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## Introduction

### **Japan's High Economic Growth and Labor**

During Japan's postwar period of high economic growth between 1955 and 1973, the GDP grew at an average rate of approximately 10% per year. In what manner did labor drive this economic miracle? In this special feature, we analyze the relationship between high economic growth and labor in Japan from a variety of angles, and examine salient characteristics of the country's employment practices and labor-management relations.

The economic analysis in Yasuhiro Ueshima's *High Economic Growth and Human Capital* concludes that periods of high economic growth are ones in which human capital accumulates at a rapid rate. Ueshima notes that during the growth period described above, high school attendance rates grew and human capital was amassed through companies' in-house training programs. Also, as the labor market went from being oversaturated to under-supplied, there was particularly robust growth in demand for less skilled labor, and wage distribution shrank almost consistently throughout the period, bringing about a "hundred-million middle class" (i.e., virtually all Japanese are middle class) mentality. For nearly half a century starting in the 1950s, education in schools and in-house training at companies were key channels for human resource development. Schools boosted the quality of the labor force while technological innovations revolutionized manufacturing, both contributing to economic growth. Meanwhile, companies' in-house training programs can be seen as responsible for around half of the accumulation of skills by male workers, but female workers were largely excluded from the general training in which skills were acquired. For this reason, human capital accumulation among female and non-regular workers has emerged as a vital issue.

*Japan's Period of High Economic Growth and Science and Technology Education* by Akihiro Itoh clarifies the systems and processes by which higher education institutions supplied technical personnel who contributed to high economic growth. Between 1955 and 1975 the number of science and technology students nearly quintupled, and the bulk of this growth was the result of three governmental plans to boost student capacity in these fields, which are referred to as "the 8,000-Student Plan," "the 20,000-Student Plan" and "the Rapid Increase Plan." The first two of these were essentially a part of Japan's manpower strategy aimed at achieving economic growth. However, even amid favorable economic conditions the implementation of these plans did not progress smoothly, and the government was forced to provide massive financial support for these institutions in exchange for cooperation with the plans. The government formulated these strategies for reinforcement of science and technology in response to demands from the industrial sector, but the bulk of growth in science and technology capacity took place at private universities. Amid consistently strong demand for human resources throughout the high economic growth period, demand for engineers was particularly high during the 1960s, and the government strategies

for reinforcement of science and technology fed this demand. In the 1970s, however, the technical job market grew oversaturated, and graduates branched out into other fields. What this research makes clear is that cultivation of engineers at educational institutions was not a factor driving Japan's economic growth, but in fact a consequence of this growth.

Chiaki Moriguchi's *Japanese-Style Human Resource Management and Its Historical Origins* clarifies the ways in which Japanese companies have resolved contractual hold-up problems by coming to implicit agreements with regular employees, and by developing human resources policies such as internal promotion systems and joint labor-management consultations. The core of the Japanese model, which is without parallel in the West, is a promise of human capital investment and job security for regular employees, not only white-collar workers but blue-collar ones as well, in exchange for the workers' dedication and skill, which leads to high productivity. However, this "exchange" is not a legally binding employment contract but merely an implicit agreement, and a set of complementary human resources policies, such as an internal promotion system and joint labor-management consultations, must be implemented before a condition of self-enforcing equilibrium is achieved. It was during the high economic growth period that seven of these key human resources policies were all in effect and complemented one another, and there was a condition of stable equilibrium. This Japanese-style human resource management model brought Japanese society both affluence and equality, which coexisted to a rare degree, but at the same time it had both positive and negative aspects, which have significant implications for present-day Japan as well.

Moriguchi's paper points out that one key aspect of Japanese-style employment practices is enterprise unions (as opposed to independent trade unions), which helped build mutual trust between labor and management. Meanwhile, Sumiko Ebisuno's *Labor-Management Relations during High Economic Growth* examines Japanese-style labor-management relations from a macro perspective, analyzing and outlining the role that productivity campaigns and annual wage negotiations played in these relations. The roots of Japan's labor-management relations during the high economic growth period lie in "The Three Guiding Principles of the Productivity Movement" set forth by the Japan Productivity Center, established in 1955. The Japanese economy had recovered to the level where the country was "no longer in the postwar period," and there was a need for general public recognition that the key to further growth lay in modernization. Corporations and workers, which had thus far clashed fiercely, shifted toward formation of a more cooperative relationship, aiming to work together for improved productivity and share the outcomes of these efforts equally among labor and management. The annual spring labor negotiation system gained prevalence as a means of ensuring the fruits of economic growth were distributed among workers. These labor-management relations mechanisms, developed during the era of high economic growth, continue to form the basis of labor-management relations today, but it has been noted that there is a pressing need to reexamine labor-management relations in the context of today's evolving economic and social climate.

*High Economic Growth and Labor Law* by Makoto Ishida examines the process by which Japan's labor law was formed during the high economic growth period, and the law's relation to formation and propagation of Japanese-style employment practices. According to Ishida, the relationship between economic growth as a social phenomenon and the law as a set of standards has two aspects—the “construction of law by society” and the “construction of society by law”—that reciprocally complement one another. From this theoretical vantage point, Ishida clarifies this reciprocally complementary relationship by examining judicial precedents and doctrines from the period. As a result, (i) in terms of the construction of law by society, principles of case law at that time acknowledged the reality of the Japanese-style employment system, and expressed it in the form of fixed rules (norms). On the other hand, (ii) in terms of the construction of society by law, principles of case law expressed in that way became a force giving the impression that the “Japanese-style employment system” was a universal system in Japan, although in reality it was merely one part of Japan's employment system.

Taken all together, these papers paint a picture of Japan's high economic growth period in which the nation's education system, human resources management systems, labor-management relations, legal system and so forth functioned in a complementary manner, serving to forge the Japanese-style employment system and propel Japan's economic growth. These observations have much to teach us about the importance of accurately recognizing social and economic circumstances and changes, and shaping the systems that make up our society in line with this recognition. Today, with the bedrock of our society and economy shifting drastically, how are we to reform the characteristically Japanese systems that have prevailed thus far? This special feature provides various perspectives based on historical and social analysis, from which we can examine the serious issues that Japan faces today.

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