

# EMPLOYMENT PRACTICES IN JAPANESE ENTERPRISES

*Dissertation Submitted to Jawaharlal  
Nehru University in partial fulfilment  
of the requirements for the award  
of the Degree of*

**MASTER OF PHILOSOPHY**

**Badrika Nath Mahapatra**

Centre for East Asian Studies  
School of International Studies  
Jawaharlal Nehru University  
New Delhi - 110067  
INDIA  
1993



जवाहरलाल नेहरू विश्वविद्यालय  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI - 110067

Centre for East Asian Studies  
School of International Studies

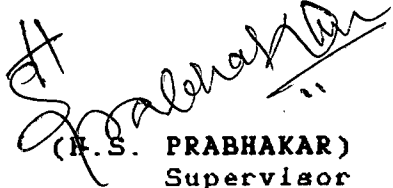
July 15, 1993

CERTIFICATE

Certified that the dissertation entitled, "EMPLOYMENT PRACTICES IN JAPANESE ENTERPRISES" submitted by Shri Badrika Nath Mahapatra in partial fulfilment of the award of the Degree of Master of Philosophy (M.Phil) in Jawaharlal Nehru University is a product of student's own work, carried out by him under my supervision and guidance.

It is hereby certified that this work has not been presented for the award of any other degree or diploma by any university in or outside India and may be forwarded to the examiners for evaluation.

  
(K.V. KESAVAN)  
Chairman

  
(R.S. PRABHAKAR)  
Supervisor

**DEDICATED**  
**TO**  
**MY LATE LOVING MOTHER**

## CONTENTS

	PAGE NO.
PREFACE	i-ii
CHAPTER - I INTRODUCTION	1-15
CHAPTER - II EMPLOYMENT PRACTICES IN LARGE ENTERPRISES	16-58
CHAPTER - III EMPLOYMENT PRACTICES IN SMALL & MEDIUM ENTERPRISES	59-77
CHAPTER - IV CONCLUSION	78-86
BIBLIOGRAPHY	87-91
APPENDICES	92-96

## PREFACE

The Japanese economic achievement since the end of World War II has been astounding. Such practices like lifetime employment system and seniority based wage system have helped breed a very loyal and dedicated labour force. As a matter of fact, it is always the human element which matters most in the success or failure of any venture. Right now, Japanese economy is amidst recession. One can notice cuts in job offers, wages and bonuses, pressure from trading partners is mounting on Japan to reduce work hours, increase leisure time, improve quality of life and of course to reduce trade surplus. With such dilemma both internal and external, Japan is hardpressed to introduce increased public expenditure as anti-recessionary measure as well as adapt to changing situation abroad. Keeping this scenario in mind, a modest study of the Japanese employment practices is being completed.

There has not any serious difficulty in availings materials relating to the chapter on practices in large enterprises. However in the case of the chapter on small and medium enterprises far less amount of materials are available and that is a handicap one has to cope with. As a result it has not been possible to organise the information under various subheadings with respect to this chapter. Materials in English relating to primary as well as secondary sources have been consulted on the course of the research work.

When this topic was suggested to me by Prof. H.S. Prabhakar, I found it quite interesting though I was a little apprehensive about facing the difficulty of paucity of materials. but while working with Prof. Prabhakar there was very little to worry about. I am extremely thankful to

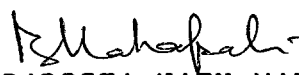
him for being much more than a guide to me on the course of my research. His friendly manners and extremely amiable behaviour have removed the stereotyped impression of a stern and demanding guide that I had come to harbour. However, that does not mean that he has allowed me scot free even when I have failed to live upto his expectations. He has taken special pains to go through my drafts in detail and suggest improvements and modifications accordingly. Working with him has been a rewarding and enjoyable experience.

I am thankful to my friends, two Sanjays, namely, Sanjay Kumar Pratihari and Sanjay Sharma and seniors Prakash and Shrabani for their encouragement on the course of my research work.

I am also thankful to the staff of J.N.U. Library and Miss Sarala of Japan Cultural and Information Centre (JCIC) who helped me in finding materials thereby assisting in my research work.

Last but not the least I am extremely grateful to Shri Rajendra Kumar who typed my dissertation error free. He has been much more to me than the typist. Infact I regard him more like an elder brother and a senior friend. I am also thankful to Shri A.K. Anand for his immense encouragement and amiable manners.

Lastly, there are bound to be many errors and shortcomings in the work for which I am alone responsible.

  
BADRIKA NATH MAHAPATRA

## INTRODUCTION

Forty years ago, many people could have overlooked Japan which, at present could be a grave folly if one of the two premier economic powers of the world is ignored for whatever reasons. The necklace shaped nation of about a hundred relatively big and small islets, that Japan is, located in the eastern most corner of the Asian Continent, occupies as less as three thousandth of the world area and one twenty fifth of that of U.S.A. However, its share in worlds economic cake is adversely proportional to its small size. This fact certainly provokes a feeling of awe anywhere in the world. After the break out of the Second World War, Japan had thrown its hat into the ring most willingly. This step proved to be very dearly for Japan. Subjected to numerous air strikes of the allied powers, it also has the rarest distinction of being the first and the only victim of two successive nuclear bombings in the history of mankind. But this very country, aptly called by Mark J. Gayne, a journalist accompanying Gen. Mc Arthur as a "man made desert" after the end of the war, staged the most spectacular comeback by literally rising from the ashes like the Phoenix to become the world's economic super power. One of the "big losers" in the World War II, it became a major beneficiary of the relatively stable and open economic order.

Japan has got a host of impressive achievements on its scoreboard since the World War II. After the disintegration of the erstwhile Soviet Union, her economic might is matched by only a few. Japan has the second largest economy in the world after the U.S.A. It has travelled a long way, from being a "third rate nation" by the admission of her one-time Education Minister Mori Arinori,<sup>1</sup> to climb the ladder of success to occupy one of the top slots in the international economic hierarchy. According to a 1988 data, it turns out 14% of the world's Gross National Product (GNP)<sup>2</sup> and is second only to the U.S. in Gross Domestic Product (GDP) i.e. 2,940,365 million U.S. dollars,<sup>3</sup> before which India pales into insignificance with that of a meagre 272,877 million U.S. dollars.<sup>4</sup> Besides, Japan is the largest creditor nation in the world doling out same 13,097 million U.S. dollars<sup>5</sup> as loans. Japan's direct foreign investment is in the order of 41,584 million U.S. dollars.<sup>6</sup> These achievements have been termed as Japan's economic miracle. Its net Official

- 
1. Miyazaki, Isamu, 'The Japanese Economy : What makes It Tick', Tokyo, The Simul Press Inc., p.9.
  2. Japan Echo, Vol. XVII, Special Issue, 1990, p.2 (Editorial).
  3. Japan 1993 : An International Comparision, Keizai Koho Center, Tokyo, p.11.
  4. Ibid, p.11.
  5. Ibid, p.49.
  6. Ibid, p.55.



Development Assistance (ODA) to developing countries was as high an amount as 9,339 million U.S. dollars in 1990.<sup>7</sup> That is next only to the U.S. Moreover its share in the world exports and imports is noteworthy too. While U.S.A.'s share in world exports and imports in 1990 was 11.8% and 15.0% respectively, Japan's share was 8.6% and 6.8% respectively.<sup>8</sup>

Regarding the opportunities for Japanese job seekers, it has an enviable record and undoubtedly is a role model for the rest of the world in this respect. Unemployed Japanese numbered only 1,360,000 which constitute a bare 2.1%<sup>9</sup> of the total population of 123 million. This unemployment rate is the least in the world. In contrast, the G-7 member countries have the following rate of unemployment, U.S.A. 7.3%, Germany 6.3%, France 9.9% and U.K. 9.4%.<sup>10</sup>

Taking into account all the facts, there is little doubt that in today's world economy Japan rides over others like a colossus in a number of areas and the figures wax eloquent about its unparalleled achievements. And against this background, Japan assumes

---

7. Ibid, p.54.

8. Ibid, p.44.

9. Ibid, p.71.

10. Ibid, p.71.

much importance atleast from the point of view of developing countries like for example India. As Japan possesses huge unused capital which it is willing to invest wherever it is advantageous to it's own terms and conditions in the long run, and developing countries like India are in dire need of resources to be used in their industrialization, there are problems as well as scope in strengthening of economic ties. Being no.1 in hitech and electronic sectors it can easily be an important catalyst in the rapid development of the developing countries, most of whom abound in natural resources but lack the necessary technical knowhow and capital.

In this connection, a number of Japanese as well as foreign observers identify Japan's unique and different employment system as the main base on which the super structure of consistent growth and prosperity rests. This employment pattern which has been termed as a "paradoxical system" by James Abegglen, is "at once rooted in the social traditions of Japan and at the sametime the product of recent economic history".<sup>11</sup>

The fact is that the Japanese employment system that we witness today had a long process of evolution and adaptation in the domain of labour relations the origin of

---

11. Abegglen, James C., 'Management And Worker'. The Japanese Solution', Tokyo, Sophia University in Cooperation with Kodansha International Ltd., 1973, p.25.

which can be traced to late 19th century.

Japan has travelled a long way since the inception of large factories and accompanying industrialization in the second half of nineteenth century. Since then, owing to various reasons, on the course of a century till the occupation administration took over Japan (1945-52), the employees and the employers viewed each other as adversaries with irreconcilable interests. On the whole, the Japanese labour relationship moved through several distinct stages between the years from the opening of Japan to the West (1850s) and beginning of the 'take off' stage in early 1950's. As the employment practices now in vogue have been evolved over a long period of time, it is very important to discuss the various stages of developments.

Roughly, till the turn of the last century, in each enterprise, a handful of owners or managers sought to control the activity of hundreds of wage earners. But as the managers in the nineteenth century had little expertise to guide them, they were unable to interfere effectively in the workplace. Nevertheless, they exercised control over the labour in indirect ways. At the beginning of the Meiji era, the labourers were languishing in poverty and they were considered part of the "lower

class society."<sup>12</sup>

This was due to the fact that unsteady and abysmally low incomes and harsh conditions of workplace set them apart from respectable educated social sector. For instance, an average skilled worker slogging 10 plus hours a day overtime could expect to earn between 30 to 60 Yen each day at the turn of the century. Yokohama Gennosuke, pioneering observer of Japan's depressed classes, had estimated that as high as 60 to 70% of machine operators in Tokyo could hardly provide their families the bare minimum requirements of food, clothing and cramped, dirty shelter.<sup>13</sup> Apart from languishing in poverty and having to work in extremely adverse conditions in their workplaces, one important characteristic of the workers of 19th century was rampant indiscipline in contrast to today's Japanese workers who are considered as "docile and diligent products of social engineering",<sup>14</sup> by many writers. High mobility was another insurmountable problem, afflicting almost all types of factories. Labourers in large industries moved frequently between factories or from large factories to small factories back and forth.

---

12. Gordon, Andrew, 'Evolution of Labour Relations in Japan : Heavy Industry, 1853-1955', Cambridge and London, Council of East Asian Studies, Harvard University, 1985, p.26.

13. Ibid., p.26.

14. Ibid., p.6.

These indiscriminate defections were jocularly called as 'travelling' and the zappers who were indulged in this were called "the graduates of the travel school."<sup>15</sup> Coming to the recruitment process, it was in disorderly, highly confused and it depended to a great extent on the whims and fancies of the owners and the managers. A peculiar office existing on the factory premises of those days was that of *Oyakata* (the traditional term for master in Japanese). They were a varied lot, some owning small machine shops, or shipyards, some were independent labour bosses who would contract the services of their charges to various large companies while some were labour bosses, supplying workers for a particular company. Moreover, all of them exercised authority over hiring and wage decisions. Though their position declined gradually with time, they were active in major shipyards and other large machine factories as late as in the early twentieth century. They reigned supreme over the workers as the managers could not afford to ignore these men, because they possessed skill, experience and judgement necessary to organize the work process and actually get the job done. More often than not, the workers were exploited by these people, but they had no other way than keeping quiet as they did not have any other means to better their lot.

---

15. Ibid., p.152.

Hoping for steady and satisfactory wages was equal to day dreaming. Special allowances and retirement benefits which later became inalienable features of Japanese employment system were again unthinkable then.

By the turn of the century, inherent anomalies in the employment system had forced the owners and managers alike to sit up and devise ways to stem the rot. Taking bold steps in this direction, some enterprises established a scale of daily wages and tried to by-pass the *Oyakata*. Many resorted to offering incentives like semi-annual bonuses so that the sprit of workers would soar up and imposed stiff fines and other punishments to take care of any kind of indisciplined behaviour. A handful of firms started adopting forced saving plans, deducting substantial amounts from wages to keep individual workers "hostages." But all these modifications and alterations failed to bring about any meaningful change in the employment pattern in general and the workers' attitudes in particular. However, the practice of increasing the daily wage at regular intervals which was the most distinctive innovation, introduced by the nineteenth century managers got a firm footing in the early quarter of twentieth century. By the end of World War II, this regular "seniority wage increase" was nearly universal in heavy industries and other sectors of the economy which later came to be termed as one of the keys to Japanese

managerial success.

The first two decades of twentieth century till the end of World War I, saw improved working conditions in large factories and incompany training programs became increasingly adopted. In response to demands from workers ranks, managers accepted, though reluctantly, major expansion of injury benefits and allowances for illness, marriage, birth and other events of special significance. In spite of some welcome developments, one problem persistently plagued the Japanese industries, i.e. the high rate of mobility among the workers. One reason for this peculiar mobility was that experienced workers saw movement as the best way to obtain skill advancement and the yardstick of prestige among their fellow workers. To reverse this trend managers again laid their hands on the time tested ploy to command the loyalty of the workers towards their respective firms, i.e. linking subsequent increases, allowances, and bonuses to seniority in the firm/service. By the end of World War I, the granting of periodic raises to some of those who remained with a company became fairly common, though not universal. In addition to that, the managers began granting promotion in part on the basis of seniority. However, all these measures paid dividends only in a limited way.

