education. The other important feature of the mode of payment of retirement allowance is that, in case employees retire voluntarily they are penalised by a reduced amount of retirement allowance.

In actual practice, most corporations give the retirement benefits due to the retiring employees in a lumpsum. But recently, the problem of Japan's aging population is forcing the employers to pay a part of the lump sum amount in the form of a pension. The private pension program which is applicable to the corporations is the Adjustment Pension Program.<sup>5</sup> This is a program in which these corporations add 30% or more to the remuneration-related portion of the Employees' Pension Insurance and operate the pension program on behalf of the government, by depositing funds with a trust bank or an insurance company. This provision, however is made use of by very few corporations because the practice of receiving a part of the retirement allowance or even the whole of it, in a piece meal fashion, in the form of a post-retirement pension, does not quite appeal to the employees because of two reasons. The first is related to the possibility of a future devaluation of the pension benefit due to inflation over the years. The second is related to the tax problems. If an employee gets his retirement allowance in a lumpsum, he gets certain tax exemptions on the basis of the years of his service. Whereas if the employee receives his retirement allowance in the form of a pension, he would have to pay an income tax at a rate exactly equal to that which is payable for wages and salaries. The problem related to an aging population in

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5 Fujita, n. 1.

Japan are being felt both by the employers as well as the employees. Those employees who are already covered by a company pension programme are pressurising the employers for a lumpsum retirement allowance. And, on the other hand, the employers are pressurising the unions for the changeover to a practice of paying the retirement allowance in the form of a pension, because a lumpsum payment to the increasing number of retiring employees is turning out to be a major cause of depletion of company resources. Though the government is also framing a guiding policy to support the approach of the employers, the problem remains and would perhaps reach a serious proportion as more and more employees attain the age of retirement.

The welfare schemes regarding health are of two broad types:

- a) the Health Insurance Benefits and Medical Health Services and
- b) the Supplemental Payments to Workmen's Accident Compensation Insurance Benefits.

The general Health Insurance in Japan covers almost all areas ranging from diagnosis, hospitalisation, necessary surgery and also medicines. So as long as the employers, on behalf of the employees pay the necessary premium to the Health Insurance program, the employees can receive medical care almost free of charge by paying a small nominal fee. This facility has however been altered slightly after 1984 whereby the workers have to pay 10% of their medical expenses involved upto a certain limit, but need not pay the nominal fee of ¥ 800 which they had to before 1984. This Health Insurance scheme is also extended to their family members, who can avail of similar services, but have to bear 30% of the medical expenses involved. The additional and related medical services like massage services, attendants for invalids, special medicines etc.

are not covered by the Health Insurance Scheme. Nevertheless, the employees can avail only of such services and the expenses are reimbursed by the corporation.

The Health Insurance Scheme also pays a sickness and injury allowance to the insured persons, in case of their inability to continue in their work due to non-occupational sickness or injury. If the inability to work is attributed to occupational sickness or injury, the employee is covered by the Workmen's Accident Compensation Insurance. The sickness and injury allowance paid from the Health Insurance is equivalent to 60% of the standard remuneration of the employee in work, and this is paid for eighteen months. This amount of remuneration and the actual time of payment in the case of such an indisposed employee is still a bone of contention between the employers and the labour unions, where the latter have been demanding a higher percentage of company's contribution. The employer is also expected to pay additional benefits for child-birth, death and any other contingency which arises in the employees' family.

It is also legally required of him to bear the expenses of the annual medical check up which every employee of the corporation is expected to undergo. The other types of voluntary services which some corporations offer to their employees, include provision for a medical clinic with a medical doctor as well as a nurse, either on a full time or a part-time basis in order to facilitate the employees' accessibility to medical and health counselling services. In fact, some of the higher ranking corporations among the corporations have their own hospitals, which offer medical services not only to their own employees but

also to the people of the adjacent community, thus extending their services even to the general public, as a part of their social responsibility.

The Supplemental Payments to Workmen's Accident Compensation Insurance Benefits is a very sensitive area of welfare schemes, as far as the labour unions' demand for its improvement is concerned. Its sensitiveness is also explained by its very nature of applicability, in the sense that it comes into force in the case of an employee who has been a victim of industrial accident, sickness or injuries. The demand for improvement of this scheme by the labour unions has been necessitated not only by the need to ensure the living standards of the employees and their families but also to make such a scheme costly for the employer to bear and hence making it an imperative on the corporation to improve the working conditions and minimise work hazards. All the corporations make such payments in the case of industrial accidents. In the case of the death of an employee, his immediate family is paid a lumpsum of almost ¥20 million though the unions are at present demanding ¥ 25 million. In case an employee is disabled, he is paid a lumpsum amount and is made to retire from work while a case of partial disability is also paid a lumpsum amount but is allowed continued employment on the average. In the case of employees who have to be on leave because of an industrial accident or occupational disease, he is guaranteed full pay for three years on the average.

Housing, for the employees has always been both an economic as well as a social issue, especially in the urbanised, industrial towns and cities of Japan, where space for living has

been a recurrent problem and house ownership is a constant dream of Japanese corporate worker. So, each corporation tries its best to provide its employees with the best possible it can afford. The corporation extends housing facilities at different points of time in an employee's tenure in the corporation. The first period begins with the fresh induction of the employee into the corporation, either straight from high school, in the case of most of the blue-collar workers, or from the university level, which mostly includes the white-collar workers. To the young bachelors, out of school, the corporation provides apartment type dormitories, for which the corporation charges a nominal rental per month and an equally minimum amount for their food. In addition, the corporation pays all the other living expenses related to their stay in the dormitories like, maintenance, replacement of electrical fittings as well as appliances, the payment of salaries/wages to the supervisory staff in charge of these dormitory-style living quarters etc. So, as far as the living expenses of these young workers are concerned, it is the corporation which bears most of it, while the newly inducted employees pay only a nominal amount. Over the years, the employees from this group graduate to the next stage where they want to marry and set up a family and hence need to rent proper houses. At this stage, such workers usually face two problems. First, they don't have enough savings which can suffice as a down payment for a house, and secondly, they do not fulfill the eligibility conditions required to avail of the governmental, private, corporate or union connected loans. Further, the usual market rent for privately owned houses may again be beyond their reach. Hence, the corporations usually choose low-rent apartments for which governmental financial assistance is available in order

to meet the housing requirements of such employees, who usually fall under the blue-collar category. Even for the white-collar employees on a corresponding service tenure, the corporations make use of rented accommodations, where such employees, the managers and the other staff, choose the housing of their choice and the corporation pays the rent, very rarely in full, but nevertheless its sizeable portion.

From this stage of rented living quarters, the workers, as they reach their mid-thirties begin to aspire for the self-owned houses and apartments which are necessitated by their increased family responsibilities and aspirations. However, even at this stage, an average worker of such a corporation is unable to accumulate enough savings which can enable him to buy a house. The resource crunch faced by such an employee is further compounded by the soaring land as well as house and apartment rents/prices in the urbanised and industrialised areas of Japan and hence the need for a loan for such a purchase becomes important. In the light of such problems, both the management as well as the union periodically review the housing needs of the workers and chalk out the management as well as the union programmes to meet such housing demands. The importance of housing is given its due credence even by the government which, through its direct or indirect means tries to meet such diversified needs of the workers. One of the most popular means of meeting the financial needs of the workers for housing has been the employees' voluntary deposit with their respective corporations. On such trends operated within the corporation, are based the provisions of the home-ownership loans granted to the workers as assistance for buying a house or apartment. The



Employees' Voluntary Deposit and the housing loans based on it have proved to be of much convenience to the employees because, on the one hand, they receive interest rates higher than those paid by banks on their deposits in the corporation operated fund, and on the other hand, are entitled to housing loans from the corporation at a lower interest rate and long repayment period than that of outside financial institutions. Such kinds of assistance for house-ownership as well as for other types of property or asset accumulation are also supported by the government through Law for the Promotion of Workers' Property Accumulation,<sup>6</sup> which seeks to promote property and asset accumulation by the workers, the basic standard of living of the workers thereby contributing to the development of the national economy. Furthermore, as part of the assistance obligated by the housing loan program from the Workers' Property Accumulation Savings or as independent assistance for the program, the management of the corporations actually offer a variety of assistance to promote employees' house ownership. Most of the corporations extend facilities for employees to purchase building lots and/or housing, for which the interest on the loans are subsidised, and they also offer counselling services to solve the employees' housing problems. The qualifications for receiving the housing loans are generally based on the employees' service years, wage level and of course the balance of savings. The maximum loan amount and interest rate<sup>vary</sup> from corporation to corporation, but the maximum amount averages ¥ 7,860,000 and the interest rate averages 5.3% per year, compared to the open market rate of 8.5%. (When employees conclude housing loans with outside

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6 Ibid.

financial institutions employers/management subsidize 3% of the interest on the average).

The housing accommodations offered by the corporation to its employees can be classified into three types: a) housing owned by the corporation, b) that leased from private owners and c) that leased from the employees themselves who are transferred to other work places for a certain period of time which usually runs into a couple or more years. The acquisition of housing or living apartment/quarters by the corporation is a necessary expense it has to bear, because, usually it becomes the informal responsibility of the corporation to house the transferred employees - the ones relocated to places other than their hometown. As mentioned above, corporations do encourage their employees to own houses by offering them loans and interest subsidies with the support of government policies. So, when such employees get transferred from their domiciliary towns/cities, where they have purchased houses, the corporation usually leases these houses approximately at the market rate and then rents out such accommodation to the other employees by collecting rent equivalent to about one-third of the market rate. Though such expenses incurred by the corporation, for the benefit of the employees are not strictly accounted for as employee benefit costs, they are the much desired/required invisible benefits.

