Special Edition
Has the Japanese Employment System Changed?

Articles
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NEXT ISSUE (Spring 2013)
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Introduction

Has the Japanese Employment System Changed?

Employment systems change with the times. The Special Edition articles which appear in this issue of *Japan Labor Review* refer to the employment system commonly applied to regular employees of large Japanese corporations and medium-sized firms, which was born during the period of rapid economic growth in Japan (1960–1974) and matured during the stable growth period (1975–1996), as the “Japanese employment system.” This definition is based on the study carried out by Nitta and Hisamoto (2008), who analyzed the transition in the employment system in Japan. More specifically, the Japanese employment system consists of a set of personnel management practices including long-term stable employment, mass hiring of new graduates, internal human resources (HR) development, ability-based grading system, and labor-management consultation.

The primary purpose of the Special Edition articles is to re-capture “Japanese” aspects of employment systems implemented by Japanese firms for their regular employees, and examine which aspects have changed and which have remained the same during the severe employment situation period (since 1997 until today). These articles also aim to study the complementarity of the Japanese employment system, that is, in what manner such personnel management practices that formed the Japanese employment system complement one another. What kind of complementarity was fulfilled by such set of personnel management practices (consisting of the middle-up-down management model, strong intellectual skills possessed by members of an organization which enable such model to operate, the ability-based grading system designed to train employees while motivating them to improve their own intellectual skills, the combination of tenure-based personnel management, periodic transfer and slow promotion, and long-term stable employment)? How did such function favorably affect the business performance of Japanese firms? Has the Japanese employment system lost its complementarity or found a new one and undergone a transformation?

With the objective of elucidating the Japanese employment system with a focus on its complementarity, the Special Edition articles choose an analysis approach that incorporates two viewpoints: (i) that of the members of an organization who develop their careers under the Japanese employment system; and (ii) that of the human resources (HR) department, which is deeply involved in the career development process of the organization members. In other words, this is an attempt to reverse the flow of causality generally used as a research framework, which goes from the employment system (a set of personnel management practices) to HR behavior and value, and deduce the features of the Japanese employment

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system from the actual state of career development of the organization members. In this context, the organization members refer to chief executives, employees in the managerial positions, shop-floor workers, and newly recruited school graduates.

Mishina and Hino analyzed the facts relating to chief executives. Their paper compared the chief executives of large companies (top fifty companies in the manufacturing industry) and those of all public companies in the electronics industry in Japan at the selected four time points (1965, 1980, 1995, and 2010), and reached the following findings. In the period of high economic growth, most Japanese companies were led by their founders for a term well over ten years. Even the chief executives who did not found the companies but joined after graduation held their posts for more than ten years. The folklore that middle managers played the leading role in running Japanese companies does not apply during this period; rather, we should recognize anew that powerful corporate leaders built the Japanese economy in the postwar period. On the other hand, the tenure of chief executive has been becoming shorter in more recent times, both among the top fifty companies and electronics companies. Furthermore, the long-term trend of a declining operating margin corresponds to the tendency of the tenure of chief executives to become shorter. During the stable growth period, when founders started to retire, Japanese companies promoted tough competition among employees, which resulted in the development of intellectual skills, by incorporating periodic transfer and slow promotion in the personnel management system. This approach was successful in increasing the organizational capability of the workplace, whilst at the same time it pushed upward the age to assume the post of chief executive, eventually shortening the tenure. While creating chief executives well-versed in business operations as frontline managers, it inevitably led to limiting the time for them to acquire skills in strategic decision-making as corporate leaders.

Yashiro inquired into the features of the Japanese employment system from the perspective of selection and development of managers. On the premise of long-term employment and recruitment of new school graduates, firms must maintain the motivation of the greatest number of employees as long as possible. Under the long-term employment system, it is difficult for firms to urge employees to leave or even hope that they would leave voluntarily. In such a situation, if employees are sorted into elite and non-elite as a result of competition at an early stage of their career, the non-elite are likely to stay for a long period, with reduced motivation. To avoid this, it is reasonable in a sense for firms to select managers through tenure-based personnel management, wherein a promotion gap among employees widens gradually over a long time. However, this management practice also causes a problem, that is, if personnel relocation is conducted with a view to maintaining tenure-based personnel management, it results in a mismatch, where employees with specialized abilities are assigned to managerial positions according to their tenure, and conversely, employees who are promoted to ranks equivalent to managerial grades according to their tenure but cannot find managerial positions are retained as specialists. In consideration of interdependency among personnel management practices, it is difficult to
select executive candidates at an early stage or build career paths for specialists as long as firms maintain the recruitment of new school graduates and tenure-based personnel management. Thus, the existing system for selection and development of managers hinders managers from cultivating the necessary abilities for serving as corporate leaders, such as the ability to shape a corporate strategy.