The inter war period also saw some far reaching changes taking place in the domain of workplace. Some

welcome changes were evident in the attitude of the workers. More men than before hoped to remain with their first employer from initial hiring to maturity as a skilled worker rather than travel haphazardly. A few managers had experimented with systematic hiring programs and vocational training before 1920's. In 1920s, these strategies became standard procedures at virtually all large firms. The result was the hiring system in which increasing number of inexperienced youngsters were recruited directly from the elementary or middle schools upon graduation in March or April. The managers also designated many of their new employees as "temporary" in order to create a strata of workers which would serve as a shock absorber in times of crisis. This practice is still in operation in many of Japanese factories. In 1921 some land mark rules were promulgated which laid some basic guidelines for retrenchment of workers and were helpful in streamlining the workers. Following order of priorities was specified incase firings were unavoidable: first the unskilled and those with little prospect for improving their skills, to be fired, second, the wicked and sickly, third, those over 55, with exceptions made for workers with special skills. Thus in a way the foundation was laid during this time for the later emergence of the unique Japanese system of employment.

In this connection one noteworthy sidelight is that



workers in small scale factories were less mobile than their counterparts in large enterprises. In this period employers had their own ways to manipulate things to suit their company needs. They used promotions or bonuses for two reasons, to keep senior men from leaving and to prevent the rest from loafing. Programs of retirement or severance pay and mutual aid had similar twin goals, but in bad times the management commitment wavered.

Similarly, seniority and advanced age were usually necessary for promotion to higher rank, but they were by no means sufficient. As the post was more than an honour skill was even more critical. In this way, by the breakout of World War II, a loose but distinctive bundle of practices vaguely resembling many of the practices in use today, were in force in most of the factories throughout Japan.

In the war years, the state took up the reins of all the factories and issued regulations in rapid succession to effect necessary changes in the Japanese employment system. So much so that the seniority wages and permanent employment can be explained in part as products of Japan's War experience.<sup>16</sup>

Government regulations forced the companies to start or expand their training programs which increased the

---

16. Ibid., p.263.

private sector responsibility for worker training, and companies since the war have continued to assume this burden. A set of restrictions on worker mobility put a check on habit of defections by workers. A curious trend that developed during war years was that a significant number among the workers who changed their workplaces inspite of regulations and incentives for sticking to a particular factory, preferred small enterprises to bigger ones. Quite surprising though this is, considering the consistancy of large factories in offering more facilities, even at that point of time. A debate on the nature of wages ensued. Out of this debate a consensus emerged gradually between 1939 and 1943. Taking cue from their pet slogans of "appropriate" (*tekisei*) and livelihood" (*seikotsu*) wages.<sup>17</sup> The bureaucrats, big business and intellectual world came to agree on the need to combine livelihood and out put wages, and they stressed the danger of over reliance on either form of payment. Also, it is during the war years and subsequently that the link between age and wage took on real significance. Moreover the spread of guaranteed regular raises firmly established a systematic version of the socalled *nenko* or seniority based wage.

The end of the World was War II and subsequent occupation of Japan by the Allied Powers, which for all

---

17. Ibid., p.276.

practical purposes meant only the U.S., was also a turning point for the Japanese employment system. A number of far-reaching changes were introduced which later on became inalienable feature of the Japanese labour relations. A labour standards law enacted in April 1947, set minimum standards for work hours, wages, insurance, injury compensation and unemployment benefits. The workers on their own initiative, became successful in very nearly establishing a labour version of the Japanese employment system: guaranteed job security, an explicitly need-based seniority wage, and a significant labour voice-in the management of factory affairs. Recovery proceeded in fits and starts until 1955, when the high growth era commenced. As a result, the Japanese employment system underwent sweeping changes affecting its basic characteristics. Rapid growth of Japanese economy paved the way for a significant rise in the number of employees to meet the need for more work force. So the need to streamline this vast mass of workers was increasingly felt by the managers. Out of this need some modifications took place in the prevalent employment practices. By the advent of 1970s the Japanese economic growth became slower and it felt the effects of rising relative labour costs and a higher energy bill. The result has been a shift in the very structure of the economy which, in turn influenced the labour relations. This phase was followed by Yen appreciation (*Endaka*) since plaza agreement of 1985, a

major restructuring of industrial and corporate sectors have taken place. Increased robotization of manufacturing sector and office automation although has resulted in certain job losses, yet it was more than offset by new jobs created due to increased investment and growth. Of late, many Japan watchers have been saying that the Japan of late 80's and early 90's looks more like any other Western nation if many of the fundamental changes in the employment system is taken into account. This point is, no doubt, debatable. Since Japan has deployed its capital and technology in both advanced and developing countries, an increasing degree of Japanization of factories, offices, and management is taking place. Japan is itself moving, although slowly, away from its traditional corporate practices. These are forcing corporations to recast their employment practices. Work hours are being reduced. Pressure from trading partners are mounting on Japan to make its system more transparent and flexible. In the light of these foreseeable changing contours, it is proposed to examine the Japanese employment practices.

Employment practices will be discussed and analysed in the following two chapters for the sake of convenience: (i) large enterprises and (ii) small and medium enterprises.

These two categories of establishments are differentiated from each other on two grounds, the number

of employees working in and amount of capital invested. Though the former constitutes a miniscule percentage of the total number of business establishments in Japan, they have been primarily responsible for the Japanese manufacturing and marketing success. One interesting noticeable information is the practices perceived to be uniform features of all Japanese enterprises are generally associated only with these large companies. Some representative large enterprises are : Mitsui, Mitsubishi, Sumitomo, Itochu, Marubeni, Sony, Honda, Toyota, Matsushita Electric and Industrial Co. etc. The employment practices in use in these companies certainly differ from those practiced in small and medium enterprises because of a variety of factors. Therefore some discussion on this subject is also included in the following chapters.

The low-profile small and medium sized companies, on the otherhand, have evolved their own set of practices. They are not so well known outside Japan because of the overriding presence and the high profile of large corporations. Though the most brilliant Japanese youth make beeline for large companies, the small and medium sized firm's role in the staging of Japanese 'miracle' can not be underestimated. In the following chapters therefore, due importance is given for discussion on such aspects of a worker's career, namely, recruitment, training, assignment, performance, reward, punishment, retirement benefits etc., in both categories of firms.

## CHAPTER II

### EMPLOYMENT PRACTICES IN LARGE ENTERPRISES

#### Historical Evolution

In covert violation of the strict orders of the Tokugawa Shogunate to avoid any contact with Europe, many in Japan had gained the knowledge of western technology. In the face of growing foreign threats, some progressive and influential fiefs of Kyushu displayed great interest in grasping the military potentialities of modern technology. They are credited with starting some strategic industries related to national defense, including iron smelting and casting, ship building and armaments manufacturing. Thereafter, there was no looking back for the large enterprises, which received a great boost with the restoration of emperor Meiji which signaled the commencement of rapid industrialization in Japan.

In the early Meiji years, the government became the major promoter, owner and administrator of modern industries owing to the urgency with which the industries had to be developed. Fired by the slogan going round at that time, "*Wakon Yasai*" "Japanese Spirit and Western Technology",<sup>1</sup> many enterprising people came forward to

---

1. Gordon, Andrew, 'Evolution of Labour Relations in Japan : Heavy Industry, 1853-1855', Cambridge and London, Council of East Asian Studies, Harvard University, 1985, p.62.

establish their own factories. The government's decision to sell all but a few of the government owned enterprises to a handful of favoured wealthy families was a turning point in the history of Japanese industrialization. These firms later developed into huge industrial combines known as *Zaibatus*. In the period between the last decade of the nineteenth century and the first of this century widespread growth took place in the premises of these giant industrial houses. By 1920s Japan had already graduated from a predominantly agricultural country to an industry based economy. For this significant achievement, the credit goes to the large firms who were at the vanguard of the movement of industrialization. With the rise of militarism in the late 1920's frictions arose between the people at the helm of affairs and the leaders of the *Zaibatus*. However, with the passage of time both parties realised that mutual cooperation would be beneficial to both of them. When militant nationalism was at its peak, all the big industries were taken over by the Japanese state and were used to churn out armaments and tools useful for the war machine. On the positive side the industrial output nearly doubled. However, second World War dealt severe blows to all Japanese industries irrespective of size. The two decades from the mid 20's to the conclusion of World War II were quite eventful with regard to Japan. As Herbert Passin, puts it, "two decades are less than a generation in the usual reckoning, but in

terms of what had been achieved during this brief time, they are perhaps the equivalent of three to four generations."<sup>2</sup>

The occupation regime which took over the reins of administration of Japan was instrumental in bringing about a complete overhaul in the gamut of industry. It proceeded on to take hitherto unthinkable step of dissolving the *Zaibatsus*. However, the beginning of cold war between the two super powers necessitated a change in the American policy towards Japan. Benefiting from this turnabout, the giant industrial houses, who were in complete disarray regrouped again and in no time bounced back to their pre-war dominant position.

After Japan capitulated on August 15, 1945, the imitation of U.S. industries was set as the desirable target for Japanese industries trying again to stand on their own feet. A number of industrial reports were made available by the MITI (on the United States) and licensing agreements were signed so that the technological knowhow would be available for use in Japan. In the early stage of post war economic development, key industries like iron and steel, ship building etc, were heavily subsidized by the government so that they have a strong foundation to be

---

2. Yoshino, M.Y., 'Japan's Managerial System : Tradition and Innovation', The MIT Press, Massachusetts Institute of Technology, Cambridge, Massachusetts, London, 1968, p.29.



able to withstand the stiff competition outside Japan later. Later government's attention shifted to new areas where currently small industries are quite active, i.e. electronics and electrical equipment, precision machinery, plastics etc. The highlight of the post war development of large industries was the government functioning as a caretaker of them in warding off threats to their growth and ensuring that they remain financially viable.

### Domains of Activity

Having done a brief review of the history of large corporations their nature of activities comes next. Overall, of the total output of all the heavy industries their products constitute a lion's share. One can safely draw a conclusion that a significant number of large industries tend to concentrate on heavy industrial products. According to the information given from the chart in the appendix section, it can be observed that almost all these fields in which large firms account for nearly 50 percent or above, of the total output, come under heavy industries, e.g. general machinery, steel, transportation equipment etc.<sup>3</sup> They command in the sectors of leather and leather products and, that of textiles and apparel. Following reasons can be ascribed to it. First of all, all those spheres which are overwhelmingly dominated

---

3. Ibid, p.35.

by the large industries, like for example, steel, electrical machinery, petroleum, coal etc. requires many hands to cater to the multiple requirements of these industries. It is quite difficult to set up firms aimed at output of this nature with limited resources and still more difficult to manage them as small factories employing only a few hundred hands. On the other hand, with the necessary technical knowhow and favourable market conditions, small and medium sized firms have taken to hitherto large industries concerns like metal products and general machinery with a vengeance.

Though it is the large enterprises which more often than not catch the attention of one and all outside Japan, the labour force employed in these firms accounted for only 11.6% of the total workforce in establishments of all sizes. The corresponding number was 5,676,241 out of a total of nearly 49 million in 1986.<sup>4</sup> The small scale industries alone accounted for a staggering 76.7% of people employed by firms irrespective of size. It is not surprising, of course, considering the fact that small scale firms consist of 99.4% of establishments of all sizes, whereas the distribution of large enterprises are only 0.1%.<sup>5</sup> It is generally taken for granted that large

---

4. 'Japanese Working Life Profile', 1991-92, The Japan Institute of Labour, p.63.

5. Ibid. p.35.

firms offer the best terms to the employees in the matters of wages, working conditions, level of training and above all prestige and job stability. All the features which are typically Japanese in the eyes of outsiders i.e. life term employment system etc. are infact associated with the large enterprises. Therefore, it is quite natural that the employees on the rolls of large factories enjoy a range of benefits which their counterparts in small and medium sized firms can never aspire to. Ofcourse the overall qualifications of the former call for such a treatment taking into account the rigorous examination process which they pass through at the time of joining. There is greater probability of an average worker of a large industry being more talented and efficient than that of a smaller company than vice versa.

TH-4406

#### Process of Recruitment

An elaborate and rigorous process of selection is in practice in large enterprises to identify and recruit so that the brightest and the ablest among the vast pool of job seekers may join every year by April. Generally fresh college graduates, otherwise called "virgins"<sup>6</sup> in the management vocabulary, are preferred to zappers, i.e. who have left their former work places in search of better

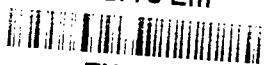
---

6. Kimindo, Kusaka, 'Dawn of A New Employment Era, 'Japan Echo', Vol.XV, No.3, 1988, p62.

Diss

331.1280952

V2775 Em



TH4406

N45

21



prospects. Coming to the method of recruitment, greater dependence is put on certain processes inherent in the broader social system, e.g. the relation between student and teacher in the universities and on qualities of character and background not directly related to work position. Less attention is given to those qualities of the individual and methods of selection e.g. aptitude and personality tests which function in isolation from the social system and are evaluated in terms of potential performance in a specific job context as required.

The most widely prevalent process of selections starts with advertisements appearing in the notice boards of prominent universities and technical institutions apart from newspapers. Many firms send their own staff to conduct campus interviews and enlist the most talented to join their respective firms. However, this process is followed more for filling up less important vacancies rather than prominent ones, though there are significant number of exceptions. The selection of university graduates is watched most closely by top management and in a sense by the nation, for October, the examination month for the companies, is a critical time for many families throughout Japan.

Coming to the various steps that constitute the selection process in large factories, these are designed to eliminate rather than measure, to reduce the number of

candidates rather than probe out adequate candidates from a large group. The entrance examination involves written tests in the candidates special subjects, and for those non-technical educational background candidates translations from English and a personality test to probe the various aspects of the candidate's personality is administered. Those who overcome this hurdle are further screened by interview. The interview assumes much significance owing to the anxiety of the employers to know about the real intention of the youngsters for joining their company in particular. That is because in Japan, nobody expects college graduates to be useful to the company from the day they join. At job interviews the applicants simply affirm that if the company will teach them the job, they can do it as well as the next person; in other words, they put most of their effort into demonstrating how eager are they to join. As the employers are interested in candidate's "motive for application"<sup>7</sup>; if applicants are unable to express this with enough conviction, they will simply not be taken in. In short it is more important for candidates to sell their enthusiasm than their ability or competence.