Another very popular type of employee benefit is the corporation's subsidies for lunch meals and commuting. When the corporation has a cafeteria for employees, it subsidizes their meals so that they can eat there at a considerably lower price than the market. When the corporation does not have a cafeteria,

it either distributes coupons to employees so that they can avail of meals at designated private restaurants under corporate contracts, or pays the employees meal allowances in cash every month. The meal subsidies either in the form of cash or coupon are non-taxable for both the corporation as well as employees upto a ceiling ¥2,500 per month. The subsidies for commuting to and fro between the workplace and the employee's residence are provided not only to the permanent/regular employees but to the temporary and subcontracted employees of the corporation too. There are two ways in which the corporation subsidises commuting expenses. The first is by purchasing the employees' commuting passes and the other is to pay them in cash. When employees have to commute to the factory in the rural areas, for which a number of them use their cars, the corporation pays them the amount of money which is equivalent to the cost incurred if they commuted by means of public transportation. The other alternative method to the latter case is to provide the fuel for the vehicle at a discounted price. These subsidies are also non-taxable for both corporations and employees till a limit ¥ 20,500 per month. Besides subsidising these daily necessities of the employees, the corporation also provides workers with the uniforms.

Apart from the supplemental payments to social security benefits, the Japanese corporations usually offer employees gift money independently or through a mutual aid association, on the occasion of personal and social events such as child birth, marriage, sickness, injury, hospitalisation, death of a family member, childrens' admission to universities and graduation. When an employee dies for either occupational or non occupational

causes, the management of the corporation very often arranges the funeral and related rites.

Another type of assistance which is extended to the family of the employees who have to be transferred to a non-family posting, is gradually cutting out a vital and important niche for itself in the whole basket of employee benefit schemes. The corporations have to deal with the increasing instances of the Tanshin-Funin (Single-member-family). At the level of the transferred employees' family, the corporation takes responsibility of looking after its needs, beginning from house rent to the childrens' education. At the level of the transferred employee, who has to arrange for his living space in an alien surrounding, the corporation provides him with all assistance including those related to non-official matters, because, the employee stays without a family. This is a necessary burden for the corporation. So the management of the consequences of splitting the employees' families is becoming an important, though non-official and non-formalised, aspect of employee benefit schemes. The recreational programmes offered by the corporation to the employees include a variety, related to social, cultural activities as well as team sports. Included in this category are the myriad interdepartmental and inter-company leagues and tournaments found in most company recreational efforts. Table-I shows the ratio of corporations, divided into two groups according to employee capacity, offering different types of recreational events.

TABLE I - TYPE OF RECREATIONAL EVENT AND RATIO OF CORPORATIONS SPONSORING THEM BY SIZE OF CORPORATION (1977)

(in %)

	Size of Corporation	
	5,000 or more	1,000-4,999
Interdepartmental Matches	82.8	71.2
Athletic meeting	72.7	45.8
Theatre	30.6	19.8
Lecture	29.9	10.1
Cultural Clubs' Convention	49.3	25.2
Cultural Festival	44.4	20.4
Company excursion	63.0	75.5

Source: Yoshitaka Fujita, Employee Benefits and Industrial Relations, Japanese Industrial Relations Series No.12. (Tokyo, 1984)

One interesting point to be noticed in the provision of such recreational activities is that most of the programs offered by the corporation emphasise the working of the group. For example, most of the cultural activities, like chess, flower arrangement, tea ceremony, photography, dressmaking/handicraft, calligraphy, music etc., are all provided as group cultural activities. Further, the sports club activities include base-ball, table-tennis, soft-ball, fishing, golf, tennis, mountaineering/hiking, bowling, skiing etc. When the employees use a gymnasium, playground, court, library, club-room etc., they are usually not charged. Similarly, it is the corporation again, which bears the complete cost of interdepartmental matches, athletic meetings, lecture meetings, cultural conventions and festivals. It is only when the employees use a swimming pool, rest house, mountain or

sea-side lodge etc. that they have to make a certain amount of nominal payment. For example, while residing in the out-of-station company lodges, on-vacation, the employees have to pay for their meals, which are actually subsidised and hence a lot lower than that of the market rates. But, the other costs for maintaining and administering the above mentioned facilities are all borne by the corporation. As for the club activities, the corporation usually appropriates a budget at the beginning of the fiscal year by holding a meeting of club captains to decide how to allocate the budget for each club. If and when the budget can not balance the expected expenditure, the deficit is finally met by the club members themselves.

The corporation-wide cultural, sports or recreational activities and club activities are usually planned and promoted by recreation leaders who are chosen from each workshop and entrusted the duty of a leader by a rotation system. In certain cases, the management of the corporation, jointly with the union, systematically trains and develops these leaders for the various functions. It is interesting to note here, that most of these leaders are usually chosen from among the young workers. The practice of granting such leadership opportunities to the young employees in the field of recreational activities is very important and significant in that, it acts as a safety valve in the otherwise tight and strictly hierarchial relationship between the young and older employees at the shop-floor level workgroups. Hence, this division of labour responsibilities for the total organisation helps in maintaining good human relations between different generations of employees and thereby facilitates and activates their work performance.

Before the Second World War, the objectives of employee benefits were very obviously, directed towards the inculcation of a sense of commitment or loyalty on the part of the employee towards the corporations, a feeling which was extremely scarce among workers during that period. So, the labour-welfare schemes acted as the lures which attracted and kept the employees in the corporations. The post-Second World War era, however, saw a change in this approach. The emphasis in this era was more on the employees' life-time total welfare. It was perhaps this change from the very pointed economic/materialistic approach to a more holistic social approach that succeeded much more in integrating the employees, socially, into the folds of the overall activities of the corporation. At present, more and more employers/management of the corporations, view the enterprise as a community, not so much in economic terms only, but also in more general terms where people for the life time come together to share a certain common objective. "The raison d'etre of the enterprise rests with the realisation of physical and spiritual well-being of people working there. It is thus the responsibility of the enterprise to build up the happiness of employees and their families"<sup>7</sup>. So, the recent approach/ideology of the management makes the need to increase productivity, a necessity or a means, only for facilitating the subsequent achievement of a welfare community within the corporation.

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<sup>7</sup> Takeshi Asozu, quoted in Yoshitaka Fujita, Employee Benefits and Industrial Relations, Japanese Industrial Relations Series No.12, (Tokyo, 1984).

In the pre-war period, the welfare schemes which were offered, functioned chiefly in place of social security programs as well as a supplement to wages which were relatively much lower. In the post-war period, these welfare schemes were adjusted in a way that they played a supplemental role to the existing social security programs in that, they filled up those vacuums which the social security programs did not cover. Another very important function of the welfare schemes lies in its supplemental role to the wage structure. What with a greater tendency towards a centralisation as well as standardisation of wage determination, the need for the increasing provision of the welfare schemes is more and more being considered as the part of the wage drift that reflects productivity differentials. (Labour unions are strengthening their activities in such a direction that the wage-level is equivalent to the one prevailing in the industry and that the respective corporations ensure or improve employee benefits according to the different rates of productivity increase). Hence, the employees, these days, tend to decide upon their employer on the basis of the magnitude of employee benefits; because the inter-firm wage differentials are gradually narrowing down a great deal. (Thus employee benefits function increasingly for the sake of manpower allocation. It is also important that employee benefits are becoming an integral part of the Japanese form of participative management). An index of the importance attached to employee benefits is its gradually extending scope. Employee benefits are being extended not only to the retired employees of the corporation, but certain schemes and activities such as sports and cultural or recreational facilities are also being made available to the community residence.



**EMPLOYEE COHESIVENESS:**

The intensive and frequent social interaction among employees both at work and in activities outside it, gives rise to a feeling of cohesion both between and among the employees. The resultant employee cohesiveness facilitates in the integration of the employees into the fold of the corporation and makes the crystallisation of the idea of a community possible. However the emergence and the existence of this cohesion among the 'members' of the corporation owes a great deal to the "pervasiveness of collectivity orientations in everyday interaction in the Japanese society" at large. As is widely held, every Japanese is brought up in a manner whereby he is able to act and think within the larger structure of the group. This emphasis on the group rather than the individual, gives a collective orientation to the individual. So, the individual upon entering a corporation transfers this already developed group orientation to the new setting. So, if this whole process of integration is seen from above, it can be said that the corporation/management, through its policies and practices prepares a proper atmosphere in the corporation, wherein the employee can function comfortably and hence contribute to the production process to his full capacity. The instruments of employee cohesiveness can be identified at two levels: a) at the level of the shopfloor or work, and b) at the level of activities or factors outside/not strictly related to day to day work.

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8 Robert Marsh and Hiroshi Mannari, Modernisation and the Japanese Factory, (Princeton, New Jersey, 1976).

At the level of the shopfloor, each employee belongs to a group or to job clusters.<sup>9</sup> The smallest group of workers is called Kumi or han which is headed by a leader belonging to the rank of a sub-foreman, called hanchō or kocho. Such a group usually consists of ten to twenty workers and is structured in a manner that the workers rise in grade from the very bottom, corresponding to a lower level of skill, up to the supervisory positions. It is within these kinds of microcosms of the larger work unit, characterised by a high degree of cohesion, as well as the power of determining their future promotional prospects, that the workers operate daily. The operational aspect within the job cluster is also chalked out in such a way that it helps to break the monotony which usually accompanies manual work. For example, in many automobile plants, which produce a variety of automobiles, the conveyor belt system is arranged in such a manner that the worker does not have to work only on one type of an automobile, but has more than one type to handle. Though this demands a broad-based level of skill on the part of the workers, nevertheless, the successful fulfillment of it helps in the long run, to keep the workers' interest in the job alive. Another way of enhancing the workers' morale is by job enhancement or job enlargement. This is also aimed towards breaking the tediousness of a job, but this method in its full form has been adopted by a very few Japanese corporations, as most of the corporations find it more convenient and suitable to stick to the segmentation of work within the job cluster. However, if the essence of job enlargement which is primarily a Western concept, is found in the

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9 Kazutoshi Koshiro, "The Quality of Working Life in Japanese Factories" in Taishiro Shirai, ed., Contemporary Industrial Relations in Japan, (Wisconsin, 1983).

fact that the same worker is engaged in an integrated job of more than one type, then the Japanese worker actually does perform more than one particular job, but what he does not do is to handle all the different types simultaneously. Nevertheless, the fact that he is rotated among a variety of job types, within his job cluster is enough proof of his high degree of skill which forms an important component of job enlargement. The other very important factor which has contributed to the enrichment of work at the shop-floor level and also at the managerial level is the existence of small group activities like the Total Quality Control Circle (TQCC) and the Zero Defect (ZD) movements. In Japan, such activities were begun in the 1960s in the shipyards and the steel plants respectively. The basic idea behind such specialised work groups is to heighten efficiency, both managerial and manual, improve the quality of products, provide better working conditions as well as methods of performing work with the full participation of all employees of the corporation. These TQCCs consist of the members of the job clusters who meet together at a regular frequency, over a week, after work. Through such activities, a more human/congenial atmosphere is created in each workshop and workplace, by which the self-development and mutual education among workers is enhanced. The participants in such circles/group discussions, are encouraged to present clear cut objectives, suggestions for improvement of work processes by utilising new technology etc. So, the TQCC and ZD have a vital role to play in the improvement of communication and cooperation among employees and hence form a very important instrument of employee cohesion at the level of the shopfloor as well as within the corporation.