The ultimate step in selection in several large factories is a personal check, a rather more elaborate

---

7. Ibid., p.63.

investigation into the personal circumstances and family background of otherwise suitable applicants. This is usually entrusted to an professional agency which specialises in such matters as making discreet enquiries from teachers and if possible neighbours just to make sure that there are no indications of hereditary disease, mental instability or dissolute tendencies in the family which might suggest that the youngman is a bad risk. Since the interview is a major part of the selection process, relatives of members of the firm or the sons of important customers are given a slight preference, but only if all other considerations are all but equal;<sup>8</sup> if, that is to say, they seem to be of adequate ability. However, all these take place very rarely.

One basic requirement of Japanese employment system is that employees stay put. If the talented employees were to seek greener pastures, leaving only mediocre workers behind, the company would stagnate. To ensure a stable workforce the company demands absolute loyalty from its employees. It is for this reason that Japanese companies so insistently question candidates on their motives for applying. The primary purpose of the job interview in fact, is for the company to ascertain whether the

---

8. Dore, Ronald P., *British Factory - Japanese Factory : The Origins of National Diversity in Industrial Relations*. University of California Press, Berkeley, LA, London, 1973, p.50.

candidates really want to join the group.

Taking a wholistic view, it will not be incorrect to say that the degree is the ticket of entry into managerial ranks in Japan. An interesting sidelight is that the Japanese universities are steeply graded in reputation. People hired include not only specialists in business, economics and law, but also in engineering and science. Large corporations think it wise to recruit graduates from diverse sources because the needs of manpower have become more diverse. In practice, however, graduates of universities placed at the top of the hierarchy are accorded more preference than others. Besides this form of open selection, in some cases the owner picks up youngsters either from his birth place or from among his kinsmen or friends.<sup>9</sup>

### **Training**

The newly recruited graduates, called "golden eggs" by many in a lighter vein, gain experience and acquire technical skills by performing various jobs within the enterprise. To be more specific the large firms in Japan practice (a) in-house education and (b) on-the-job-training (OJT). Secondly workers in these enterprises experience working at virtually all the work stations and

---

9. Kurio, Yoshihara, 'Sogo Shosha : The Vanguard of the Japanese Economy', Tokyo, Oxford University Press, p.230.

they are transferred to technically related workshops. Thus the worker is exposed to various functions of an enterprise and acquires skills of various nature. The duration of training varies from one firm to the other. But in most enterprises, the new recruits are imparted training more or less for two years. In many workplaces, the trainees have to attend collectively induction courses which usually includes, visits to some of the firm's manufacturing units, lectures on the structure and history of the company, together with a few broad lectures on management science and engineering technology. In most cases, the course is not concerned merely with the cognitive process of getting to know one's way around the firm, but more particularly with the related process of being socialized into the firm's community. Many large firms have dormitories for all their students and entrance to these schools is by competitive examination taken by technical high school graduates usually 3 or 4 years after entering the firm. Besides this the factories organize a large number of special adhoc training courses. A handful of promising young men are picked up from within the firm itself, and they are given the best part of a year to prepare themselves, partly by self-organized study, partly by taking courses available. Special classes are held usually for a few hours a week for foreman who would be supervising the machine shops making parts. Simultaneously, a different set of classes are held for a



group of stalled workers. These classes are usually held after work hours and are paid for at overtime rates. Apart from formal training there are also professional 'clubs' as they might best be called. The main functions of these clubs : to read the papers which the graduate trainees write at the end of their training period, publishing journals, holding competitions etc. Many large firms encourage their employees to take part in the 'Skill Olympics',<sup>10</sup> the competitive tournaments, primarily in engineering skills, which are a secondary feature of the competence raising system. It has also been discerned that the larger the firm, the higher the quality of internal training. Thus it might be inferred that the working career of a blue collar employee in a large firm includes a wide range of technologically related positions than may be available to similar employees of small firms. On the whole employers in Japan see training as a means of getting their employees to do better the job they are pretty well committed to doing any way; they resort to internal training as purchase of necessary skills in the market is not normally considered a plausible option. That is why the new members are trained and cultivated as carefully and solicitously as a gem is shaped and polished by a diamond cutter. No effort is spared to correct their

---

10. Japanese Industrial Relations Surveys : Employment and Employment Policy, Japan Institute of Labour, 1988, Tokyo, p.11.

shortcomings and to develop them into talented and superior workers. A significant amount of funds have usually been earmarked in each large firm for the purpose of imparting training to young recruits. Since, in a sense whether a new recruit will serve the company for life or not depends on building an ideal employee emotionally attached to the company, training courses get much significance in the managers' scheme of things. Hence, a significant portion of the budget of each company is earmarked for this purpose. If the Japanese have been able to build upon an enviable system of management, the credit should go to the elaborate process of training.

Even after the new entrants finish off their training, their official designation of 'trainees' remain until they present the formal 'graduating paper' to the manager's study group. Only after that they are assigned and despatched to their initial places of work and with this they move into the lower management work proper as planners. Many of them are at first posted in less responsible departments like accounting. Their jobs in the early stages are usually quite humble, for instance, a technical graduate may well spend most of his time working as a draughtsman. On the administrative side, though more frequently changed with draft planning exercises, a man may find himself given jobs which could well be done by far less qualified people. One explanation of such a

policy being in practice is that in order to avoid risks associated with new entrants being entrusted with sensitive jobs the managers want to remain on the safe side. The second is that later in their careers the managers have a reasonably intimate knowledge of the actual work of those whom they supervise.

Although assessments vary, the majority opinion outside Japan, especially in the west holds that the so called "three pillars"<sup>11</sup> of Japanese Industrial Relations, namely, lifetime commitment, seniority wages and enterprise unionism are behind the rapid growth of Japanese economy. Of these the wage structure in Japan baffles many as according to them, it is against the spirit of payment according to merit. In all large plants the pay system can be called nothing but complicated. Base or standard pay never accounts for more than half and sometimes constitute only one-third of the whole amount of salary. The employees are paid a series of additional allowances, based on factors bearing no relation to work performance or factory output, which comprise the larger portion of the workers income.

### Lifetime Employment System

The lifetime employment system has been viewed as an

---

11. Shirai, Tashiro (Ed.), Contemporary Industrial Relations in Japan, Koike, Kazuo, 'Internal Labour Markets : Workers in Large Firms', p.29.

expression of Japan's traditional cultural values that emphasised paternalistic relations between superiors and their subordinates. Though culture may have provided the model for lifetime employment system, this was actually established self-consciously after World War I by employers who sought a stable workforce for their firms. Westerners have come to see this practice as a striking symbol of a unique industrial relations system in Japan. Until recently, Western observers viewed it as an extension into the modern era of feudal principles that dominated preindustrial Japan. This view has been shown to be false as it is now recognized that employer changing was quite high in the early period of Japan's industrialization. It was not until after World War I that the system had its beginning primarily among white collar workers. At this time, management sought to reduce the loss of skilled workers who were in short supply. The system received a boost during the inter-war period at which time employer changing was discouraged. It spread to blue collar workers in large firms after World War II as workers and unions tried to improve employment security during the chaotic early post-war period. Although the lifetime employment practice may be seen as having traditional elements, in terms of drawing upon selected preindustrial values and practices, its evolution has been characterised by the pragmatic application of this tradition by the various parties to the labour market.

## Seniority Wages

In fact, they are set at a level where employees are just able to support themselves and are increased gradually according to the age and years in service. Even after, 10, 20 or 30 years with a company, most employees still receive just enough to get by. The economic fruits of these employees tireless efforts on the company's behalf are not channelled into pay raises but salted away by the corporation as "retained profits" or "internal accumulated assets".<sup>12</sup> This is not to say, however, that the workers are exploited. In due course, the company regurgitates this accumulated wealth to look after its loyal, hard working employees in their old age. In other words, Japanese employment practices call for employees to be paid only enough to spare them any real hardship for most of their career and to be rewarded the actual remuneration for their work after retirement. Given this system, it is only natural for young recruits to be less interested in salaries and pre-retirement benefits than in how the company will provide for in their old age.

Reasons for such practices can be traced back to the years in the aftermath of World War II, when the domestic market gobbled up as much as Japanese Companies could supply with their limited technology and capital. If at

---

12. Kimindo, Kusaka, N.6, p.63.

that stage companies had immediately recycled all their profits into wages, they would quickly have yielded their market share to the competition, and all their employees would have been out on the streets. Aiming for rapid growth and a secure market niche, they withheld immediate remuneration, emphasizing instead on ethic of loyalty to the group, joint assets and deferred payment based on mutual evaluation. This proves such a powerful and effective strategy in that particular stage of industrial development that only the companies that adopted it were able to survive.

As a result, it has come to be viewed as the Japanese style of wage system. Under this system where salaries are calculated on the basis of what one needs to live, none is likely to receive substantially more than anyone else. Under these circumstances, one can hardly expect employees to sustain an interest in their salaries. Handing their pay checks to their wives who manage the family budget single handedly, they spend their off hours socializing with co-workers in order to improve their standing in the group, their sights set on the post-retirement prizes and perhaps even a seat on the board of directors.<sup>13</sup>

Inspired by this philosophy the worker is pampered

---

13. Ibid, p.65.

with a variety of monetary and material benefits. The allowances that are paid to the workers include work allowance, allowance based on attendance, family allowance (more for employees having large families), age allowance (a salary increment based on age alone), a somewhat ambiguously called 'temporary' or 'special' allowance. Most of the large corporations, although conspicuously lack the time study methods and detailed cost analysis, have derived a base figure for 'efficiency' usually referred to as standard output. When output exceeds this standard figure the plant is said to be operating at more than base efficiency; and from this estimate is derived the basis for paying the labourers a productivity allowance.

Survey reports of pay records indicate that output in large companies generally exceeds the standard output rate. Consequently, the large plants nearly always pay a productivity allowance. Job-rank allowance is also paid in many large enterprises. Companies with several factories in various parts of the country pay an additional "regional" allowance to adjust for differences in living costs in the different locations. The amounts of these allowances are increased once a year for staff people and twice a year for labourers.

Twice a year, at mid-summer and just before the New Year bonuses based on the success of the company are given

to all the workers. They form a partial redistribution of wealth, treating the working community as a whole. The summer bonus may range from one to as much as three month's normal monthly salary or wages, the end-of-year bonus from one to six months normal pay.<sup>14</sup> This bonus is at present very much a part of the regular wage system. However, in the years of recession (1992-93), the rate of bonus and other increments get reduced but not eliminated. This rate and rate reduction differs from company to company. Employees expect a bonus and organize their living standard around the payment of a bonus. Since its size is a determining factor in department store sales and vacation expenditures, the nation as a whole watches with considerable attention the bonus scale for industry for semi annual period.<sup>15</sup> The bonus payment for each period is the subject of extensive negotiations with the union, ordinarily over the total amount of money to be allotted for bonuses. This bonus is taken for granted that it may be basically a gift from the firm to the workers of but not an obligation or duty as wages must be seen.

#### Welfare Corporatism

The most distinguishing feature of Japanese

- 
14. The Hindu (Madras), 10 October, 1973, 'Company Communities' (News report).
  15. Abegglen, James C., 'Management And Worker : The Japanese Solution', Sophia University, in cooperation with Kodansha International Limited, Tokyo, 1973, p.107.



employment system, to many observers is what is called "Welfare Corporatism".<sup>16</sup> In other words, this stands for company treating the employee and his family members as members of the extended family of the firm and taking steps in the direction of their welfare i.e. otherwise called 'corporate paternalism'.

The welfare oriented activities of the company cover many aspects of the employee's life which are private in nature. For instance, if the worker falls ill, he will be covered by the company health insurance and in some firms treated in the company hospital. If the wife falls ill, the companies in most cases go to the extent of paying for a housekeeper to be brought in to keep the home running so that the husband can continue in work.<sup>17</sup> If the husband works in an efficient company, there are many special occasions when the family can be sure of forthcoming financial help. Weddings are paid for and introductions are arranged if the man or woman is too shy to help, and so does moving to set up house. If there is a death in the family there is a gift of money to cover most of the funeral cost. If the employee is without a suitable residence then the company comes forward to arrange for one, either through direct channel or through the

---

16. Tashiro Shirai, N.11, p.36.

17. The Hindu (Madras), 10 October 1978, Company Communities (News report).

different housing cooperatives which abound all over Japan.

Moreover, the typical large company's involvement goes well beyond even these matters. It gives classes to wives of employees in flower arrangement, classical dance, cooking, home making, family management, arts etc. The company also participates in the shrine festival (a religious ceremony) which usually brings together all the employees enlisted in the firm. The basic philosophical motivation behind all these activities is that the company is the worker's family. As in the family, the incompetent or inefficient members of the group is cared for, a place is found for him and he is not expelled from the group because he is inadequate.<sup>18</sup>

### Leisure

The Japanese workers in large firms also avail a number of holidays so that they can take rest and enjoy in the company of their kith and kin. Apart from Sunday and other 5 national holidays, one week vacation during New Years period is granted to all workers. May Day and a religious festival day at the company shrine are also holidays for the entire plant. Staff and labourers receive additional holidays and further paid holidays are given

---

18. Abegglen, James C., N.16, p.141.

for marriage, child birth, deaths of family members, anniversary of the death of spouse, children or parents, severe illness of close relatives, performance of public duties and natural calamities.

#### Intra-firm Mobility

There is some movement of younger people from small to large companies owing to a variety of factors which include better work conditions, higher pay, greater scope of improving one's skills and prestige associated with large firms. Even between large companies there occurs some movement of specialists who are in temporary short supply. In this context, the positive effects of intra-firm mobility should not be minimized. The ability to deploy the workforce within the company to meet requirements no doubt helps explain the capability of Japanese companies to respect urgent orders. Many workers on the pay rolls of big enterprises are 'posted' within the firm from one factory to another for months or years at a time. But this step is resorted more as a response to recessionary trends than as part of the normal movement of personnel among sister concerns. This is because of the unwritten agreement between the employer and employee that when the chips are down both of them are expected to share difficulties equally. Most Japanese employers still share the view expressed sometime ago by Sazo Idemitsu, Chairman of the Idemitsu Kosan, an giant oil company, "If they (his

employees) must become beggars, then I too will share their fate and become a beggar."<sup>19</sup> That's why instead of laying off the employee, the employer just sends him to a distant workplace and the former takes it lying down as he has also to share the hardships faced by his employer. In many instances, workers are 'seconded' for a period to other firms which are in a semi dependent sub-contracting relation to the large firm. This device is often utilised in order to help these sub-contractors to fulfill their orders as to take up surplus men. Large industrial plants everywhere find it necessary to adjust their workforce with changes in product demand and manufacturing methods. Some workshops decline in importance, while others need to expand. Temporary transfer is one of the methods employed in Japan to accomplish adjustment between a cluster of similar and related workshops. Large firms are apt to have both temporarily growing and declining workshops, between which temporary transfers are made. Thus the number of lay offs is remarkably low. As might be expected, a temporary transfer in Japan can be made even between remote workshops where the required skills are dissimilar. Although this system contributes substantially to employment security, it affords a worker little opportunity for developing skills, whereas transfer among

---

19. Yoshida, K, 'Recession might Force Changes For the Traditional Job holder', International Herald Tribune (Paris), 23-12-79.

workshops performing related work provides them with better opportunities to expand their skills and in addition, facilitates the firm's capacity to adjust to changing needs.

Coming to the topic of wages earned by employees in large firms, one noticeable feature is the high pays that these employees carry home vis-a-vis the salaries of their counterparts in other developed countries like the U.S.A., Britain or Germany. The pay system in Japan rests on the base pay formula, which is not determined by the kind of work done, efficiency, flexibility i.e. worker's capacity to perform his or other's work, but is a function of age and education, as illustrated before. It is the various kinds of fringe allowances and bonuses which constitute the lion's share of an average employee's monthly salary. In the aftermath of 'take off' of Japanese economy, the workers even in large firms were getting very little in comparison to those in the west, the fact which had prompted Ronald Dore to call the Japanese system 'a hypocritically devious form of exploitation'<sup>20</sup> by paternalism. However, as Japan marched on the path of prosperity, her economic achievement filtered down to the workers. After the shocks dealt by the 1973 - oil price rise, the wages offered by big enterprises continued to expand in the 1980's and to an extent it is continuing to

---

20. Dore, Ronald, N.8, p.265.

this day, though for the time being hit by recession. One marked feature of Japanese pay system is the flexibility displayed by the management regarding wage changes, much more than in U.S.A. and other West European countries. As a result, the workers of large enterprises take fatter cheques than those in other industrially developed countries, a long way since the *Sohyo's* aim in 1963, that is "wages as high as in Europe".<sup>21</sup>

### Workhours

It is a well known fact that work hours are quite long in Japan and since the 1973 oil crisis, there has been no serious effort for them to be shortened. A number of explanations can be offered for this strange phenomenon. According to the Japanese Ministry of Labour the average Japanese employee worked 2,044 hours in fiscal 1990.<sup>22</sup> It was higher than that of U.K., U.S.A., France and former F.R.G. Due to the widespread practice of free overtime it appeared that 30% of male workers were in fact working for as many as 2,500 hours per year. Though the portrait is brighter in case of large enterprises in the sense that large companies introducing 5-day work week outnumber small companies adopting the same policy, the matter no doubt is serious. It is no denying the fact that

---

21. Shirai, Tashiro, N.11. p32.

22. Social and Labour Bulletin, No.2, June 1992, International Labour Office, Geneva, p.188.

the Confucian value of devotion to work exercises great impact on the employees. For instance a Japanese saying hung in gracious calligraphy in a Hitachi Committee room is like this : "Dark is the life where there is no kindness; decadent is the society where there is no sweat".<sup>23</sup> A combination of factors which include among others low dissatisfaction about work hours, workers abstention from paid annual leave, providing unpaid overtime, low absentee rate, company life extending beyond working hours are behind such a state.<sup>24</sup> Going into the details of some of these factors, surveys indicate that only 20% of the workers take their full quota of annual holidays.<sup>25</sup> R.C.A. executive Charles Jennings adds, most Japanese staying back in their workplaces for more time after the regular workhours may "have something to do with the ancient concept of loyalty to one's feudal lord. The peasants served their lord unquestioningly and received protection in return. Today the company has become the lord."<sup>26</sup> All this has earned derisive compliments from a jealous West. For instance a 1979 European community

---

23. Dore, Ronald, N.8, p.240.

24. Yoko, Sano, 'Japanese Work Hours', Japanese Economic Studies, Winter 1989-90, Vol.18, No.2, p.

25. Hazlehurst, Peter, 'All work And Little Play Makes Japanese Neurotic', Times (London), 25 June, 1981.

26. Jameson, Sam, 'Japan Workers Unreceptive to 5-day Week Experiment', Internaitonal Herald Tribune (Paris) 21 March 1977.

Report described Japan as a nation of 'workaholics' living in rabbit hutches.<sup>27</sup> In one voice EC delegates in Brussels in October 1991 blamed the ongoing trade imbalance on Japan's long working hours.<sup>28</sup> The scenario, however is rapidly undergoing swift changes for the better especially in large enterprises.

### Promotion

The criteria for promotion in large Japanese factories is similar to large corporations in the Western countries - skills and personal qualities. However, in Japan there is an added dimension - that of age. Unlike in the West, in Japan there is less suggestion of "buying a man over" in the promotions. Each promotion is an elaborate process in the sense that extensive dossiers and records of earlier merit ratings for each of the possible candidates are checked thoroughly, recommendations of immediate superiors and department heads are checked and possibly questioned at a higher management level before appointments are made.

From the day one the newly recruited employees of large factories tie their star to the collective efforts of their group. No rivalries divide them; all pull in

---

27. Bangladesh Observer (Dhaka), 17 June, 1989.

28. Shimada, Haruo, 'Overdoing It', 'Look Japan', vol.38, No.433, April, 1992.



harmony to contribute to the pool from which their post-retirement benefits will be distributed. All major decisions regarding the allocation of posts and other rewards within the group are made with the understanding and approval of the members. Having observed one another for years, they are able to reach a consensus on who is to be given the greatest responsibility, confident that these leaders will look after their interests.

As the relationship between age and rank is a very close one in the Japanese firm, it can be generally stated that it is not possible to promote a man to a rank where he will be in authority over persons substantially senior to himself. By the same token, it is necessary to promote a man to some extent when he reaches a sufficient chronological age. The seniors and juniors in these factories share a *Oyabun-Kobun* or Parent-child relationship unlike in the west where the employer and the employee share a contractual relationship.<sup>29</sup> In many factories, the system of career promotion blending the twin criteria of performance and seniority, ensures that there is not too wide a gap between expectations and appointments. After a few years in service, the 'outstanding' and 'ordinary' among the new recruits are

---

29. Okimoto, Daniel I and Rohlen, Thomas P. (Ed.) 'Inside The Japanese System : Readings on Contemporary Society and Political Economy', Chie, Nakame, 'Hierarchy In Japanese Society', p.11.

earmarked and the former are prepared for shouldering greater responsibilities. This system is popularly known as the 'internal promotion type' of career pattern. The reward system in these firms for semi-skilled assembly workers, is designed to reward a continuous improvement and individual workers' quality performance. Daily quality performance is monitored, and drawn into graphs and displayed prominently in front of each assembly worker. These serve as the basis for promotion to senior levels which are associated with higher pay and status, and various other intrinsic and extrinsic awards. The nature of competition for advancement is one characterized by perfect information and is evident that quality performance is the major criterion on which promotion to senior levels is based. This assures a continuous process of quality improvement as far as workers have control over pertinent variables toward an ideal quality performance situation.<sup>30</sup> The Chinese treatises all say, that the mark of government is frequent recourse to rewards than to punishments. So quite a number of large firms have schemes to reward their workers on putting up good shows which include suggesting for improvements in working methods, saving life in danger, preventing disaster in the workplace, out standing results in training schemes,

---

30. Reitsperger, Wolf D, 'Japanese Management : Coping with British Industrial Relation's, Journal of Management Studies, Jan. 1986.

bringing honour to the company by social and national achievements, general excellence in the performance of duties, and "being a model to one's colleagues for devotion to one's work". Rewards are graded from letters of recommendation, gifts in kind, and gifts in cash to extra holidays.

### Layoffs

The Japanese do not believe in the principle of 'hire and fire.' The management in large factories take recourse to several steps to cleverly deal with the problem of lay off at the time of recession or any kind of punishment. To be sure, lay offs were comparatively rare during the period from the mid 1950s to the early 1970s when the rate of growth of economy was relatively high. But experience during the recession of the mid 1970s demonstrated that lay offs do occur and their number in response to decrease in production is no less than in the West.

So to say, a layoff is a severe blow for a Japanese worker. For him, unlike his American counter part, there is little prospect of being recalled since there is no seniority system. Who shall be laid off therefore, is a crucial question. In order to avoid serious disputes management usually advertise for volunteers, offering an additional increment in severance pay as an inducement.

Prior to the mid-1950s when layoffs were more common if the number of volunteers did not meet the quota, management would make the additional selection, usually choosing older workers (45 years of age or above), those with poor attendance records, and those who were "less efficient". The last item in particular, tended to be used to lay off active union members such as shop stewards. In the face of strong response from the unions, the management ultimately had to retract and they have now become very cautious in their selection of the workers to be laid off. During the recession of the mid 70's, they again advertised for volunteers, but the conditions under which the workers would be laid off had been previously negotiated with the union. The focus still was on older workers, the group most vulnerable to lay off. An international comparison of unemployment by age groups indicates that Japanese unemployment tends to be concentrated among older workers, whereas a relatively larger proportion of younger workers are apt to be unemployed in European countries and the U.S. in particular.<sup>31</sup> The conclusion has to be, then that older workers in Japan have less employment security than their counterparts in the west. The government as yet has no effective policy for dealing with this problem. Its general policy on unemployment works well. Unemployment

---

31. Shirai, Tashiro, N.11, p.49.

benefits are part of the social security system, shorten-hour benefits are available when industries suffer from a recession and there are incentives to encourage firms to hire older workers. But neither legislation nor custom protects older workers from lay off. On the one hand, this may reflect the competitiveness of the Japanese industrial relations system, but it may also be a defect in the system.

To give a few illustrations of how lay offs are made, if a man is not an able factory hand, he is not fired, but he can be shifted to some routine and harmless position without damaging the firm. If a man is found to be a liability for the company even in an obscure post, he is strongly urged by his boss to seek premature retirement. This is popularly called "patting on the back". In many cases, the persons concerned opt for the same fearing the loss of prestige if they would be dismissed by the management. The need for some system of relatively harmless positions for the people who prove incompetent appears to account for some of the elaboration of positions and titles. Because it is necessary to find a niche for a man of insufficient capacity where he can perform minor functions without too greatly harming the overall effectiveness of the plant and without damaging the prestige of the individual. In addition to providing a safety value for errors in recruitment, the multiplication

of positions also makes it possible to reward individuals with tangible evidence of career progress within the confines of a single firm.

Regarding punishments meted out to erring employees many large firms follow a graded system. A reprimand requires the offender to write a *shimatsusho*, a formal admission of guilt combined with an apology and a promise to reform. A fine may be for upto half a day's pay and suspension for upto thirty days. In both cases a *shimatsusho* is also required. The final sanction is dismissal. The offences which might meet with reprimands, fines or suspension are usually listed which includes sins as slandering members of the company or having seriously disgraced oneself as a member of the company. Causes for dismissal include theft, accepting bribes, sabotage, violence, unauthorized moonlighting, convictions for a criminal offence and willful disobedience of a superior's instructions.

#### Retirement System

The older worker's problem is compounded by the retirement system. In large Japanese firms workers have to "retire" when they are in their late fifties, a requirement established half a century ago when not many of them survived to that age. Most big firms offer a synthesis scheme of lumpsum payment and pension plans.

Most employees put up with a deferred payment system in order to be able to get company's assistance in their old age. But the pension amount is increasingly proving meagre for an elderly couple to live comfortably. In today's age, Japanese life expectancy is considerably greater. As fixed costs for labour mount companies are more eager than ever to cut their paternal ties with employees at about 55, which seems to be the ideal age in the view of the management to retire their workers. But as the workers in their mid-fifties are still able to work many of them need jobs in order to support their families. In practice they don't retire. Rather, they are compelled to leave the large firms and find alternative employment in small firms. As it is not easy to locate jobs that fit their skills in these small firms, they often have to settle for employment in unskilled work at a much lower pay, whereas the skills they have acquired during their long careers in large firms are largely unused.