Expressive leadership also plays a vital role in keeping the cohesion of the work unit tight. Usually in most of the work groups, the management chooses a middle aged employee to smooth out the human relations problems. The emphasis on such an age group is explained by the idea that an older man tends to be a little 'rigid' whereas a younger man tends to be 'hasty and stubborn'<sup>10</sup> and hence either of the two would be unable to balance the varying moods and attitudes of workers under them and therefore, the preference for the middle aged man who would be experienced and skilled enough to evoke respect from his subordinates in the work group. It is the leader again, who has the ultimate control over the subordinates, in direction, co-ordination as well as the management of misfits within the group. A shirker of work within the group is not dealt with by his co-workers but only by the leader. So, a work group looks upto the leader in every aspect of their work life and it is the leader who forms the first and vital pivot of their allegiance. Hence, proper and effective leadership again forms a very important factor which contributes to the feeling of cohesion among the employees.

In order that this kind of cohesion among employees, generated through the work process, can be effectively channelised into the process of the integration of the worker into the folds of the greater community i.e. the corporation, the above mentioned labour/employee welfare schemes are used as an important instrument. The financial (as well as social) protection that the employee of such a corporation is assured of, at the time of retirement, in case of an accident, industrial or

otherwise, indisposition or any other adverse situation which arises, helps to attach an aura of the protector to the corporation. Likewise, the various recreational activities as well as the housing programs and especially the dormitory living constantly and consciously harp on the social importance of the corporation in the lives of its employees. Even when the employee is not at work, whether in the shop floor or the office of the corporation, it is the corporation again, which mostly supplies his needs and means of relaxation. A very vital stage at which the corporation taps the employee's already socialised group orientation is the dormitory living of the bachelor workers. At this stage, when the new recruits have just joined the corporation, the practice of living together, and of performing all the activities, whether recreational or work-related, within the group, gradually gives rise to a financial and overall social dependence of the worker on the corporation. So, later on, even when the worker has a family, the latter finds its social needs fulfilled by the corporation. Hence, the feeling of security which the corporation offers to the employees and the sense of belongingness which it successfully evokes in each employee vis-a-vis, the corporation, help in binding the employee albeit in an informal way, to the corporation. As a result of this, the corporation takes on the attributes of a social community, the survival and progress of which depends to a great extent on its economic functioning and to provide the economic sustenance to the community, and thus the members of the community involve themselves in the production process. The above mentioned instruments, viz., labour/employee welfare schemes, recreational activities, nature of work group and work style within the work units of the corporation, make possible the reversal of the

nature of a Japanese corporation, from a predominantly and exclusively economic unit to that of a large social unit. An individual employee's allegiance to the corporation becomes important to himself because it is through the functioning and the successful performance of the corporation that he can maximise his own gains, whether social or economic. The next chapter which would dwell on the workers' consciousness and work ethics will further develop this idea of social integration of the worker into the corporation and prove its existence in Japanese corporations. However, it is rather difficult to show who are the first promoters or advocates of this system; though by implication almost all large Japanese corporations practice this.

### Chapter-III

#### WORKERS' CONSCIOUSNESS AND WORK ETHICS

The expected returns on the adoption of the paternalistic model by the corporation depends as much on workers' consciousness and work ethics as it does on factors such as the whole employment system, the employee benefit schemes etc. Since the economic unit, i.e., the Japanese corporation, purportedly functions more as a social unit, where production of goods and services is considered to be a sustaining factor of the 'corporate community', it becomes necessary to inquire into the sociological aspect of the Japanese corporate community. Therefore, an effort is made to properly understand the consciousness of the employees of such corporations as well as the elements of ethics attached to work in Japan. Thus, the purpose of this chapter is to understand and interpret the level of workers' consciousness and its nature and characteristics when applied to Japanese work/workers' situation. Further, a description and analysis of the much eulogised work ethics of the Japanese employees with an emphasis on the factor of job satisfaction will help us to understand and appreciate the cultural and psychological aspect of the employment system.

#### WORKERS' CONSCIOUSNESS

At the very\*outset, it is important to clarify the use of the term consciousness. The term consciousness is used here more in relation to the awareness or concern of the workers regarding the specified, which would mean the corporation. The components of such a notion of consciousness will be education/level of literacy, the degree and level of communication between

employee and employer and the perception on the part of the employee, of his relation with the product (in other words, his level of productivity), and lastly, his identification with his circle or group of workers. Such a working definition of the consciousness of the employees is necessitated by the fact that consciousness, as in the Marxian, context, has not really manifested itself in form among the employees of the corporation. However, at the same time, it would be misleading to hold that such employees are not conscious as a class. They are aware of their class consciousness but this kind of an awareness is notional. They use their class identify more as a symbol,<sup>1</sup> than as an instrument for drawing the battlelines between them and the employer. That they have an awareness of their class identity is testified by the fact that the enterprise unions are affiliated to the larger labour federations which tie each member of the enterprise union to the entire class of Japanese workers. On the other hand, their use of the class identity only as a symbol is again explained by the fact that, very seldom do the members of an enterprise union form a militant craft/occupation based opposition against the employer. So, the class consciousness of the employees of a corporation do not lead to a realisation that the employees' interests are antithetical to that of the employers. It is perhaps the accommodative nature of the paternalistic style of managing the corporation that has succeeded in sponging out the elements of militancy and hostility from the labour movement. Because, a survey of the nature of the labour force in the pre-war period shows that the manifestation of their consciousness in a labour movement had,

1 Robert E. Cole, Japanese Blue Collar: The Changing Tradition, (California, 1971)



more often than not, an element of militancy attached to it. The period following the success of the Russian Revolution saw a rise in the attitude of hostility among the labourers vis-a-vis the employers, even in these corporations. A survey of the labour-management relations of this period shows how the management, sensing the adverse consequences of the rising hostility of the labourers, took the initiative to gradually smoothen out the differences by offering the employee a job and income security and also, most importantly, recognising the dignity of labour. This conscious effort at a social integration of the employee into the corporation's affairs received a blow again in the 1950s, with the worsening economic condition of Japan, as an aftermath of the war, as well as the initial labour reforms under the Occupation Authority, namely the Labour Standard Law of April 1947. This period saw an increasing tendency on the part of the labour to adopt the Left ideology in their dealings with the management. Though a timely clamping on the labour movements by the Occupation Authority put the ball back into the court of the management, nevertheless, such pre-war as well as post-war instances of Leftist labour agitations prove that the consciousness along the lines of class demarcation was very much present in the minds of the Japanese employees even in these corporations. But, since the management of the corporation decided not to exploit the immediate situation to their favours it accommodated a number of demands of the employees and hence took the sting out of their inimical stance vis-a-vis the management. This foresight shown by the management in terms of the future prospects of labour-management relations and the overall economic situation in which the Japanese labourers found themselves helped in minimising the possibility of a further

inculcation of Leftist ideology among the industrial labour force. Henceforth, the emergence of the dual structure of the labour market, (one internalised totally by the large-scale corporation and the other external labour market catering to the small and medium scale industries, as well as playing an important supportive role to the large-scale corporations), divided the interests of the workforce, and led to a gradual integration of a part of the workforce into the folds of the corporate community, thus stultifying the need to embrace Leftist ideology totally. The forms of industrial action which the employees adopt usually do not have a crippling effect on the production process of the corporation. Since the Shunto/Spring Offensive Marches are highly predictable and since they are usually carried out outside the working hours, industrial action by these workers continues to remain as a symbol of their strength/demands. Such actions have begun to be considered as an annual indication for the employers to revise the basic wages, which is what the annual demands of the employees usually consist of.

So, as far as the employees of these corporations are concerned, the explanation of their consciousness should not be sought only in their degree of imbibition of political ideology, but primarily in their education, both at the school /university level as well as the socialisation process within the corporation, their functioning within the group, level of communication with the management etc. An employees' education can be divided into two parts, that which is imparted at the school or university level and the other which he receives within the corporation. For a blue collar job, a corporation usually

recruits a person with a minimum high-school level of educational background and for a white-collar supervisory or management job, a person with a university degree is usually recruited. The blue-collar workers, who form our main focal point in this section, usually undergo training within the corporation, immediately upon recruitment. It is this training period with its thrust on community living within the corporation, and the inculcation of firm-specific skill that form the initial level of the socialisation process of the employees within the corporation. This process of socialisation by the corporation is facilitated by the effect, on the employee, of the wider social behaviour in Japan, a type of behaviour pattern which harps on the importance of group identification for every Japanese. These twin forces of socialisation help in orienting the consciousness of the average Japanese employee toward the corporation. The other factor which has an important bearing on the role perception of an employee is his education. Since Japan does boast of almost hundred percent literacy rate, the corporation also holds certain expectations from the employee. This kind of an expectation on the part of the employer, that labour should become a party to the expected level of efficiency is another factor which moulds the consciousness of the employee. This kind of a consciousness of responsibility on the part of the employee is something which is almost taken for granted by the employer/management. Apart from the high level of education of an average Japanese individual, which is further strengthened by the in-company-training, the scope of functioning in a group within the corporation also helps orient the consciousness of the employee. The employees, on induction into the corporation and after an initial period of training are grouped and it is within

the group and under its guidance that the employee gradually develops his contextual skills. This kind of a functioning within the group also helps the employee to gradually learn to harmonize his individual work with that of the rest of the group as well as with the greater whole. This effort on the part of the individual worker, at the level of the work shop, attunes his consciousness according to the need of the group and hence the corporation. This gradually emerging consciousness of the employee as a necessary and important part in the whole functioning of the business activities of the corporation is further reinforced by the community living pattern of employees outside the work shop. This social interaction outside work as well as the fringe benefits which each employee is entitled to, gradually form a web of social and economic dependence around the employee and hence this helps in moulding the mind of the employee in a particular fashion which proves suitable for the corporation. A safety valve to this kind of a peer-group oriented grooming of the employee is found in the existence/functioning of the enterprise union. The corporation patronises the enterprise union by granting, the necessary functioning facilities because it plays an extremely important balancing role between the two dichotomous patterns of consciousness of the employees, one corresponding to their status consciousness vis-a-vis the management/employer, and the other nurtured by the feeling of responsibility towards the corporation.