#### Temporary Workers

Some manpower needs can not be foreseen a year ahead and in any case the acute shortage of labour in the school leaving market has in recent years made it impossible to get as many recruits as the management want at the ability level. As a consequence the temporary worker has become in recent years a secondary channel of recruitment. Another reason for recruiting temporary workers is the unprepared-

ness on the part of the management to keep a large team of regular workers given the recessionary trends in the Japanese economy. A large contingent of easily dismissible temporary workers is a means of maintaining a flexible bufferforce against recession. Those recruited by this route are mostly under twenty five and never above 35. It is an indication of the bad shape of the companies that whereas it was possible a few years ago to recruit through this route with the promise of permanent status, it is no longer possible to do so. These temporary workers are mainly seasonal workers from farming areas, mostly in Northern Japan, housewives working part time and day labourers - who are not considered as members of the "company family" and, therefore, not entitled to the benefits usually accorded to regular employees. Besides, the large firms have on their rolls a number of temporary workers who are usually resigned to not to hope for a permanent berth in the company. Their number is comparatively less in large firms vis-a-vis the small and medium sized firms. According to a survey conducted by the Japanese Institute of Labour, they constituted only 6.7% of the total workforce in 1989.<sup>32</sup>

---

32. Japanese Working Life Profile, The Japanese Institute of Labour (1991-92), p.65.



### Recent Changes

Since quite a few years, momentous changes have been sweeping the Japanese employment system. Increasing integration of world economy is revolutionising and modifying practices followed diligently over decades. The new generation of Japanese workers have enthusiastically become wheels of far reaching changes in this domain. Being pioneers in their field large firms have come under the impact of these alternations more and earlier than small and medium enterprises. All aspects of Japanese employment system have been affected by the winds of change.

The new breed worker with radically different values and priorities than his predecessor wants due recognition of merit, ability and talent. Most of them read American management books or the new wave popular Japanese management literature devoted to propagating what has become popularly known as *no-ryoku-shugi*-the ability first principle. Other factors identified by experts for the growing opposition to 'life time employment' and 'payment by seniority' systems include rising unemployment following sharp appreciation of the yen and a rapidly aging population (which constitutes 12% of the total population), invasion of the employment market by women in recent years, absence of any legal binding to continue adhering to these policies and falling demand for people

with long years of experience. According to many observers, the employers and the employees alike are to blame for this development. The new generation worker is guided by the prospect of financial benefits. Another explanation advanced by many for such a development is "Having not gone through the trauma of war and its consequences, the new breed worker in contrast to his predecessor perceives nothing unethical in shifting from one company to the other as long as it better his lot.<sup>33</sup> The work environment is also changing because of the rising ratio of highly educated people in the workforce and the growing proportion of older people in the population. These trends are resulting in slower promotion and fewer opportunities to move into management positions, a shift advancement and revision of mandatory retirement systems to permit workers to remain with companies longer. The diminished value of college education has also brought into being what has been termed a class of "grey collar" workers. The pace of technological change is so brisk that knowledge and skills soon become outdated, and companies are driven to recruit private talented personnel from other firms. The income levels are also moving up. The younger workers are not any more prepared to dedicate themselves to the point that their own lives suffer.

---

33. National Herald, New Delhi, 1 Feb. 1988  
(Newsreport).

Different set of data indicate that younger workers are coming to perceive work as more a private than company affair. Data also indicate that men who were born before or during the war lay more emphasis on promotions and job status whereas the baby-boom generation lay stress on their income. Many young workers issue statements like "the company is only one part of life" and "the company is one thing and my personal life is another".<sup>34</sup> There are signs that more people, particularly the young want to take advantage of the strength of their country's economy and improve the quality of their lives. This has come to fore in an opinion poll conducted by the Prime Minister's Office in July 1991, when 41.3% preferred a reduction in working hours to salary increase, while half of those in their early 20's preferred more leisure time to higher pay.<sup>35</sup> Sociologists and economists are now alarmed at emerging signs that hard work and very little leisure is turning many workers into neurotic and unstable employees. A number of *Karoshi* (death from overwork) have captured headlines in various Japanese newspapers.<sup>36</sup> Stung by reproaches that the Japanese counterparts abroad, the

---

34. Koichi, Fuchino, 'Wage Earners' changing Attitudes', 'Japan Echo, Vol.XV, Special Issue, 1988, p.20.

35. Social and Labour Bulletin, No.2, June 1992, International Labour Office, Geneva, p.188-89.

36. Hayami, Akira 'The Industrious Revolution', 'Look Japan', vol.38, No.436, July 1992.

government has also been urging "economic animals" pose unfair competition to their the employees to take a "hotto uiiku" off. The big enterprises are moving towards shortening of workhours, flexible working time and holidays that could be actually taken, the recourse to the latter remedy is prompted by a recent report of *RENGO* (Japanese Trade Union Confederation) showing that more than half of Japanese workers "find it difficult to take leave."<sup>37</sup>

#### Recent Problems and Corporate Response

Inspite of apprehension expressed in many quarters about these changes adversely affecting the workers in large enterprises, one potential advantage for the workers is acute shortage of young people entering the workforce. On an average, about 13 jobs are available for every 10 people seeking work. Just a few years ago, that ratio was much lower, six jobs for 10 people.<sup>38</sup> This labour shortage is becoming acute in automobiles, chemical, construction and transport industries. This chronic shortage of workers coupled with inflation is forcing up wages posing one of the greatest threats to price stability. Managers are trying to avoid raising wages by investing in labour-

---

37. Social and Labour Bulletin, No.2, June 1992, International Labour Office, Geneva, p.189.

38. Jones, Clayton, 'Japan Labour Negotiations : Despite Nation's Wealth Workers Expect Low Wages', Christian Science Monitor, 30 March, 1990.

saving technologies. Big firms are buying flexible manufacturing systems and robots are being put to work in a wide range of jobs. They are also not showing the same flexibility in their behaviour to the pressure for wage increase.<sup>39</sup> Many manufacturers are moving production offshore or relocating to regions in Japan where surplus labour is still available. In their search for greener pastures Japanese companies have concentrated on booming South-East Asian nations, but of late they have been diversifying their investment and establishment of industries to other countries. Some observers prompted by these trends have begun painting a darker picture of Japanese economy's future. For instance, Paul Summer Ville, economist at Jardine Fleming Securities Limited opines "The Japanese economy has simply run out of Japanese. This is going to be Japan's biggest challenge of the 1990's."<sup>40</sup>

Some other components of the Japanese industrial relations increasingly loosing relevance because of being targets of younger workers and no palpable eagerness of the managers to preserve them are 'life term employment' and methods of promotion. The factors for the growing

---

39. Ono, Tsuneo, 'The Maturing of the Labour - Management Relationship and a Macro-economic Analysis of Wage Change', Japanese Economic Studies, Summer 1990, Vol.18, No.4, p.88.

40. New Strait Times (Kualalampur), 2 Aug. 1990 (Newsreport).

opposition to 'life time employment' and 'payment by seniority' include rising unemployment, rapidly aging population, invasion of the employment market by women, absence of any legal binding to continue adhering to these policies and falling demand for people with long years of experience.<sup>41</sup> As a response to these trends, the new ventures that have been proliferating in recent years are adopting a more American style of management. Neither the people employed in these companies nor the graduates seeking employment in them put much stock in the idea of being rewarded for their labour only when they reach retirement. They want to receive all they are entitled to now.

Switching to American style management means adopting an employment system that rewards ability. And the abilities that are in demand are not the same as those that have been valued until now. To begin with, "downstream" rather than "upstream", skills, in other words the ability to feel out consumer trends to develop marketable items; not just to manufacture products are being encouraged. Second, they involve intuition, more than intellect. More and more, decisions are being made on the basis of inspired guess estimate work. The courage to explore new frontiers and the ability to "muddle through" are being applauded.

---

41. The Hindustan Times, New Delhi, 1 Feb. 1988.

The "greying of Japan" - the rapid aging of the population is also adversely affecting the prospects of the big firms. Workers between the ages of 45 and 65 now make up roughly 40 percent of the labour force and in the coming years it is expected to climb further. Workers get annual pay rises according to the number of years they have been with the company, so an abundance of older workers puts a heavy burden on the pay roll. The chances for advancement of the younger workers are also stifled by a jam of older workers in positions of authority. So the management has devised a number of schemes to deal with this problem. In recent years, managers have increasingly offered older workers the chance to retire at 45 or 50 for a large lumpsum, on the assumption that they are still young enough to pursue a second career. But facing a tight job market, workers have been reluctant to take the option. In a recent Economic Planning Agency questionnaire survey of 'life style choices in a long lived society', 78% of the respondents said they wanted to be gainfully employed at the age of 65, and 35% expressed a wish to be working at the age of 70.<sup>42</sup> But having no other way out, the managers have taken recourse to harsh steps like dismissing workers and executives from their early 40's onwards. Many of those who joined the companies in the

---

42. Satoshi, Kamata, 'Life After Retirement', Japan Echo, Vol.XV, Speical Issue, 1988.

late 60's when the economy was speeding ahead and employment was booming having given their all for 20 years or so, are being transferred to subsidiaries and affiliates, where they receive only a fraction of the "deferred payment" they were led to count on. This is a flagrant violation of trust, if not any written contract. Many of these workers, used and discarded with little provision for their old age, are accepting their fate stoically. But their children see what has happened and vow not to make the same mistake. Thus, the life time employment system, considered a major strength of Japanese management and one of the secrets of its success, is shown to be just as vulnerable as anything in the West during bad times. As a result of it, there have been numerous instances like steel workers running coffee shops and ship builders making structures for Buddhist temples.



## CHAPTER III

### EMPLOYMENT PRACTICES IN SMALL & MEDIUM ENTERPRISES

Contrary to the impression harboured by most outside observers, the small and medium enterprises are the mainstay of the Japanese economy. In 1990-91 Japan had as many as 6.6 million such enterprises comprising nearly 99.8% of all the private business establishments. The small and medium firms are defined as any enterprise in the wholesale business with not more than 30 million Yen capital or 100 employees and in the retail business with not more than 10 million Yen or 50 employees, or in the manufacturing, mining, quarrying, transportation, and other industries with not more than 100 million Yen or 300 employees. Further, small industry is defined as any enterprise in the commerce and service industries with not more than five employees and in the manufacturing, mining and quarrying, transportation and other industries with not more than 20 employees.<sup>1</sup>

The significant role played by these industries in Japan's success story cannot be underestimated at any cost. Even as far back as in 1920s, the small business manufacturing textiles and sundries sprang up throughout

---

1. Promotion of Small and Medium Enterprises in Japan, Now In Japan, No.31, JETRO (Japan External Trade Organisation), p.2.

these exports in turn enabled the country to import the resources and machinery required for industrialization. Thus, small business laid the foundation of Japanese economy in the inter-war period. After the second World War, they have played a pivotal role in the growth of Japanese economy, though it is now being realized that their role has not been fully appreciated.

The important economic role of these firms has led the government to place policy priority on their support and encouragement. The sound development of small business is essential for the growth and stability of national economy and for the welfare of the society as a whole. In order to counter the numerous difficulties faced by these firms like lower productivity, less income, slower adaptation to the changes in the structure of the Japanese economy, labour shortages etc, the government enacted the 1963 Basic Law for Small and Medium Enterprises through the encouragement of self-reliant innovative efforts to promote growth and development activity. The law lays down the basis of Japan's small business policy - the improvement of productivity and other business conditions to eliminate disadvantages and raise the socio-economic standing of small business employees. The government has taken some specific measures in the direction of assisting these enterprises. A number of Government Organizations exclusively catering to the need of small business have

been set up. Prominent among them are Small Business Corporation (*Chusho Kigyo Jigyodan*), Small Business Finance Corporation (*Chusho Kigyo Kinyu Kaka*), Small Business Credit Insurance Corporation (*Chusho Kigyo Shinya Haken Kaka*), Small Business Investment Companies (*Chusho Kigyo Toshi Ikusei Kabushiki Kaisha*) and Federations of Small Business Associations (*Chusho Kigyo Dantai Chuokai*).<sup>2</sup> A program has been put into effect to modernize and structurally strengthen those small and medium companies suffering from structural relations. The government also provides guidance, consultation and personnel training in both management and technology. Moreover, these enterprises, usually accorded unfavourable credit terms, can draw funds from three government affiliated institutions and can rely on the governments credit guarantee system. A program has also been established to facilitate increased access of small firms to government and other public sector procurement. Small firms are particularly susceptible to economic fluctuations, and the increased opportunities of public jobs would help compensate for this. Policy measures have also been devised which specifically aim at the small and medium enterprises. These measures have proved to be effective for promoting Japan's small and medium firms. However, changes in Japan's domestic and external economic

---

2. Ibid., p.31-32.

conditions, moderation in economic growth, the current recessionary trends and intensified challenges from other developed as well as developing nations call for additional steps on the part of the government to mitigate the difficulties of small business.

In the small and medium sized firms, the picture is different from that of the big firms, though it is not a totally different world altogether. Many foreign observers and laymen alike tend to paint a dark picture of these enterprises from the angle of career prospects of employees. Even in the Japanese society there is a deep rooted thinking that large enterprises are excellent companies but small and medium sized companies are inferior to them in almost every respect. But if one takes a realistic view, he will have to differ with this stereotyped belief. It is because the contribution of these *chukenkigyo* towards making Japan one of the premier economic super powers can not be underestimated at any cost. Even at present, their position in the Japanese economy is noteworthy. These firms employ over 80% of the country's total work force. In the case of the manufacturing industry - the core of Japanese economy - the majority of firms are small and medium in size and the majority of workers in this industry are engaged in such firms. This labour intensive-sector of manufacturing is responsible for the greater value of shipments relative to

the capital-intensive large-firm sector. Their contribution has remained more or less at 50 per cent of the gross shipments of Japan. The foundation of this small and medium sized firms dominated Japanese economy can be traced back to the mid-50s. Since then the Japanese have emphasised helping small business to aid the poor and the lower middle class. And during this time they have virtually eradicated poverty and have been able to provide decent jobs to nearly 80% of able bodied people. What the condition of Japanese economy would have been in the absence of this vital sector, can well be imagined.

Unlike in many countries like India, where there seems to be thorough confusion about what should be the role of small scale industries and the latter are venturing into product areas which should logically lie in the domain of large scale sector, in Japan the respective roles of the large, medium and small scale sectors are clearly defined not so much by executive fiat but by 'sheer market logic'. There is neither any 'reservation' of product sectors' for small and medium scale manufacturers nor do they get any "price preference".<sup>3</sup> While the large industries concentrate on assembly, finishing and some major, highly specific jobs (like large castings and forgings in the case of automobile

---

3. Sachitanand, N.N., 'Pyramidal Industrial Structure', The Hindu (Madras), 11 March, 1983.

industry) the medium and small scale industries essentially play the role of sub-contractors and ancillaries to the parent large enterprises. Besides this many small and medium sized firms make products like hardware, pencils, thermos bottles, gloves, cutlery and of late many among them have begun manufacturing high-tech goods like calculators and watches. However, on the whole, the industrial structure in Japan is pyramidal in form with a wide base of small enterprises and a small apex of large corporations.

In many cases, some of the middle level executives in the parent unit, who are not likely to make it to the top, are transferred to the sub-contracting units at No.2 or No.3 posts so that the small unit is benefited by their managerial experience. Of course, the gesture is not totally altruistic and there is an element of off-loading of excess managerial cargo in it, but still, the small unit gains a person who is familiar with the needs of the parental unit. Sometimes, additional staff are sent to take care of vast number of orders, which the small unit can not handle on its own. In a nutshell, these firms serve as cushions for large business and shock absorbers at the time of recession, as at such times the large companies take the more pragmatic step of laying off employees in sub-contracting smaller firms rather than depriving their own workers the privilege of lifetime

employment. It provides a cheap, flexible pool of unorganized workers for which the parent company is not legally responsible. The big companies find this 'dual structure' profitable. Therefore companies, such as Toyota and Nippon Steel have many more sub-contractors than General Motors or United States Steel.

There is no denying the fact that the best students from best universities have strong preference for larger companies, however some graduating students prefer to join small and medium enterprises where they feel they can demonstrate their ability more quickly. Owners of small and medium sized firms take pride in the fact that "Big business is a class society, but we are a mass society."<sup>4</sup> In most cases, they meet the newly graduating university students and persuade them to join their companies. If the owner has great persuasive power, he attracts high calibre people. As in actuality, it is difficult for small and medium enterprises to attract graduates with a science degree and other researchers and engineers, the general practice is to take production line workers and provide them with OJT as researchers.

These firms also play a great role in the creation of new employment, offering jobs for newly unemployed and

---

4. Japan Update, NO.15, Spring 1990, 'Chukankigyo' play a significant Role in Japanese Economy', An interview with Hideichiro Nakamura, p.12.

others. They have, therefore, been contributing significantly in employing such a large number of workers. Moreover, they are just as good as large enterprises in making use of the abilities and individual talents of their employees, being able to look through the entire organisation when evaluating employees, and thus provide a worthwhile workplace. According to a report of the MITI, these enterprises have been largely instrumental in restricting unemployment in Japan to the lowest level in the world.<sup>5</sup> It said such enterprise had kept unemployment at bay by absorbing almost the entire surplus labour. The labour force leaving large enterprises in manufacturing industries moved into small and medium industries during 1981-85, which consistently absorbed 70% of such labour force, touching a peak of 81% during 1985. The survey found out that such enterprises had a strong inclination to employ middle-aged and older people as 51% of these "thought it difficult to employ new university graduates", for one reason or the other. It also notes that such enterprises employed more than 40% of the women job seekers during 1975-80 as compared to only 20% by the large enterprises.<sup>6</sup> Even now, these firms recruit a large number of women vis-a-vis the large industries. Generally,

---

5. Patriot (New Delhi), 14th November, 1987, 'Small, Medium Units Curb Unemployment in Japan', (Newsreport).

6. Ibid.



it has been seen that the smaller the size of the firm, the greater the tendency for its workers to be in older age brackets, for the proportion of female workers to increase, and for education levels to be lower. Since the mid 1970's (the immediate aftermath of the oil shock) surveys indicate an increasing gap between the large - and small and medium firm sectors with regard to these variables. In the overall greying of the workforce, the employment of older workers is increasing more rapidly in the small and medium sector. A continuing shortage of young workers is a characteristic of this sector, despite a tendency for large firms to reduce their intake of graduates since the oil crisis of 1973-74. Two explanations have been forwarded by MITI for such a phenomenon (substantial presence of older workers in small and medium enterprises). First, the rate of new entries into the workforce by older people is higher in small and medium sized firms. Secondly, as a trend of the whole working population of middle and advanced ages, 'downward movement', in which workers move from large enterprises to smaller firms, is widespread in case of the latter. The proportion of women is also higher in these firms. A major factor affecting the increased ratio of female workers is the growing number of female part-time workers who are recruited by these firms. The number of mid-career

recruits is also much higher in these industries.<sup>7</sup> Moreover, the tendency to recruit temporary workers is found more with small and medium firms than large ones. According to a survey conducted in 1989, temporary workers comprise a miniscule 6.7% of the total workforce of large companies, while in case of small and medium sized firms it is 15.4% and 10.9% respectively. That means the lesser the size of the firm, the larger the number of part time workers.<sup>8</sup>

Coming to the aspect of training, surveys have pointed out that the larger the firm, greater the internal mobility, by which workers come to acquire a wide range of skills. Also the larger the firm, higher the quality of internal training and the former have developed a more comprehensive system of skill training. The working career of a blue collar employee of a large firm includes a wider range of technologically related positions than may be available to similar employees of small firms. The difference in skills between workers in large and small firms can also be attributed to the fact that subcontract workers are mainly found alongside regular workers in high grade jobs in large firms. Sub-contract workers at plants

---

7. Koike, Kazuo, 'Workers in Small Firms and Women In Industry', Shirai, Tashiro (Ed.), 'Contemporary Industrial Relations in Japan, University of Wisconsin Press, 1983, p.97.

8. Japanese Working Life Profile, The Japan Institute of Labour, 1991-92, p.65.

of large industries can compete with regular workers at those plants for lower grade jobs, but they have not had the opportunity to develop the skills required for higher grade positions.

But the difference in skill level by size of firm does not imply that workers in small firms have much fewer opportunities to develop skills. As a matter of fact, they do have opportunities to develop skills on their own, but not as many as are available to regular workers in large firms. Contrary to stereotype beliefs, internal skill formation is quite widespread even in small enterprises. According to a 1989 survey, 63.6% small, 87.5% medium & 97.3% big enterprises offer training.<sup>9</sup> Very few small companies prefer to hire other - company - trained workers, whether blue collar or white collar. It has been found that the larger the company is, higher the proportion of in-house-trained worker becomes, but even in the smallest bracket more than a half of employees are trained in-house. Most small firms rely on internally formed skills, the bigger an enterprise, the stronger is this tendency. Not more than a quarter of big firms actively pursue external methods, most being small firms.

Wagewise there is clear difference between employees of two types of firms. In most cases wages of white collar

---

9. Ibid, p.49.

workers of small and medium sized firms correspond with that of blue collar workers in large firms. The pay scale in small industries are lower on an average by about 30% compared to the scales in big industries. Since the slowdown after 1973 - oil price rise, average pay in small and medium enterprises have seen a downward trend. The age - wage profile of the white collar workers of small firms and blue collar workers of big firms are similar suggesting that the internal promotion type career pattern is in vogue here. Normally, the wages of labourers are stable until middle age irrespective of size of firm, after which they decline somewhat. The wage difference of blue collar workers in big and small firms come mainly after mid-thirties or after 10 or more years of service.

One explanation for the wage difference between big and small firms is unionization level. Workers in small firms have difficulty in forming unions because of the enterprise union tradition and the small number of potential members in each firm. It is true that, the smaller the firm, the lower the ratio of union members to total number of employees - less than 10% in firms with 30-99 employees and only a negligible amount in firms with fewer than 30 employees. In fact, a somewhat sophisticated explanation of the high growth rate of Japanese economy emphasizes its dependence on the availability of a vast corps of workers in small firms who are paid far lower

wages and have poorer working conditions than in large firms. This explanation asserts that the large enterprises make use of lower wages paid in small firms in various ways (i) they subcontract the manufacture of components of their products to these firms (ii) they directly subcontract for labour from small firms, some of which even are located on the premises of the 'host' corporations, (iii) when they have to reduce production and workforce, the employees of the subcontracting firms are laid off while their regular employees enjoy the so-called 'lifetime commitment'. Thus the conclusion is that the Japanese economy was able to grow as rapidly as it did at the expense of a large number of employees of smaller firms, and it does not sound insensible.

The most common explanation of Japanese wage differentials by size of firm is based on the labour market. It applies the so called "Lewis Model"<sup>10</sup> to the Japanese situation which suggests that the vast wage differentials, occur when labour supply generally exceeds demand. The conclusion based on this model applied to Japan is that there was an "unlimited supply of labour" until about 1960. Another explanation of wage differentials also relies on labour market conditions - the "Reder hypothesis"<sup>11</sup> that suggests that the tighter

---

10. Koike, Kazuo, N.7, p.93.

11. Koike, Kazuo, N.7, p.94.

the labour market, the smaller the differentials. Payhikes and bonuses are less in small and medium sized firms. On an average, the bonuses in small and medium enterprises are one third less than those in big companies. Non-obligatory welfare allocations are similarly graded. In addition to this, while in most major firms wage is increased at spring labour offensive (*Shunto*) and the increase amount is more, in case of medium enterprises it is less and small companies the least. According to Ministry of Labour Sources, 1990, small enterprises offer least number of paid holidays (on average), i.e. 13.4 in case of small 14.7 in case of medium and 17.4 in case of big enterprises.<sup>12</sup>

Several surveys point out that in smaller enterprises, workers work more and 6 day work week is adopted more by small enterprises and then medium ones than big firms. According to a survey conducted in 1990, 38.6% small, 17.5% medium and 3.2% big firms are continuing with 6 day work week policy.<sup>13</sup> The Japanese government, through its 'administrative guidance' mechanism has been applying pressure on Japanese business

---

12. Japanese Working Life Profile, The Japanese Institute of Labour 1991-92, p.44.

13. Ibid, p.45.

firms to 'internationalize' working hours.<sup>14</sup> In the governments view, it is desirable to bring Japan more in line with conditions in other advanced industrial societies. The campaign for shorter work hours is even more strongly advocated by leading sections of the union movement. Despite strong resistance in some areas of the economy, major firms have moved noticeably towards this goal. However, the small and medium sized firms are still lagging behind in fulfilling this goal.

Though the small Japanese firms pay low cash wages to workers, their area of responsibility for these workers, is very broad. It extends even to an obligation on the part of the manager of the plant to successfully arrange marriages for the female employees before they reach the age of 30 years and those male workers who are too shy to find matches for themselves. The Japanese employee is part of a very much personal system, a system in which his total functioning as a person is seen as management's responsibility and in which his group membership transcends his individual privileges and responsibilities, and this apply more to the small and medium sized firms.

Besides all these advantages, many of the labour

---

14. Chalmers, Norma T, 'Industrial Relations In Japan : The Peripheral Workforce, Routledge, London & New York, 1989, p.60.

force working in small firms go on to become the owners of the very firms where they work. It has been found that the ratio of workers who become business owners during their careers to the number of male employees is inversely correlated with the size of the firm by which the worker who moved up was employed. Nearly half of the workers in small firms with 10 or less employees become self-employed, about a third from firms with 10-29 employees do so, and only a few from the large firms ever become business owners. Data indicate that the percentage of employees in small and medium enterprises who "look for a chance to start a new business" is higher than that in large enterprises. To be specific, it is 8% in large firms whereas double of that (16%) in small and medium firms.<sup>15</sup>

A number of implications can be drawn from this mobility. First, an employee of the smallest firm does not always end his career as an employee; his chances of becoming an owner of a small business are good. Second, while he is employed by the very small firm at low wages, he is, in effect, training to be an owner, and trainees in any case receive low wages. Third, and most important, this promotion from employee to owner could augment the competitiveness of Japanese industrial society. Supported by this stream neither the size of the non-agricultural

---

15. Small Business In Japan : White Paper on Small & Medium Enterprise In Japan (1986) Small and Medium Enterprise Agency, MITI, p.20.



self employed sector nor that of the smallest business sector has declined very much in recent decades.

Re-examination of evidences have led to the finding that employment tenure in small Japanese firms is not universally short as popular writings suggest. Evidences suggest that small Japanese firms managing to survive do exhibit a tendency for longterm employment and contradicts the popular belief that firing in Japan is done mostly by small firms. Thus the common assertion that Japanese small firms operate much like casual labour markets is not entirely accurate.

However, job mobility rate is quite higher in small and medium sized firms. It is obvious that a formalized pattern of recruitment, training, remuneration, better work conditions and promotion system ensures a less mobile workforce. But smaller firms, less able to control their market, less able to weather the storms of business fluctuations have a greater mobility of labour. Two most frequently given reasons for changing jobs are 'not sufficient income' and 'bad labour conditions'. Bad labour conditions include 'long working hours' and 'heavy physical burden'<sup>16</sup>. The unstable nature of jobs, spectre of the company going out of business, poor future prospects also in many cases prompt the workers to change

---

16. Chalmers, Norma T, N.14, p.64.

their work places. To contain the desertions within a reasonable level, the managers of smaller firms, particularly firms small enough for the employer to know his workers individually, have become paternalistic in a traditional sense. Good workers are rewarded by discretionary increases in salary, sick workers are given sick payments not according to the formal published scales, but at the discretion of the employer. Younger workers in large firms move more frequently than do older workers in small firms who have been thought to be quite mobile. Separation rates drop sharply at ages 25-29. This pattern is common for firms of all sizes. Thus the separation rates of worker in their thirties and forties, even in the smallest firms, are lower than those of younger workers in large firms. The most stable workers, needless to say are those aged 30-50 in large firms.

Of late winds of change have been blowing in small and medium companies and they are increasingly resembling large firms in terms of employment practices. Market factors coupled with acquisition of substantial amount of capital by many of these smaller firms and the gradual internationalization of Japanese economy have been responsible for such far reaching changes. The recruitment procedures of small and medium firms are increasingly being streamlined and made being more organised and orderly. Personal whims and fancies of the employers and

people at the helm of affairs resulting in favouratism are giving way to recruitment based on merit. However considerations like preferring candidates of the locality where the firm is located are continuing and that is not much of a problem. The facility of providing on-the-job training has been recognised by these firms as a bare necessity and many have become able to extend this facility to their newly recruited employees.