However, this kind of a management oriented explanation of consciousness is one side of the story. The inculcation of such type of a consciousness co-existing in harmony with a class

based consciousness was found suitable by the workers also, given the traditional social behaviour pattern in Japan, as well as the then existing adverse economic situation and the particular development stage of Japan. Whatever the causes the emergence and existence of such type of a consciousness, whether a deliberate and purposeful inculcation by the management, or/and the circumstantial situation which groomed the workers' mental attitude towards the corporation, this kind of a workers' consciousness has definitely yielded positive results for the Japanese corporation. By reducing the communication gap between the labour and the management and facilitating a better understanding of, as well as a positive involvement with the process of realising the business objectives and goals, and the work unit, this has contributed to an increase in the productivity of labour, to a very major extent. One point which should be kept in mind is that, the degree of consciousness varies both from employee to employee and also in accordance with age and work context. The corporation oriented consciousness of an employee can not be expected to be found to the same degree in a new recruit as is found in an elderly employee. Hence, in most cases, the recruits are placed under the middle-aged group of employees, for supervision. The emphasis on the middle-aged employee can be explained by their balanced attitude towards work and discipline as against a sterner and orthodox attitude of the older employees. Such a balanced attitude is necessary for the socialisation of the new recruits because, the younger the recruit, the more the possibility of his getting swayed by political ideology. Hence, it is prudent not to place him under a rigorous disciplinarian, whose conservatism may have a negative effect on his attitude towards the corporation. Irrespective of a

variance in the degree of consciousness among the employees, the socialization process is so strong that an employee usually moulds his consciousness according to the corporation's needs and away from a perception in terms of his status/class vis-a-vis his employer.

This kind of an attitude on the part of the employees helps in creating a sense of eagerness on his part to absorb or internalise the contextual skills involved in the work cycle, better. This process of internalisation which is again strengthened by the practice of job rotation of the employees of the workshop, makes the employee more of a generalist and hence heightens his degree of familiarity with all the aspects of the corporation. His acquaintance with an increased amount of information regarding the working of the corporation makes him identify with the corporation even more and hence gradually, the consciousness regarding his responsibility and duty towards the corporation also increases. So, the horizontal information structure of the Japanese corporation encourages the employee to modulate his attitude favourably towards the corporation. So, the higher the degree of consciousness, the higher is the level of internalisation (they are actually complimentary) and lesser is the communication gap between the management and the employee, and hence smoother is the adoption, absorption and application of a new technology by the workers. This whole process, supported amply by the work consciousness of the workers/employees leads not only to a rise in the productivity of labour as well as a rise in the over all productivity, but also enables to maintain the dynamic nature of the work process of the corporation and

hence, assists in the diversification and expansion programme so necessary for the continued growth/expansion of the corporation.

This kind of a workers' consciousness or work consciousness of the employees has a very vital role to play in the success of the paternalistic style of management adopted by the employers of the Japanese corporations. However, both workers' consciousness and the success of Corporate Paternalism are mutually dependent in terms both of cause as well as effect. Though it is the whole set up of the paternalistic structure which moulds the work consciousness of the worker, nevertheless, in the absence of the basic social grounding of the worker, such a consciousness may not have emerged, to provide a vital support to the whole style of paternalistic functioning. However, not too much emphasis should be laid on the assumption that this kind of a work consciousness has emerged as a result of the structure of paternalism. Because, even if such a structure had been offered by the corporation, in isolation, the response of the employees to it may not have been the same/favourable. So, apart from the paternalistic structure offered by the corporation, it is also the social behaviour pattern of the Japanese, well entrenched in the mind of the employees even before their recruitment to the corporation, which should be taken into account for analysing the favourable response pattern of the employees. An understanding of the responses to such a paternalistic structure can also be explained by looking into the work ethos of these employees.

## WORK ETHICS AND WORK CULTURE

The concept of work ethic in general, operates from the basic premise that human beings prefer to get their rewards by working and that work is as natural as the state of rest or play, and it also becomes central to people. In general, work ethics has its origin in both religious as well as secular values.<sup>2</sup> The religious view considers work as a moral good in itself, the act of which makes individuals better persons, and also helps in building a better society. Hence, from this point of view, hard work and frugality become moral obligations for the people. The secular view of work can be said to have originated from the realisation of the hard necessities of life, where people have to work hard to survive and hence, the need to glorify work. It was through the means of work that the individual could control his environment and gradually improve his standard of living. The above mentioned explanation of work ethics is however a western perception, emerging as the study of individuality.

In the East however, the explanation of ethics is based more on an approach of inter-subjectivity, i.e., within the study of the community. For example, the Japanese word *inrigaku* which approximately corresponds to the English word, ethics, seeks to explain the principles abiding between human beings, a study of the laws operating in the human community. The Japanese ethics gives primacy to the superiority of *iri* i.e., community responsibility, against *injo* i.e., personal emotions and involves a spirit of self-sacrifice sincerity and honesty. This kind of an universalistic rule of conduct concerned with inner

<sup>2</sup> Keith Davis, Human Behaviour at Work, (New Delhi, 1977) p. 27.



disposition is imbibed into every Japanese mind during his upbringing as well as his period of education. From this general code of conduct emerges the much talked about work ethics of the Japanese. The exhibition of discipline and sincerity in the work place has projected Japan as a possessor of a very superior work culture which has helped the nation develop its economy. Ozaki<sup>3</sup> seeks to explain such a work ethics by considering two sources of its origin. First, is the environmental and the second pertains to the Japanese system of inheritance. He seeks to explain the work ethics by going back into the history of Japan, to her traditional practices. For most Japanese farmers, hard work was not a matter of choice, but related more to life or starvation. The dictates of an inimical natural environment coupled with the rice culture championed by the Japanese in the last few centuries, forced the farmers to work hard in order to survive. So, gradually, long hours of work and a sense of involvement with work formed a habitual life-style pattern. The second 'institutional setting' that fortified such work ethics was the inheritance system, which was according to the law of primogeniture. In a Japanese family, after the death of the patriarch, when the eldest son of the family assumed his position as head of the household, the younger sons lived in the same house more as employees of the eldest son. So, in order to solicit the favour of the eldest son, the younger ones had to work very hard and hence, this system also discouraged idleness among such people, on whom no responsibility was bestowed.

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3 Robert S. Ozaki, The Japanese: A Cultural Portrait, (Tokyo, 1978).

Generally, the development of industrial societies, from peasant or feudal societies, necessitates not only considerable social innovation in forms of work organisations (such as offices and factories), but also the emergence and internalisation of new values regarding work, those which provide the necessary sense of obligation to work hard in a rational and regular way under the control of others. Though the possibility of inculcating the last factor was much more in the case of Japan, given its societal behaviour, nevertheless, as the labour relations in the transition period from agrarian to industrial society show, it was definitely not a ready made, given factor. The pre-war industrial labour was not really endowed with a salient work culture. As is clear from the Introduction section of this dissertation, the employers more often than not complained about the workers' indiscipline and high labour turnover. It was only gradually, by a conscious tapping of the ingrained social behavioral pattern, through the labour policies adopted by the Japanese corporations, that pre-war Japanese labour began to identify his interests with that of the work place, and hence, work culture began to be associated with the workers of the industrial sector as well. The gradual shift in importance from the agrarian to the industrial sector in the Japanese economy, and later on, the post-war adverse economic situation made possible as well as necessitated the transposition of the superior work ethic associated with the agrarian society, to the expanding industrial society. The growth of industrialisation brought more and more people into the folds of the urban setting and hence the urban child, because he was removed from the traditional rural society, was groomed consciously so that he could maintain harmony in social relations. The whole education

system took care of the training of the child in the principles of hierarchy and reciprocity. It was/is from the very kindergarten stage that the child is given duties and responsibilities, is introduced to group behaviour and peer-group pressure, while working together. So this attempt to develop the child's personal qualities in harmony with his surroundings is later on tapped to produce a work culture which involves an orientation to bring out the best in one, while interacting with others so as to bring out the best in them also. The spirit of collective diligence as well as the adoption of the idea of frugality from Confucianism helped the Japanese, as a community, to survive the adverse economic situation in the immediate post-war years and inspite of it, make a meteoric rise as an economic power possible.

So, it is this basic social grooming, which is channelised into productive use by the corporations. As has been mentioned before, both the blue as well as the white-collar categories of workers are recruited into the corporation on the basis of two different levels of educational achievements, the former, after the completion of high-school and the latter after the university level. It becomes all the more important to take in the blue-collar employees at that stage, because, in that case, it becomes easier to integrate them into the corporation and channelise their social behaviour pattern into the behaviour pattern of the corporate community. The corporate community also demands the compliance of similar principles of group behaviour and collective diligence but in the context of the particular corporate peer-group. This kind of a work culture which is imbibed by the employees in the context of their respective

corporations, however, has to be maintained, so that it becomes more widespread and hence the diffusion of such an attitude of commitment to work becomes easier, thus facilitating the grooming of the minds of the new recruits. The factors which are said to be having a sustaining effect on the work culture are, organisational status, age, perceived promotion chances as well as some of the company benefits offered to the employees like housing and leisure activities.<sup>4</sup> Organisational status, or rank in the organisation/at the level of the factory affects work values of employees as they get older. Although work commitment becomes primary, irrespective of the rank, nevertheless, a positive relation between increase in work values and a rise in position in the hierarchy has been observed. This increase in the salience of workers' commitment as a function of rank is most pronounced in the thirty-three years old and above age group, among the blue-collar workers, the ones who by that time can reach the level of the first or second line foremen. Among the employees at the level of the acho the feeling of commitment comes even earlier, at the age group of twenty seven to thirty years. So, the age factor also becomes important here. As an employee grows older, and as his period of stay in the corporation increases, his rank or status in the organisational hierarchy also improves and hence an increase in the verifiable degree of his commitment to work is also observed. This shift towards a higher level of work commitment is even more marked when the employee reaches a rank demanding greater responsibility, work satiation, depending on his quality, merit and performance, the employee can expect a further elevation in

4 Robert M. Marsh, and Hiroshi Mannari, Modernisation and the Japanese Factory (Princeton, New Jersey, 1976).

rank and thus status too. So, the employees' status in the organisational hierarchy and his perceived promotion chances play a very important role in increasing his commitment to work.

The other sustaining factor accrues from the whole basket of the labour welfare schemes adopted by the corporation for the employees. The communitarian allusions involved in the nature of these benefits, especially the housing and recreational schemes also go a long way to gradually build up and nurture the work culture in the corporation. The leisure related activities or recreation facilities play a very important role in building up the work commitment among the employees. When work is viewed not only as a necessity, but also as a moral duty, of value in itself, not to work is to be 'idle', which is almost anathema to the Japanese social behaviour, and hence, at the point where work becomes a tiresome necessity, not to work is to have 'leisure'. Since every employee has a saturation point, till which he can handle his job with the same degree of efficiency, and since it is necessary for the employee to replenish his working capacity by deviating his activities to some other channels, it is extremely important for the employee to engage in recreational activities. In the Japanese corporation, as mentioned earlier, most of these leisure related programmes are also offered by the corporation so that the employee does not have to depend on external sources for his mental as well as physical refurbishment. This whole package of work and leisure activities offered by the corporation to the employees, increases the latter's material as well psychological dependence on the corporation. And since, in Japan, the accepted practice is to bear a sense of allegiance to a particular peer group, the

corporation taps this expected norm of behaviour and hence forms a hierarchical interdependence pattern in its organisation. The making of a security circle around the employee begins at recruitment, at the shop-floor and the dormitories, where the new recruits interact with the elders of the unit as well as among themselves, and, as the symbolic binding factors of this new group of recruits, emerge the corporation emblem, the flag, the company song etc. Though housing forms a very important factor for the development of work ethics, it plays the most important role at the level of the initial years of one's employment in the factory, when stay in the corporation dormitory grooms him the way his employer wants, often much according to the social and cultural specifications. The corporation is gradually conceived by such employees as the community, the family, where it is morally binding upon every member to put in his capabilities to productive use in the community and hence offer a proper economic support to it. Hence, in the case of the corporation, the employee transfers his work ethic associated with the family or the community of his domicile, to the corporation which has successfully emulated the structure and function of the two former institutions.

An employee's degree of job satisfaction is another very important factor which contributes to the formulation of a positive, contextual work culture. Since job satisfaction is a relational concept, related to a particular job, hence the work ethos it helps to build up is contextual to the particular work place. Again, job satisfaction of an employee is that positive psychological state of mind which emanates from the concrete form as well as the material fall outs involved with the performance

of work. So, job satisfaction of an employee has two aspects, the psychological and the material. Marsh and Mannari hypothesise that job satisfaction is positively related to the employee's organisational status, age, perceived promotion chances, the degree of work load, the feeling of cohesion among employees and frequency of participation in corporate recreational activities.<sup>5</sup> To this should be added the level of technology applied to the work and the degree of automation involved in the work. Since the factors such as the employees' status in the organisational hierarchy, his chances of rising higher along the promotion ladder and the effect of company recreational activities have all been discussed earlier in the context of job satisfaction, it will suffice to say that the favourable effects of these factors do have a positive impact on the degree of job satisfaction felt by the employees. The employees' status in the organisation, and the potential for promotion on/from that position and the commensurate rise in age (given, the life-time employment model) - an increase in all these factors have a proportional impact on the satisfaction which an employee derives from his work. As far as the degree of work load is concerned, an average Japanese worker, as has been given to believe, has to face and can manage a relatively heavy brunt of it. But as both Marsh and Mannari<sup>6</sup> as well as Odaka<sup>7</sup> point out, that given a choice, a worker would avoid working with the small machine and would opt for the operation of the big machine. This is due to two reasons, the first, working on the small machine usually demands a higher degree of concentration as well as precision. And secondly, usually, the operation of a

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5 Ibid.

6 Ibid.

small machine requires the attention of only one person. On the other hand, a big machine is usually operated by a group, or at least more than one worker, and the level of concentration required of the workers is not as high. Since a big machine is expected to manage a part of the work on its own, the workers do get a respite for distraction. So given a choice, an average Japanese worker in the manufacturing sector/on the shop floor, usually exhibits such a preference pattern. However, the practice of maintaining a spirit of egalitarianism as far as job classification/allocation is concerned, helps to reduce the monotony that would have been involved in work, had the system of job allocation been rigid. Since a worker is usually trained in the general skills involved in the production process, he is rotated within and among a whole range of jobs. Hence, the worker at the small machines gets the opportunity to soothe his jarred nerves when he is transferred to manning the big machine. So, as far as the work load is concerned, the worker is both quality as well as quantity conscious. His level of job satisfaction definitely varies with the quality of work, i.e., whether the work is monotonous or not, as well as the quantity of work, whether the physical demands of the work is more than his capacity or not. Hence, in order that the employee can take out maximum enjoyment from the work, the practice is to allow him a change of job on a regular basis. If and when the employee begins to enjoy his work, and if the other necessary/related factors are constant (factors like, the possession of the required amount of skill, a congenial work atmosphere, a feeling of belongingness to the work group), his commitment as well as his rapport with the work increases and this again has a positive

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7 Kuno Odaka, Toward Industrial Democracy (Cambridge, Massachusetts, 1975).



impact on his individual labour productivity (a cumulative increase, which helps to raise the general level of productivity).

A highly related factor to the above mentioned facet of job satisfaction is the level of technology adopted by the corporation, as also the degree of automation applied in the work process, whether at the level of the factory or the floor. Generally, adoption of new technology simplifies the work process and raises the level of sophistication involved in the work process. A proper utilisation of new technology by the worker which is supposed to help in raising his level of productivity, is possible only when he has the capacity to internalise the utility of the technology and apply it in practice, at work. In order that the worker can make full use of the new technology, the corporation provides him the necessary in-company training in order to educate him in the use of the technology. In a manufacturing sector, marked by a high rate of technological dynamism, this demand on the workers to constantly revise their working knowledge and make it up-to-date comes as a challenge to them. This need to adopt to changes cuts the monotony of the usual work process and helps the worker draw certain satisfaction of work. Another way in which the adoption of a new and superior technology contributes to an increase in job satisfaction is through its streamlining effect. A new technology is used not only to make the ultimate products better or to reduce the cost of production in the long run, but it also modernises and cleanses the working process. In improving the working condition

at the shop floor, automation has an equally important role to play. Automation, which again is a by-product of high technology does not only increase the level of efficiency of the work process, but also rids the shop-floor of the smoke and grime associated with the traditional idea of a factory, thus making the atmosphere neater and more congenial to work in. Thus, the adoption of new technology and a certain degree of automation heightens the congeniality of the work atmosphere, helping to bring out the best in the workers and also helping them to enjoy working in a pollution-free and clean working condition.

The Japanese corporations have a high rate of adoption of new technology both for heightening the standard of the working process and bring out a more improved and sophisticated product as well. This cuts the cost of production in the long run. So, most of the regular employees of the corporations usually exhibit a high degree of job-satisfaction, because, given the dynamic pattern of industrial production, and give the need to sustain a certain level of economic growth, a very high degree of adaptability to new technology is demanded of him. Hence, the challenges thrown up by a change in the work pattern commensurate with the change or alteration in the product type keeps the worker almost on his toes. The other pre-requisite for a well performing worker is his capacity to tighten his grasp over the whole production process, so as to increase his level of adaptability to any and every kind of job on the production line. This is important for the worker, because, inspite of all the theoretical egalitarianism and the age-wage progression system,

promotion beyond a certain rank is possible only through the exhibition of a higher level of achievement and performance.

While dealing with the factor of technology, another point which deserves mention is, the adoption of different types of technology and organisational imperatives have varying degrees of impact over job attitude and job satisfaction of workers. Each type of technology is associated with a particular type of organisational imperative, which again calls for variations in task specialisation, skill level, operational autonomy etc. The organisational performance, whether calculated in terms of productivity, effectiveness or business success, has a direct relation with, on the one hand, the type of technology adopted, and on the other hand, the organisational constraints/pattern as well as the worker cohesiveness and job attitudes. The assembly-line technology, with its fixed and narrow task specialisation and relatively low level of skills, can bring in monotony in the work process and hence it may not be possible for the worker to enjoy his work to a degree to which, for example, a worker in the craft technology would enjoy his work. Craft technology, which involves unit and small batch production, involves highly skilled jobs and also involves a higher degree of responsibility for each worker and hence is more challenging. Again, workers in the Petro-chemical industrial sector, which involves a continuous process, or automated technology, register a high level of enjoyment from work, than the workers, for example, in the automobile industry, where the possibility of work becoming monotonous is more.

So, it is the total effect of fulfillment of these above mentioned material factors as well as a suitable and commensurate wage prospect that ascertain the employees' level of enjoyment from working in a corporation. For the white-collar workers also, the variables for job satisfaction remain more or less the same, though their working conditions as well as the nature of the work differ very much from that of the shopfloor workers. Nevertheless, even for them, status, promotion prospects, job classification in terms of quality and quantity as well as the degree of automation matter as criteria for job satisfaction. For example, the adoption and application of office automation not only brings <sup>in</sup> more efficiency to the work process but also serves as a work stimulant for the employees, who with the help of automation efficiency can increase his individual productivity and can also experiment with innovation at the blue-print stage. Hence, a desk job becomes more challenging and exciting thereby helping to stimulate and satiate the employee's creativity urges.