However, utmost care is being given to two most significant aspects which have been behind the higher degree of job mobility, i.e. less pay and poor conditions of work. Many affluent small and medium firms have successfully made wide-ranging reforms in these two domains. More and more firms are adopting the 5-day work week scheme to provide more leisure to their employees. The salaries of employees in several of these firms have seen a quantum jump, especially in those enterprises who are not short of resources owing to their super success in several fields. Many are resorting to keeping a smaller but content workforce. Recently there has been an upsurge in the deployment of mechatronic equipment (robots etc.) by the small and medium enterprises. The reason for this is the shortage of skilled workers because of the inability on part of them to meet their needs. Another factor is the high productivity, great flexibility and excellent quality that these equipment can render possible.

## CONCLUSION

The employment system practiced by Japanese enterprises can be characterised primarily by its guarantee of lifetime employment to its workers. This arrangement is further complemented by the seniority wage system and enterprise labour unions. This has played an important role since World War II in bringing about Japan's high rate of economic growth. The system by which labour-management relations function within a company is an integral part of the whole Japanese management system, and is intimately related to many facets of employment control instruments.

The Japanese system exhibits both advantages and disadvantages. While on the one hand it provides employment stability, on the other it often leads to certain rigidity. Rigidity is disadvantageous for management while stability is generally more favourable. Though lifetime employment practice serves as a guarantee against future labour shortages, it also has moral and sentimental dimensions. This enables the workers to place their trust and reliance in the company which heightens sense of participation and identity with the company. Nevertheless, for the most part, company employment policies are directed towards regular employees only.

In-company job training has developed to its present

proportions because it is so necessary to each firm's productivity and managerial control. It has taken the in-company form because it has proved most effective measure for each enterprise. The company, therefore undertakes the task of adapting the employee to its needs, both present and future. This takes place primarily through on-the-job training (OJT). The main feature of this system is that more or less unskilled workers are hired directly from universities or colleges as regular employees; and then they receive continuous on-the-job training. As they become full fledged members of the company family, eventually they rise to responsible and creative positions in the company. Although there are occasional cases of demotions in position or status, yet they are rather rare. College or university graduates almost always automatically enter the ranks of white-collar workers. From among these, emerges the nucleus the company's staff which is trained for future management positions and treated accordingly. Junior and Senior high school graduates, on the other hand, become blue-collar workers. Their promotions and transfers are carried out within the scope of their assigned specialization.

Promotions in case of white-collar workers are often accompanied by transfers and in certain cases even by entirely different types of work. A very few people, however, who are not necessarily willing to ride the

automatic promotion escalator through seniority system, even refuse promotions to managerial positions.

In the past while life expectancies were short and the retirement allowance paid by companies enough to cover minimum living expenditure, a fixed retirement at age 55 was generally accepted. However since the end of World War II several changes have take place. Health care has led to a lengthening of the active working age and the emergence of nuclear family has changed the family structure. Also that, since government's old age pensions donot begin until 60, the usual retirement age is changed, therefore from 55 to 60.

It was not until after World War II that the lifetime employment system, together with seniority wage system and enterprise labour union, became a complete system as is seen today.

The feudal apprentice sytem required, for example, a young man to enter the service of his master, and thus a merchant house at an early age. There he put in long, strenuous years serving and learning the business. Only after that promotion or setting up his own establishment was possible. But the fact cannot be denied that lifetime employment system has been supported by management because it affords in keeping important workers in the company employed for a long period of time. Therefore any change

in the balance of labour supply and demand does not necessarily mean the collapse of this system.

The shift from oversupply to shortage began in the 1960s. The sharp decline in the birth rate from 1950s also affected labour demand-supply balance. Thus, since Meiji era it was for the first time that Japanese industries could not be sure of a sufficient influx of young workers.

Under the present conditions the incidence of young employees changing jobs is increasing, particularly with technical and financial specialists. However, there are a very few workers in large corporations who refuse their promotion opportunity that necessarily comes with a transfer. The Ministry of Labour indicated that nearly 12-13% of all new recruits quit within their first year of employment.

This trend coupled with similar alarming situations lends credence to the fear that the lifetime employment system is due for a radical change. Nevertheless the system is rooted in such deep seated Japanese traditional characteristics that it is difficult to predict with any degree of accuracy, what the future will bring. May be the increasing labour mobility and the growing number of individual specialists will force the lifetime employment system to adjust/adapt to these changing conditions and this may not alter the uniquely Japanese nature of the

system. Because, in the past too Japan did display its ability to adjust to crises more than once.

A variety of figures and interpretations provided in the first chapter support the conclusion that Japanese management followed relatively fair training, education and job transfer practices in the context of lifetime employment relationship, and rewarded the workers satisfactorily. In fact, wage increases in Japan have never been the cause of adverse criticism from the public or media. Rather, they have contributed to economic growth and stability through increased greater welfare, quality of life, and to the general business prosperity. It can also be said that the main pillar of support for the Japanese employment system is the availability of labour welfare benefits, national social security system and welfare measures. Since the social security system is still in its infancy, the company provided welfare practices are critically important for some more time. These measures have been, no doubt, greatly influenced by the technological changes brought about through rapid economic development since the World War II.

The small and medium firms present a different picture in these respects, though they are not poles apart from the large enterprises when viewed from employee's career prospects. It has to be admitted that candidates who are rejected by large companies or those who cannot



entertain hopes of making it to large firms usually opt for these small and medium industries. The recruitment process in these firms is not very organised and hence cannot be compared with bigger companies. In short, they serve as cushions for large business and shock absorbers at the time of recession. The number of irregular workers working in these firms is considerably higher than in their counterparts in larger companies. Middle aged and older people, women and temporary workers abound in these establishments. There is also less probability of intra-firm training due to lack of infrastructural facilities as well as paucity of resources. In the matters of wage, there is however considerable gap between what these companies offer vis-a-vis large firms. In most cases the wages of white collar workers in these industries correspond to that of blue collar workers in large enterprises. The variety and amount of bonuses and other fringe benefits are also less, which is explained by the lack of finances as well as low unionization level. It has also been found that employees have to cope with longer workhours and further the working conditions in these enterprises are abysmally poor vis-a-vis the larger ones. Though the international pressure and demand for reducing workhours and provision for more leisure, has been great, small and medium firms progress in this direction has not been quite satisfactory. Therefore it is not surprising to

find a high rate of job mobility from these firms. Apart from these disadvantages, these firms have their brighter side too. The credit for the Japanese success story after the nation was devastated in the second World War should go more to these firms. They employ as much as 80% of the country's total workforce and have succeeded in virtually eradicating poverty in Japan and spreading affluence more or less evenly. These enterprises which primarily concentrate on subcontracting activities play a vital role in the creation of new employment. According to MITI sources, these enterprises in the last so many years have been instrumental in confining unemployment in Japan to less than 3 percent that is one of the lowest rates in the world. Besides, though these firms have earned bad name for providing lower wages and not providing better working conditions, they compensate it by taking on the responsibility in matters not related to the workposition of the employee. They also excell in maintaining and enhancing the quality of products and marketing the same at competitive practices. In fact this is the hallmark of Japanese marketing success. In addition to this, many of the labour force working in small firms go on to become the owners of the very firms where they work in the due course.

The high point in this context is the all out trade war resembling almost a hate campaign mounted by Western

trading partners against Japan. A growing number of movements are raising their heads to block any further market penetration by Japanese companies; by both legal and political means. Some of the leaders of the Western countries have gone to the extent of rousing the fear of Japanese domination. For instance, the erstwhile French Prime Minister Edith Cresson had claimed that Japan was plotting to conquer the world. Bureaucrats and business leaders in the West often charge that Japan is different and has rules that are not compatible with the rest of the world. The attitude of the Clinton administration has become tougher in this respect and Japan can not hope to buy more time unless it concedes to change and appease the West by becoming flexible and transparent in its dealings.

Owing to these pressures and a worldwide current recession a process of rethinking is going on in Japan about how to make the economic system more flexible so that it can cope with crises frequently arising out of bilateral trade problems. Individual companies are taking recourse to their own mechanisms to survive and get going in the recessionary period instead of sticking to practices which many have begun terming as obsolete. Many companies are shifting their trade attention to booming economies of countries of the Pacific rim and to such areas elsewhere in Japan where labour cost is found

relatively cheaper. Many have resorted to the desperate step of drastically reducing their workforce to get out of this predicament. Firms of all categories are changing and in many cases in a quite curious manner. For example, many manufacturing companies exasperated by the mounting burden of need for financial means are cutting down bonuses and are instead issuing coupons on which the employees are advised to purchase goods from the same company's stores. On the otherhand, many affluent small and medium companies, to have a small but content workforce are accordingly increasing pay and leisure for their employees. They are streamlining their recruitment process to make it more organised, are striving hard to provide training facilities to the newly recruited personnel and increasingly favouring five day work week.

Generally speaking, a rationalization and overhaul of company provided welfare programs is now available. It can be conveniently concluded that employment practices of Japanese enterprises have played its positive contributory role as far as the issue of spread of the affluence in Japan is concerned. This also has been the thrust behind the Japanese Governments labour policy.

## BIBLIOGRAPHY

### Primary Sources

1. Information Bulletin, 1988-89, Public Information & Cultural Affairs Bureau, Ministry of Foreign Affairs, Japan, 1990.
2. Japan : An International Comparison, 1985, Keizai Koho Centre, Tokyo.
3. Ibid 1986.
4. Ibid 1987.
5. Ibid 1988.
6. Ibid 1989.
7. Ibid 1990.
8. Ibid 1991.
9. Ibid 1992.
10. Ibid 1993.
11. Japanese Industrial Relations Surveys : Employment and Employment Policy, Japan Institute of Labour, 1988, Tokyo.
12. 'Japanese Working Life Profile', the Japan Institute of Labour, Tokyo, 1991-92.
13. Promotion of Small and Medium Enterprises In Japan, Now In Japan, No.31, JETRO (Japan External Trade Organization).
14. Small business In Japan : White Paper on Small and Medium Enterprises In Japan (1986), Small and Medium Enterprise Agency, MITI.
15. 'Social and Labour Bulletin' International Labour Office, Geneva, No.2, June 1992.
16. White Papers of Japan 1987-88, The Japan Institute of International Affairs, Tokyo, 1989.
17. Ibid 1988-89.
18. Ibid 1989-90.

## Secondary Sources

### Books

1. Abegglen, James C, 'Management and Worker : The Japanese Solution', Sophia University in co-operation with Kodansha Int., Tokyo, 1973.
2. Adams, T.F.M. & Hoshi, Iwao, 'A Financial History of New Japan' Kodansha Int. Ltd Tokyo, Palo Alto, California, U.S.A.
3. Chalmers, Norma T, 'Industrial Relations In Japan : The Peripheral Workforce', Routledge, London & New York, 1989.
4. Chrichton Michael, 'Rising Sun', Alfred Knoff, New York, 1992.
5. Cole, Robert, E., 'Japanese Blue Collar: The changing Tradition', Universtiy of California Press, Berkeley, LA & London, 1971.
6. Dore, Ronald P., 'British Factory-Japanese Factory; The Origins of National Diversity in Industrial Relations', University of California Press, Berkeley, LA & London, 1973.
7. Dore, Ronald P., 'Taking Japan Seriously : A Confucian Perspective on Leading Economic Issues', The Athlone Press, London, 1987.
8. Forbis, William B, 'Japan Today : People, Places, Power'.
9. Gordon, Andrew, 'Evolution of Labour Relations in Japan : Heavy Industry, 1853-1955', Cambridge and London, Council of East Asian Studies, Harvard University, 1985.
10. Hanami, Tadashi, 'Labour Relations in Japan Today', Kodansha Int. Ltd., Tokyo, NY & San Fransisco, 1981.
11. Imai, Masaaki, Kaizen; 'The Key to Japans Competitive Success' Random House, New York, 1986.
12. Kamata, Satoshi, 'Japan in the Passing Lane; An Insiders Account of Life in a Japanese Auto Factory', Pantheon Books NY, 1982.

13. Kurio, Yoshihara, 'Sogo shosha : The Vanguard of the Japanese Economy', Oxford University Press, Tokyo.
14. Miyazaki, Isamu, 'The Japanese Economy : What makes It Tick', The Simul Press Inc., Tokyo.
15. Nishikawa, Shunsaku, (ed.) Translated by Ross Mouer, 'The Labour Market in Japan; Selected Readings', Univeristy of Tokyo Press, 1980.
16. Ohmae, Kenichi, Beyond National Borders, 1987. The Borderless World, New York, 1990.
17. Okachi, B, Karsh, B & Levine, S.B., 'Workers & Employers in Japan: The Japanese Employment Relations System', Univeristy of Tokyo Press, 1973.
18. Okimoto, Daniel I. & Rohlen, Thomas P., (ed), 'Inside the Japanese System: Readings on Contemporary Society & Political Economy', Stanford University Press, Stanford, California.
19. Richardson, Bradley M. & Ueda, Taizo (ed) 'Business and Society in Japan: Fundamentals for Businessmen', East Asia Studies Programme, Ohio State University, 1981.
20. Shirai, Tashiro (ed), 'Contemporary Industrial Relations in Japan', University of Wisconsin Press, 1983.
21. Taira, Koji, 'Economic Development & the Labour Market in Japan', Columbia University Press, NY & London, 1970.
22. Yakabe, Katsumi (ed), 'Labour Relations in Japan: Fundamental Characteristics', International Society for Educational Information Inc., Japan, 1974.
23. Yoshino, M.Y., 'Japan's Managerial system : Tradition and Innovation', the MIT Press, Massachusetts Institute of Technology, Cambridge, Massachusetts, London, 1968.