The other functional factor of the Japanese Organisation that has a bearing on the employees' feeling of cohesion and job satisfaction is the decision-making process. The ingisystem or the decision-making process in a modern Japanese organisation is normally based on consensus and on the concept of egalitarianism. For example, any employer, even from the shop-floor, or group level can make a suggestion for innovation or alteration regarding the production process. The suggestion thus made, after passing through a feasibility test, travels the whole length and breadth of the organisational hierarchy for endorsement, which, if and when approved is adopted into the work

process. Similarly, a suggestion from the top echelon comes down to the base of the hierarchy for endorsement and only then introduced into the production/work process. This system has two important results. The first is that, this consensual decision-making allows the decision to be acceptable and easily applicable in the production process, thus making implementation easier and more fruitful. Secondly, it gives the employees, irrespective of their status in the organisation, a feeling of participation and importance and hence facilitates their integration into the corporate community. This participatory function in the decision-making process makes the worker think beyond his assigned day to day job and hence allows him room for creativity. This naturally has a very important bearing again, (on his level of job satisfaction. Though, the autonomy regarding the endorsement system is quite suspect, nevertheless, the very fact that even an ordinary blue-collar worker's suggestions receive the same kind of importance as that of the Director's is enough incentive and satisfaction for the workers.

So, the work ethics or the work culture of the employees of such corporations is not only just a manifestation of the expected social behaviour pattern so characteristic of the Japanese as a people. As the above mentioned discussion reveals, the transposition and superimposition of certain traits of the Japanese behaviour pattern, such as, their sincere attitude towards work in general, the sense of respect towards the elders, the vertical ties of dependence aimed towards disciplining this particular section of the work-force had to be affected through the adoption of proper policies by the corporations. The disciplined behaviour pattern and the sense of commitment which

every Japanese is inculcated with, from his very childhood, through the period of education, are kept alive by the corporation by offering him the relevant atmosphere in the corporate community. This corporate community functions in such a manner that each individual is offered the opportunity of self-aggrandisement, and in the process of achieving which, he contributes to the 'economic sustenance' and overall development of the corporate community. This productive blend of attainment of corporation's production/profit goals and growth plans through the achievement of the employees' self-interest to an appreciable extent, by which process, keeping both the employer as well as the employee happy, has definitely succeeded in keeping the instance of conflict between the two classes to a commendable minimum level. Though in this style of functioning, the importance of individualism is at a discount and the spirit of herding together is stressed, and though it also has created a lot of stress situations/conditions among the employees, such a modulated work ethic and work consciousness has served the labour-management relations in any large Japanese corporation well, both in terms of increase in individual labour productivity as well as the total productivity level of the corporation's performance measured by whatever standards.

## CONCLUSION

Through a perusal of the preceding chapters, which discuss the components of the employment practices in a Japanese Corporation, it can be concluded that the labour-management relations in such corporations are very much moulded and influenced by the Paternalistic style of management. The practice of Corporate Paternalism by these corporations stands vindicated, to a major extent, both economically and socially.

As far as the economic yardsticks are concerned, the corporation offers an employee an adequate wage/pay packet, apart from which also grants him the necessary fringe benefits and provides a congenial work atmosphere in which the employee can make optimal use of his capabilities both for his own mental satiation as well as for an increase in the productivity of the corporation. However, a point which emerges from the discussion on the promotion system, is that, the corporation inspite of its paternalistic attitude, does draw a line of demarcation between paternalism and blanket egalitarianism. Given the pyramidal structure of the organisation of the corporation, not all employees belonging to the same batch can possibly make it to the highest rank inspite of the possession of the formal qualifications. So, as it stands, the corporation does reward a more productive blend of performance and formal knowledge on the one hand, and on the other, also penalises inefficiency by peripheralising the non-performers in the work unit, thereby blocking their promotion as well as the prospects of better wages. Such marginalised workers in the Japanese situation are

called Madogiwasoku, who are assigned meaningless tasks like fetching mail etc. So, though the employment practices function within the paternalistic structure, nevertheless, the employees are made to compete in order to take the maximum out of the structure. It can also be added that the corporation is fully paternalistic in its attitude towards the employees only at the initial stages of their tenure, and that as the employees' tenure matures, his degree of merit-assessment fetches him a commensurate amount of benefits from the paternalistic structure of the corporation. This observation helps in discerning an economic rationale behind the practice of Corporate Paternalism by the corporation, whereby the corporation's degree of paternalism towards its employees does become discriminatory at certain levels.

Socially, the corporation does fulfill the employee's needs, by functioning as much as a social unit as an economic one. Apart from integrating the employees within the folds for its own benefit, the corporation, in the process of subsuming the individual, also provides him with the medium in which the employee can fulfill his individual self, in conformity with his surroundings. In fact, recently, the corporation, in its bid to prove its social relevance and responsibility, even further, is trying to go deeper into the employees' personal life, by acting as a marriage bureau. Though this type of a functioning, where a male employee of a corporation is encouraged to tie the nuptial knot with a female employee of the same corporation, is still very limited in its occurrence, nevertheless, it is a pointer to the management's/corporation's policy of adapting to a changing



economic and social environment. By integrating the whole family into the corporation, the latter plans to adapt, to a certain extent, to the disruptive effects of the threatening changes. So, as far as the social and economic variables are concerned, the nature of the software aspect of management of the corporation does satisfy the attributes of Corporate Paternalism. The adoption and practice of such a management style by the corporations have definitely proved beneficial to them as well as to the Japanese economy. The positive fallouts of the practice, in the shape of a responsible labour as well as management and their work consciousness, have directly benefitted the overall growth of the economy. The phoenixlike rise of Japan as an industrial society, has been described as a miracle. Without entering into the controversy over the usage of such a hyperbolic term to describe Japan's economic growth, it can be admitted that the Japanese economy, beginning from the end of the World War (and) through the two global Oil Crises as well as the recent setback triggered off by the appreciation of the yen, has shown a tremendous degree of adaptability, if not resilience. The credit for such kind of a steady economic development goes to a number of factors of which, the constant and continued efforts by the industrial sector to improve productivity, occupy an important position. It is in this effort to increase productivity at the level of the industrial sector - a vital contributor to the Gross Domestic Product of Japan - and thereby at the level of the corporation, that the importance and contribution of Corporate Paternalism has been realised. Of the three main managerial resources - personnel, goods and finance/capital - at the disposal of the corporation, the priority sector for the

management has been the personnel and hence any movement towards an increase in productivity has always directed itself to the factor of labour. This explains the collusive drive on the part of the labour and management towards continuing an increase in productivity both in terms of quality and quantity, at the level of the corporation. So, the practice of Corporate Paternalism by the management facilitates the collusion of the labour and management by maintaining the element of congeniality in their relationship. By tying the employee to the corporation, the latter succeeds in disciplining a part of the labour force and hence Japan can boast of a very low level of loss of work-hour due to instances of industrial action unleashed by the workers. Table-I, which presents a comparative picture of the man-days lost in labour disputes, goes to prove two important points which have a bearing over the paternalistic practices and their positive effects on productivity and hence the overall economy. Not only does Japan come out as the best performer among the three countries, the Table also shows the continuous decline in the number of man-days lost in disputes including protest action and factory closure, the latter when absolutely necessitated. The second point emerges from the first observation. Such a steady decline is an important indicator of the lack of necessity felt by the labour to resort to industrial action. This can be explained by two ways: the first being a relative passivity characterising the Japanese labour and the second, which pertains to the paternalistic practice of the corporation is that, the profits accruing out of an increase in productivity have been equally shared between the management and labour and hence the

expectations of the labour from the extra effort as critical input at the work process get realized.

TABLE I: DAYS LOST IN LABOR DISPUTES (1977-87)  
(1000 Man days)

YEAR	U.S.A.	U.K.	JAPAN
1977	21,258	10,142	1,498
1978	23,774	9,405	1,353
1979	20,409	29,474	919
1980	20,844	11,964	998
1981	16,908	4,266	543
1982	9,061	5,313	535
1983	17,461	3,754	504
1984	8,499	27,135	354
1985	7,079	6,402	257
1986	12,140	1,920	252
1987	4,481	3,476	256

Source: Japan, 1989, An International Comparison, Foreign Press Centre.

Such positive repercussions of the paternalistic structure of the corporations, felt at the macro level, have come as the consequences of the total working of the components of the employment practices of the corporation. Though there is a vital inter-dependence between the macro level structure and functioning of the economy and the micro, or the corporation level components of the total structure of employment practices, the former has very often thrown up certain imperatives that have affected the latter. The impact of the two Oil Crises, had set

the ball rolling towards a gradual change in the pattern of industrial growth, namely, a change of thrust from the primary and secondary sector to the tertiary sector. This gradual structural change to the knowledge-intensive industries has been further accelerated by such-factors as the impact of the appreciation of yen, a move by the corporations towards internationalisation and this further jolt received in the middle of the 1980s has had a telling impact on the functioning of the corporations. The employment practices of the corporations at present are confronted by a quagmire situation which has begun to affect some changes in its nature.

The predicament faced by the employment practices of these corporations is a result of the structural changes that Japan has been experiencing in her economy, as well as the changes arising from the age-wise, composition of the Japanese workforce. At the level of the industrial sector, there has been a structural shift from the predominantly secondary sector to the tertiary sector as the Japanese economy continues to move from an industrial to a post-industrial economy/society. As a result of this the thrust of the industrial sector/production is gradually moving away from mass production or labour-intensive production to more knowledge, information and service related industrial activities. The shift in emphasis from the production of consumer goods to the production of producer goods can be concluded from Table-II,

Table-II TRENDS IN THE INDUSTRIAL STRUCTURE OF  
JAPAN'S GDP (1970-1986)  
in %

YEAR	GOODS	SERVICES
1970	52.7	47.3
1975	47.9	52.1
1980	45.6	54.4
1985	43.9	56.1
1986	43.7	56.3

Note: Agriculture, Mining and  
Manufacturing, Construction,  
Electricity, gas and water ] Goods

Wholesale & Retail, Finance,  
Insurance and Real Estate  
Transport & Communication etc. ] Services

Source: Japan, 1989, An International Comparison, Foreign  
Press Centre.

which shows the trends in the industrial structure of Japan's GDP from 1970-1986. This gradual shift from the goods to the services sector is further exemplified by considering the structure of employment through the years (as in Table III).

A change in the structure of employment tilted more towards the tertiary sector has been further necessitated by the ongoing internationalisation of the Japanese industrial sector,

Table III: STRUCTURE OF EMPLOYMENT

YEAR	TOTAL EMPLOYED (1,000)	COMPOSITION (%)		
		PRIMARY	SECONDARY	TERTIARY
1950	35,626	48.3	21.9	29.8
1960	43,716	32.6	29.2	38.2
1970	52,042	19.3	33.9	46.8
1980	55,360	10.4	34.8	54.8
1990	59,110	8.3	33.3	58.5

Source: Japan, 1989, An International Comparison, Foreign Press Centre.

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 especially the secondary sector. The process of shifting of the smoke-stack and the labour-intensive industries had already begun after the two Oil Crises, to which the impact of the appreciation of yen acted as a catalyst. These two factors, the structural change and the shift of the mass production industries/sector to the NICs and parts of the First world, have set a chain reaction in the employment practices of the corporation (for a detailed account of the present method of securing personnel, see Appendix Table-VII).

At the level of the non-economic factors, having an influence on the employment practices, there are two changes to be considered. The first is related to the aging of the Japanese population, as a result of which the population structure of Japan is becoming top-heavy, the structure being tilted more towards the aged. This aging society is throwing up operational constraints not only for the government, whose social welfare resources are being stretched, but also for the corporations, whose labour costs are showing a formidable rise, given the fact

that more and more employees are reaching the recoupment point, and hence being entitled to higher wages. The second change, which is gradually being felt at every level of the Japanese social structure, pertains to the attitude of the young generation who are increasingly being Westernised in their tastes and behaviour but not so much their thought. Not only towards work, but also towards the social values in general their attitudes have drastically been changed. As is held by a number of observers, an erosion of the sense of loyalty, of allegiance to the peer-group, and a feeling of indifference towards the social norms are characterising the behaviour pattern of the youth of Japan. Today's youth constitute the post-war baby-boom who have been brought up in a prosperous Japan and hence put very little value on the norms and work ethics which the earlier generation followed in order to rebuild nation and achieve the enviable economic status which Japan occupies today. These faint, albeit significant signs of the loosening of the social fabric along with the feeling of severe competition among the youth of Japan, are gradually effecting a change in their attitude towards work as well as towards the employers.

Both the economic and the social changes have triggered off a chain reaction which has prompted the management of the corporations to bring in certain changes in the components of their employment practices. The two important pillars of the paternalistic practices of the corporation, viz., lifetime-employment and seniority-wage system are gradually undergoing a change. Given the aging of the Japanese population, most of the corporations are confronted with a sizeable increase in their

labour cost because of the pace at which the employees are reaching the highest mark in the wage level. Hence, the corporations, also confronted with the need to reduce their production cost, (due to a lesser marketability of the same amount of goods because of a decline in export) are putting the axe on this high cost strata of the labour force. Hence, the instances of voluntary retirement of the employees in the age-group of the fifties, or their transfer to the other related enterprises, thereby cutting their life-time tenure and the corresponding wage structure in the original corporation, are very much on the increase, as a result seemingly undermining the much commendable lifetime-employment model of these corporations.

A question which may arise at this point is why are the corporations retrenching (as the transfers and the retirement in effect, amount to that) the most experienced of the workforce who were so long considered to be a valued lot? This apparent discrepancy can perhaps be explained in the following way. The resultant decline in labour cost by the transfers or retirement of the older workers perhaps balances the cost of recruitment and retraining of the younger workers. This reason, though should be scrutinised empirically, may be having some validity. Given the structural change in the economy, the corporations are more and more going into specialised knowledge - intensive, production processes, for the manufacture of producer goods. This change is demanding a more knowledgeable kind of a worker from the labour market, in the absence of which the corporation is preferring to train the younger generation of workers than the older generation, in order to minimise its labour cost. This whole



experiment of altering the lifetime employment practice, is however, of a very recent origin, and its extent is not far away from being as grave as held by many. Till the middle of the 1980s, the changing supply-demand conditions in the labour market had been able to maintain a balance between the younger and the older employees in the corporation, as discussed in Chapter I. From then on, the above mentioned changes have been manifesting themselves overtly. A reason for the limited extent of these changes can perhaps be found in the resilience that the Japanese economy has shown while combating the impact of the appreciation of yen. For example, even when the export of industrial goods has gone down, the household economy of Japan has boosted its demand for the same, thereby balancing the gap in the demand and providing a market for the manufactured goods. So the secondary sector of the economy has been given, a lease of life to a certain extent, thereby allowing the manufacturing sector of consumer goods to continue with the essence of the paternalistic practices.

The other change pertaining to the attitude of the youth towards the paternalistic practices of the corporations is also a much discussed aspect among observers of Japanese corporate practices. There are several factors which have contributed to a change in the attitude of the youth of Japan. The impact of the Western culture, a sense of severe competition from the very childhood, beginning from admission into schools and colleges and later on to the entry into respectable corporations as employees, a gradual change in their social values - all these have had an impact on their work attitude. Added to this, is the increasing

demand for specialists in place of the generalists by the corporations in the expanding service sector, which has recently shown signs of encouraging mobility among both blue-collar and especially white-collar workers. A white-collar specialist's change-over from one corporation to another is not as much frowned upon as it used to be earlier.

These above mentioned changes do seem to pose a threat to the practice of paternalism by the corporation, in the sense that, the corporation may continue to offer the same wage structure and the employee benefit schemes, but how far it will be able to maintain the practice of standard remuneration attached to rank is being doubted. This doubt has found further ground by the increasing instances of a good section of the young employees' preference for merit-based wages instead of the earlier amalgamation of merit and age based wage system. This kind of a demand by the skilled, young employees has perhaps been made possible because of two factors. First, there may be an imbalance between supply and demand of the appropriately skilled workers in the labour market, which has not yet fully adjusted to the structural changes in the economy. Secondly, the corporations, given the recent setback they have experienced, are in the process of readjusting to the situations and may not find it economical to cultivate the necessary skills in their employees through their in-company-training facilities. Neither of these two factors however seems insurmountable, given Japan's almost uncanny knack of adjusting to any given situation. As Japan already has a widespread and solid base of education, claiming almost a hundred percent literacy rate, it should not be

difficult for the Japanese corporations to elevate the level of skills which a worker, given the changed conditions, needs to be endowed with. The necessary enrichment in terms of skill, of the labour market will perhaps be able to fill the gap between demand and supply and thereby help in stabilising the situation for a smooth functioning of the paternalistic practices by the corporations.

The optimistic attitude towards the future of the practice of Corporate Paternalism by the corporations is being harboured because of the fact that it has in the past and still continues to provide an element of congeniality to the labour-management relations, which is so important for the smooth functioning of the economic unit. So a corporation which has gained so much from such a practice would not be expected to forsake it totally. The practice can prove to be almost equally productive, if certain modifications are brought in. However, a point which should be remembered while speculating over the future of the practice is that, the corporation is paternalistic to a small handful of the total workforce and that too only towards its regular employees. The other point which also needs to be emphasised here is that not all these corporations have totally diversified away from mass production units - an important precondition for the practice of Corporation Paternalism - to the service sector. Since the secondary sector still occupies a sizeable share of the total GDP of Japan, a change in the nature of production and products, viz., from purely consumer goods to producer goods, does not necessarily symbolise the death knell for the paternalistic practices characterising the personnel

policies of these corporations. What it calls for, is an appropriate knowledge oriented refurbishment of its internal labour market which would smoothen out the present discrepancy regarding the skill formation of the workers. This may be a way of solving the impending mobility of labour. Though this scheme would demand a greater investment by the corporation on every worker, something which the corporations at present seem reluctant to indulge in, nevertheless, in the long run, it may help in overcoming the search cost which the corporation is incurring over the selection/appointment of the specialists, who are characterised also by a high degree of mobility. Such an accomodation in the nature of the internal labour market will result in the same type of functioning of its components, where life-time employment will continue to be a little short of the full tenure of the employee in the corporation, and promotion and wage will, in the long run, be pegged to an assessment of the employees' degree of absorption/internalisation and application of knowledge.

The above discussion on the structural dependence of the paternalistic practices and their future is indicative of the nature of Corporate Paternalism in Japan, i.e., whether it is a result of the cultural heritage of the Japanese or a purely materialistic economic necessity. This has been a bone of contention among observers of the Japanese style of corporate management. The different opinions have varied from, on the one hand, the overtly western oriented which explains this practice, in a rather simplistic manner, in terms of its Orientalistic nuances or the Cultural uniqueness, and on the other hand, the

hardcore economic and material view which considers it as only an economic necessity. From a perusal of the preceding chapters in this study, it can be inferred that this kind of a practice evolved because of an economic necessity but was reinforced and made practicable by the existing and inherited cultural traits which are typical of Japan. If it had been just the predominance of the cultural element, then the pre-war and the post-war labour-management relations would not have been characterized by strife, but by subservience of the labour to the management, like the lord-vassal relation of feudal Japan. So as it emerges from the description of the evolution of the labour-management relations from pre-war Japan to the 1950s, it was a conscious attempt on the part of the management/corporation to adopt a paternalistic style of functioning, a decision which was prompted by the imperatives as present at that time, namely, the need to develop economically, while at the same time, managing the 'indisciplined' labour in a productive way. Similarly, on the side of the workers, the economic depression as well as their nationalist sentiments, induced them to enter into an almost extra-economic relationship with the employer. So the rationale behind the adoption of the paternalistic practices was predominantly economical, both on the part of the employers as well as the employees, but the fact that it worked so fruitfully can perhaps be explained by the cultural factors. As pointed out in Chapter-III the employees' sense of commitment to work and his whole orientation of consciousness towards the corporation on the one hand, and on the other, the employers' sense of responsibility towards the employees have definite cultural roots (discussed in Chapter III). So with regard to the nature of the

practice of Corporate Paternalism, it can be concluded that while the *raison d'être* for the adoption and the continuation was economic, where both the parties, the employers and employees could maximise their respective gains, the reinforcing base was grounded in Japan's traditional/ cultural behaviour pattern.