### Articles From Journals

1. Jones, Clayton, 'Japan Labour Negotiations : Despite Nation's Wealth Workers Expect Low Wages', Christian Science Monitor, 30 March, 1990.
2. Hashimatō, Masanori & Raisian, John, 'Employment Tenure & Earning Profile in Japan & the United States' American Economic Review, 75(4), Sept., 1985.
3. Hayami, Akira, 'The Industrial Revolution', Look Japan, Vol.38, No.436, July, 1992.
4. -----, Japan Echo, Vol.XVII, Special Issue, 1990.
5. Koichi, Fuchino, 'Wage Earners' Changing Attitudes', Japan Echo, Vol.XV, Special Issue, 1988.
6. Kimindo, Kusaka, 'Dawn of a New Employment Era', Japan Echo, Vol. XV, No.3, 1988.
7. Lincoln, James R & Kalleberg, Anne L, 'Work Organization and Workforce Commitment; A study of Plants & Employees in USA & Japan', American Sociological Review, 50(6).
8. Mishina, Mari, 'Hightech Automation for a Labour Shortage', Economic Eye, Vol. 11 No.2, Summer 1990.
9. Mizuno, Asao, 'Wage Flexibility & Employment Changes', Japanese Economic Studies, 16(2), Winter 1987-88.
10. Moroi, Ken, 'New Style for Japanese Management', Economic Eye, Vol.6, No.3, Sept. 1985.
11. Nakamura, Hideichiro, 'Chukenkigyo Play a Significant Role in Japan Economy', Japan Update, No.15, Spring 1990.
12. Ono, Tsueno, 'The Maturing of the Labour-Management Relationship & a Macro-Economic Analysis of Wage Changes'. Japanese Economic Studies, Vol. 18, no. 4, Summer 1990.
13. Reitsperger, Wolf D, 'Japanese Management : Coping with British Industrial Relation's', Journal of Management Studies, Jan. 1986.
14. Satoshi, Kamata, 'Life After Retirement' and Fuchino, Koichi, 'Wage Eaners, Changing Attitudes', Japan Echo, Vol. XV, Special Issue, 1988.



15. Shimada, Haruo, 'Overdoing It' Look Japan, Vol. 38, no. 433, April, 1992.
16. Shimada, Haruo, 'Japanese Labour Market : A Suvey', Japanese Economic Studies, 11(2), Winter 1982-83.
17. Shinozuka, Eiko, 'Employment adjustment in Japanese Manufacturing', Japanese Economic Studies, 15(3), Spring, 1987.
18. Yoji, Ishikawa, 'Job Market for Recent Graduates', Japan Quarterly, 35(2), April-June, 1988..
19. Yoko, Sano, 'Japanese Work Hours; Japanese Economic Studies, Vol.18, No.2, Winter 1989-90.
20. Yokedate, Aismori & Ono, Takako, 'What can Asia Learn from Japan's Personal Practices?', Japan Economic Report.

#### Articles From Newspapers

1. Bangladesh Observer (Dhaka), 17th June, 1989.
2. 'Company Communities' (Newsreport), The Hindu (Madras), 10th October 1978.
3. Hazlehurst, Peter, 'All Work and Little Pay Make Japanese Neurotic', Times (London), 25th June, 1981.
4. Jameson, Sam, 'Japan Workers Unreceptive to 5-day Week Experiment', Internaitonal Herald Tribune (Paris) 21st March 1977.
5. National Herald, New Delhi, 1st Feb. 1988 (Newsreport).
6. Rattner Steven, Japanese Managers Prove Britons can produce, International Herald Tribune (Paris), 16th December 1981.
7. Sachitanand, N.N., Pyramidal Industrial Structure, The Hindu, 11th March, 1983.
8. The Hindustan Times, New Delhi, 1st February, 1988, (Newsreport).
9. Yoshida, K, 'Recession Might Force Changes For the Tradtional Job holder', International Herald Tribune (Paris), 23rd December, 1979.
10. 'Small Medium Units Curb Unemployment in Japan', (Newsreport), Patriot (New Delhi), 14th November, 1987.

**4-1 Value of Foreign Trade Per Capita and Degree of Dependency on Foreign Trade**

	Value of Foreign Trade Per Capita (1991) <sup>a)</sup>		Degree of Dependency on Foreign Trade (1991) <sup>c)</sup>	
	Exports (f.o.b., US\$)	Imports (c.i.f., US\$)	Exports	Imports
Japan	2,548	1,918	9.3%	7.0%
U.S.A.	1,689 <sup>b)</sup>	2,036	7.4	9.0
Germany	6,198	6,059	24.8	24.2
France	3,831	4,093	18.2 <sup>d)</sup>	19.7 <sup>d)</sup>
U.K.	3,222	3,657	18.2	20.6
Italy	2,939	3,169	14.9	16.0
Netherlands	8,842	8,352	47.0 <sup>d)</sup>	45.0 <sup>d)</sup>
Hong Kong	16,996	17,285	121.0	123.1
Canada	4,783	4,702	22.1	21.8
Korea, Rep. of	1,662	1,887	25.6	29.1
Switzerland	9,168	9,908	27.1 <sup>d)</sup>	29.6 <sup>d)</sup>
Taiwan	3,742	3,100	42.3	35.0

a) Trade values divided by 1990 estimated population. b) f.a.s. basis c) Calculated by dividing trade values by GNP. Hong Kong by GDP. d) 1990  
Source: Bank of Japan, *Comparative International Statistics*, 1992.

**8-9 Unemployment: Number and Rate (1986 — 1992)**

	Japan	U.S.A. <sup>a)</sup>	Germany	France <sup>a)</sup>	U.K.	
Number (1,000)	1986	1,670	8,237	2,228	2,517	3,289
	1987	1,730	7,425	2,229	2,836	2,953
	1988	1,550	6,700	2,242	2,564	2,370
	1989	1,420	6,520	2,038	2,532	1,799
	1990	1,340	6,873	1,883	2,503	1,665
	1991	1,370	8,426	1,689	2,710	2,289
	1992 Mar.	1,360	9,242	1,719	2,854	2,652
Rate (%)	1986	2.8	7.0	9.0	10.4	11.8
	1987	2.8	6.2	8.9	10.5	10.6
	1988	2.5	5.5	8.7	10.0	8.5
	1989	2.3	5.3	7.9	9.4	6.3
	1990	2.1	5.5	7.2	8.9	5.9
	1991	2.1	6.7	6.3	9.4	8.1
	1992 Mar.	2.1	7.3	6.3	9.9	9.4

a) Seasonally adjusted.

Source: Bank of Japan, *Comparative International Statistics*, 1992; Economic Statistics Monthly.

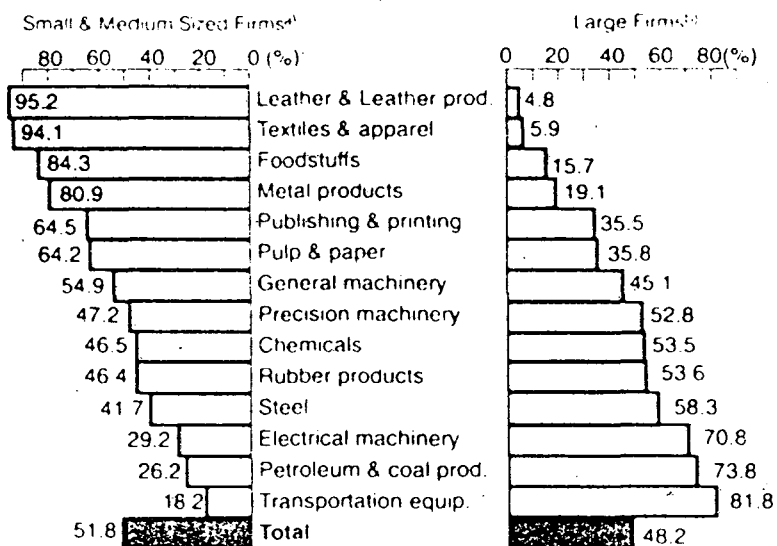
**8-10 Unemployment Rates by Age Group (1990)<sup>a)</sup>**

Age Group	Japan (%)	U.S.A. (%)	Germany <sup>b)</sup> (%)
15 — 19	7.4	15.9 <sup>c)</sup>	4.1
20 — 24	3.7	8.8	5.8
25 — 44	1.5	4.3	4.9
45 — 54	1.1	3.2	4.5
55 — 59	2.3	3.5	9.8
60 —	3.3	3.0	5.6 <sup>d)</sup>
Total	2.0	5.1	5.3
Unemployed Male, total (1,000)	770	3,525	951

a) Unemployment rate = unemployed ÷ economically active population b) 1989 c) 16-19 years old. d) 60-64 years old.

Source: ILO, *Yearbook of Labour Statistics*, 1991.  
Note: The definition of unemployed persons and the method of surveying unemployment differ by country, making exact international comparison difficult.

### 3-3 Size of Establishment and Shipment Value in Japan's Manufacturing Sector (1990)



a) Establishments having less than 300 employees

b) Establishments having 300 or more employees

Source: MITI, *Industrial Statistics of Japan*

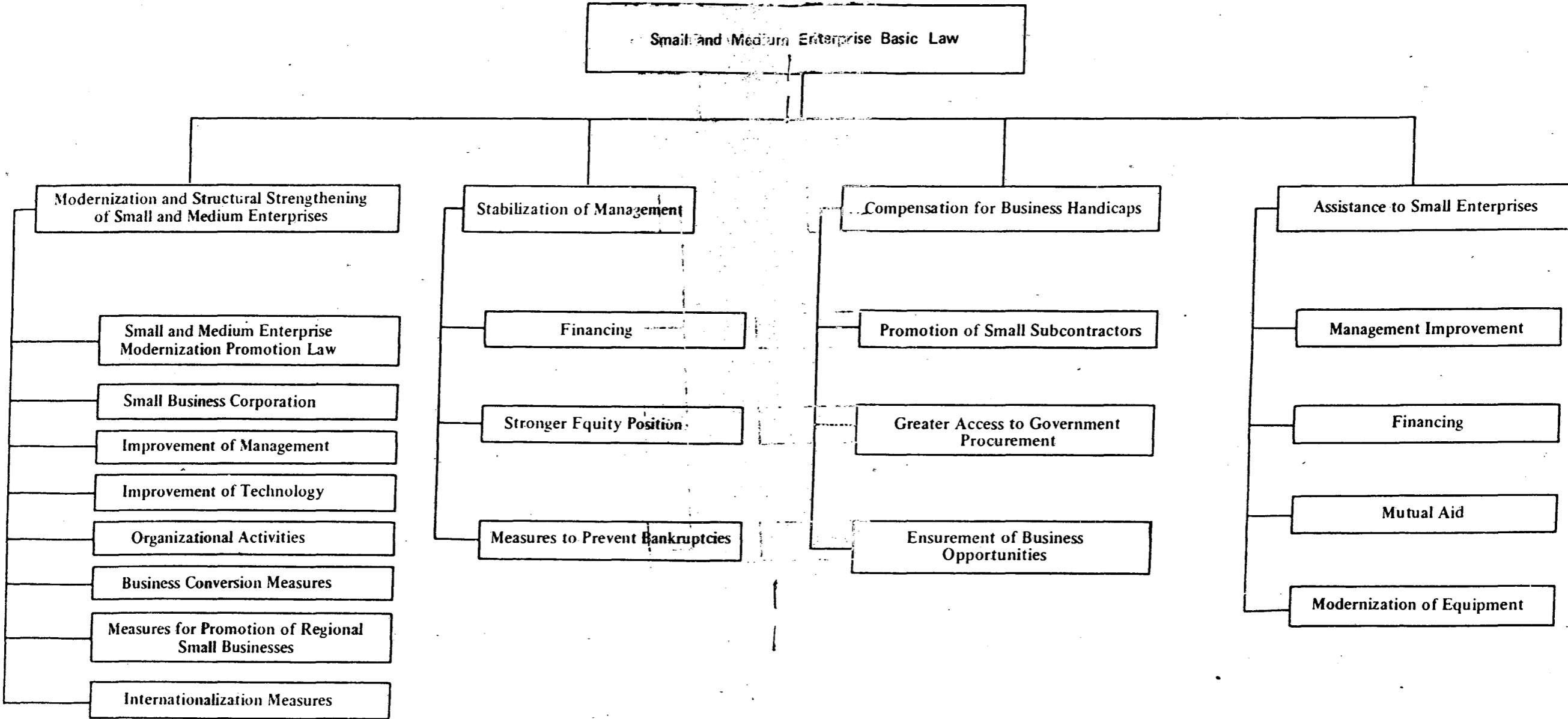
**8-4 Size of Firm and Average Annual Wage in the Private Sector in Japan (1991)<sup>a)</sup>**

	Male		Female		Average No. of Years Employed	
	Monthly Wage Total	Annual Total <sup>b)</sup>	Monthly Wage Total	Annual Total <sup>b)</sup>	Male	Female
	(¥1,000)	(¥1,000)	(¥1,000)	(¥1,000)		
Individual Enterprises	3,048	3,531	1,761	2,101	12.2	12.4
Capitalization:						
Under ¥10 million	4,292	4,936	2,197	2,534	11.7	9.4
¥10 million—	4,217	5,161	2,049	2,507	11.4	7.4
¥50 million—	4,057	5,251	1,936	2,484	11.5	6.5
¥100 million—	4,264	5,743	2,029	2,651	13.0	6.2
¥1,000 million—	4,827	6,810	2,303	3,175	16.2	7.4
<b>Total<sup>c)</sup></b>	<b>4,400</b>	<b>5,703</b>	<b>2,120</b>	<b>2,670</b>	<b>13.1</b>	<b>7.6</b>
Other Legal Entities	4,116	4,994	2,281	2,822	11.8	9.4
<b>Total</b>	<b>4,284</b>	<b>5,469</b>	<b>2,105</b>	<b>2,623</b>	<b>12.8</b>	<b>8.8</b>

a) Labor force coverage: full-time employees at private establishments. In 1991 the labor force so defined was 48.18 million people. b) Monthly Wage Total and Total Bonus. c) *Kabushiki-kaisha* or limited liability establishments.

Source: National Tax Administration Agency, Japan.

# Government Policy Toward Small and Medium Enterprises



9049