So, given such an analysis of the nature of this practice, it is difficult to predict its total and successful transposition/transfer to other countries. Though this is a management style which can be adopted by any corporation in any part of the world, the difference may arise not in the adoption, but in the result. The typically Japanese model of such a practice, with all of its components, is difficult to transpose in a corporation which functions in a different economic/industrial as well as social structure. For example, in a country like America, where the basic ethos regarding work as well as social behaviour is totally different from Japan, given the former's individualistic overtures, a total adoption of the Japanese model can not function yielding the same results. Nevertheless, this Japanese model has so enamoured the world, on the basis of its contribution to the achievement of the Japanese economic 'miracle', that almost all the Western developed countries, as well as some of the Third World countries are trying to find the solution to their 'typical' labour-management problems in the adoption of this Japanese model in their respective contexts. Since a complete transposition of the Japanese cultural traits, so important as the model's reinforcement, is obviously not possible, the expected degree of success from such an adoption has naturally eluded such attempted adoption. In fact, the

Japanese multinationals and collaborations in other countries have also been forced to modify their mode of functioning in an alien land, by modulating the practices to the respective situational imperatives. So, instead of a complete transposition of this style of management/these paternalistic practices, it would be more fruitful to adopt an inter-face pattern of practices, where there can be a better and more productive merger of the necessary and relevant characters of the typical Japanese paternalistic functioning style and the management style of the foreign corporation in question. Such an inter-face and in-depth amalgamation, instead of a surface emulation of the Japanese model of paternalism will perhaps be more implementable and successful.

Thus, in the near future there is no likelihood of lifetime employment system and seniority based wage system disappearing. The practice of Corporate Paternalism will continue to be applied. However, the recent overtones of challenges are likely to bring peripheral changes in the practice of Corporate Paternalism in Japan.

A P P E N D I X



TABLE - 1 FORTUNE RANKING OF 25 JAPANESE MANUFACTURING CORPORATIONS (1987)

Name of Corporation	Sales (US \$ million)	Net income (US \$ million)	Employees (1,000)
Toyota Motor	41,455	1,700	84.2
Hitachi	30,332	617	161.3
Matsushita Electric Ind.	27,326	862	134.8
Nissan Motor	25,651	124	105.4
Toshiba	20,378	214	121.0
Honda Motor	17,238	516	57.1
NEC	15,325	94	101.2
Nippon Steel	14,640	70	69.3
Mitsubishi Electric	12,981	66	73.5
Fujitsu	11,194	132	89.2
Mitsubishi Heavy Ind.	11,157	170	58.2
Mazda Motor	11,058	29	28.3
Mitsubishi Motors	9,523	90	25.4
Sanyo Electric	7,984	119	40.6
Sony	7,956	157	47.6
IBM Japan	7,333	514	20.2
Nippon Kokan	7,325	129	35.1
Isuzu Motors	7,180	47	24.6
Nippon Denso	7,102	216	45.6
Sharp	6,994	129	29.3
Canon	6,753	92	37.5
Japan Tobacco	6,675	303	29.6
Kobe Steel	6,646	75	30.0
Kawasaki Steel	6,252	43	30.8
Mitsubishi Chemical Ltd.	6,189	92	19.0

Source: Japan 1989, An Industrial Comparison, Foreign Press Centre (Tokyo)

TABLE II - PLACEMENT OF SCHOOL LEAVERS BY OCCUPATION  
(1986) (in %)

Occupation	Senior High School	Junior College	University
Total	100	100	100
White Collar	29.5	87.0	75.2
Professional/ Technical	3.0	30.1	41.6
Managerial		0.1	0.4
Clerical	26.5	56.6	33.2
Blue-collar	37.4	2.0	0.5
Transport/ Communication	1.8	0.2	0.3
Craftsman/ Production Process Worker	35.6	1.8	0.2
Sales	17.6	7.9	21.2
Maintenance	2.4	0.2	0.9
Services	10.9	1.7	1.3
Agriculture/ Forestry/Fishery	0.8	0.9	0.1
Others	1.2	1.0	0.8

Source: Employment and Employment Policy, Japanese Industrial Relations Series No.1, (Tokyo), 1988.

TABLE III LABOUR AND WAGES

Items	POPULATION					Wage Index (Construct cash earning)(mfg)			Labour Productivity Index	
	Aged over 15	Labour Force	Total employed	Total un-employed	Unemployment rate	Nominal	Real	Yr-to-Yr Change	Mfg.	Yr-to-Yr Change
	Unit & Base	10,000	persons		%	1985 = 100		%	1985 = 100	%
1966	9,587	6,020	5,853	167	2.8	101.9	101.5	+ 1.5	101.8	+ 1.8
1967	9,720	6,084	5,911	173	2.8	103.9	103.7	+ 2.2	107.7	+ 5.8
1968	9,849	6,166	6,011	155	2.5	108.3	107.5	+ 3.7	120.1	+11.5

Source: Japan Economic Almanac (Tokyo, 1989)

TABLE IV SIZE OF FIRM AND AVERAGE ANNUAL WAGE IN THE PRIVATE SECTOR IN JAPAN (1986)

	Monthly Wage Total (¥ 1,000)	Total Bonus (¥ 1,000)	Annual Total (¥ 1,000)
Individual Enterprises	2,715	332	3,047
Capitalisation: under ¥ 10 million	3,449	495	3,944
¥ 10 million	3,375	688	4,063
¥ 50 million	3,343	920	4,263
¥ 100 million	3,608	1 180	4,788
¥ 1000 million	4,123	1,614	5,737
Total	3,640	1,016	4,655

Source: Japan 1989, An International Comparison,  
Foreign Press Centre, (Tokyo).

TABLE V AVERAGE AMOUNT OF RETIREMENT ALLOWANCE BY SIZE OF ESTABLISHMENT, EDUCATIONAL BACKGROUND AND DURATION OF SERVICE (1985)

Size of Establishment	All Establishments		1,000 employees or more	
	Amount of payment (10,000 yen)	Rate of payment to monthly regular pay	Amount of payment (10,000 yen)	Rate of payment to monthly regular pay
Educational Background & duration of service  University graduate (Administrative, clerical & technical workers)				
20 - 24 years	1,010	24.4	1,286	27.6
25 - 29 years	1,640	34.4	1,831	35.6
30 - 34 years	2,074	41.6	2,270	42.3
35 years and over	2,180	44.4	2,481	46.5
Upper Secondary School graduates (Administrative clerical & technical workers)				
20 - 24 years	685	21.5	958	26.6
25 - 29 years	1,014	30.5	1,340	36.5
30 - 34 years	1,350	38.2	1,654	42.2
35 years and over	1,878	47.4	2,009	49.0

Source: Japanese Working Life Profile, Statistical Aspects, (Tokyo, 1989)

TABLE VI WAGE DIFFERENTIALS BY JOB STATUS

(1,000 yen)

Year	Director		Sectional Chief		Chief Clerk		Non-position	
	Monthly regular earnings	Annual special earnings	Monthly regular earnings	Annual special earnings	Monthly regular earnings	Annual special earnings	Monthly regular earnings	Annual special earnings
1973	359.0	1,893.2	287.4	1,477.3	242.6	1,068.1	160.9	551.5
1979	383.6	1,967.6	303.7	1,513.8	257.2	1,104.8	171.8	571.3
1980	401.1	2,153.0	320.6	1,644.2	271.8	1,185.9	182.1	609.3
1981	430.1	2,279.8	343.8	1,778.7	287.5	1,265.3	193.3	657.7
1982	449.8	2,379.5	359.2	1,862.2	302.0	1,324.7	203.0	697.5
1983	466.6	2,443.0	372.9	1,907.1	311.8	1,371.1	209.6	719.5
1984	478.6	2,450.5	382.7	1,938.9	321.7	1,371.1	217.2	730.3
1985	488.1	2,563.2	394.5	2,027.9	333.1	1,454.1	226.5	779.7
1986	504.2	2,729.5	408.2	2,113.3	344.2	1,547.0	232.0	810.3
1987	518.1	2,733.2	417.8	2,143.1	347.0	1,562.8	237.2	826.3

Source: Japanese Working Life Profile, Statistical Aspects, (Tokyo, 1989)

TABLE VII METHOD OF SECURING PERSONNEL INVOLVED WITH DIVERSIFICATION AND NEW FIELDS

(Companies, %)

		Number of Companies making entry	Reassign- ment out of the company's main business	Mid-career hiring of exper- ienced personnel in the new business field	New hiring (new grad- uates)	Mid-career hiring of inexperie- ned personnel	Others
P A S T	All Industries	710	94.2	34.4	30.3	1.3	0.6
	Manufacturing industries	461	94.6	32.5	31.7	1.3	0.4
	Basic Materials industries	148	96.6	32.4	34.5	0.7	--
	Processing industries	178	98.3	33.7	30.9	2.2	0.6
	Others	135	94.1	31.1	29.6	0.7	0.7
N E X T  3 Y E A R  P E R I O D	Non-manufacturing industries	249	93.6	37.8	27.7	1.2	0.8
	All Industries	668	82.6	51.5	40.2	1.4	1.0
	Manufacturing industries	565	80.5	51.0	43.0	1.4	0.5
	Basic materials	168	79.8	50.0	48.2	0.6	0.6
	Processing industries	225	80.4	50.7	42.7	2.2	0.4
	Others	172	81.4	52.3	38.4	1.2	0.6
	Non-manufacturing industries	303	86.5	52.5	35.0	1.3	2.0

Source: Economic Survey of Japan, (Tokyo, 1988).

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