Despite such negative impacts, however, it is an undeniable fact that periodic transfer and slow promotion helped to maintain the motivation of members of organizations for a long period and greatly contributed to increasing Japan’s competitiveness. The problem is, as pointed out by Mishina and Hino, that tenure-based personnel management covers even employees who may become chief executives in the future. By incorporating some ways to separate such employees in this management practice, Japanese firms may have the potential to advance further.

No one would raise an objection to the fact that Japan’s competitiveness has been supported by its comprehensive monodzukuri (manufacturing) power, comprising the efficient production system and speedy product-development process. It is skilled shop-floor workers who exert this monodzukuri power. Based on this premise, Muramatsu explored how intellectual skills possessed by skilled shop-floor workers have changed during the 2000s. According to a shop floor survey conducted within the automotive industry in 2002, Muramatsu found that intellectual skills continued to be important and that these skills were formed among regular employees in an integrated fashion. Meanwhile, in workplaces where the number of non-regular workers was growing, the work they did was initially separated from that done by regular employees, but that led to poor efficiency, and many non-regular workers quit their jobs. Although their status is “non-regular,” their work experience in such workplaces is important. Hence, non-regular workers gradually entered the domain of the core work in the workplace. In addition, as the economy recovered, there was an increase in their appointment to positions with regular employee status. Then, by examining the surveys conducted by the Japan Institute for Labour Policy and Training in 2007, 2008 and 2009, Muramatsu found that the importance of intellectual skills among regular employees and the methods used to form them have remained basically unchanged. In fact, skills have become more advanced and have penetrated to the level of small and medium-sized enterprises. It was at this point that a sudden slump occurred as a result of the Lehman Crisis, with the operation rate of factories dwindling by 40–50%. The employment of many fixed-term employees, who were employed for a fixed time frame, and that of temporary employees, was terminated, and this protected the employment of regular employees.

Next, let us look at another feature of the Japanese employment system: the mass hiring of new graduates. Yano focused on university graduates as Japan’s new recruits, and discussed the problems concerning their job-seeking activities and the relationships between family, universities and employment that form the background to such problems. What makes Japanese universities characteristically “Japanese” is their attributes that are unusual
from the perspective of the rest of the world, namely the requirement to be 18 years old, the emphasis on graduation, and the expectation that parents bear the financial burden. These three attributes are strongly affected by the distinctive nature of the typical Japanese family (the Japanese-style family) and go hand-in-hand with each other. In addition, Yano pointed out that Japan’s unique university system operates in synchronization with the Japanese-style employment system. Companies attach greater importance to the hiring of new graduates, rather than mid-career employment, and they educate the personnel that they require. Due to this mechanism, companies have ceased to question the quality of university education and employ university graduates aged 22 collectively. If a student drops out of university, they will be labeled as someone unsuited to a company hiring personnel for long-term employment, so students have to find some way to graduate. There seems to be truth in the saying that “Two years is the limit you can spend on seeking a job while staying on at university beyond the standard duration.” If a student reports that they have finally found employment, the university manages to find ways to ensure that they can graduate. In parallel with the mass hiring of new graduates, what is important is hiring based on a uniform starting salary. Companies effectively profit if they hire someone talented. This spurs the tendency for job-seeking activities to start earlier. Thus, Japanese universities and new recruits are shackled by the Japanese-style family and Japanese employment system, and are completely trapped by them.

The target of Hirano’s study was HR departments, which have shaped and implemented the Japanese employment system. Compared with personnel management during the stable growth period, the current Japanese personnel management mode has changed in some aspects and remained the same in others. One significant change relates to the incentive system, in which there has been a shift from the ability-based policy to the role-based policy, that is, a shift to a role-based ranking system which measures the importance of a role on the basis of its value in the market and incorporates personal attributes or abilities. On the other hand, HR departments retain centralized power to manage personnel issues, and collect and accumulate personnel information, and HR managers still have promising career paths and high status within firms. The centralization of the power to manage personnel issues in Japanese HR departments has greater relevance to the departments’ involvement in determining personnel transfer issues. American HR departments serve as business partners to top management in implementing the strategies laid down by top management and the finance department, or business management plans deduced, whereas, within Japanese firms, human resources exist from the beginning as a given condition and create roles, and a strategy is developed ex post facto using the results achieved by these roles. In short, the intended strategy of Japanese firms is more of an “emergent strategy.” Japanese HR departments, while making use of sticky personnel information as the source of their power, consult and negotiate with line managers about individual personnel transfer issues, and search for and select the right persons to assign to the right positions as well as flexibly promoting personnel training beyond sectional
boundaries, thereby contributing to workplace reform. To fulfill these duties, HR managers are required to have experience in a variety of work in multiple divisions, thorough knowledge of various work within the firm, and the imagination to match employees to the right work. At the same time, they need to develop a broad network of human connections within the firm. As a result, the career paths of HR managers extend to different functions, and they come to have high status, which vests them with bargaining power over line managers. The characteristic features of the Japanese employment system—a wide variety of career development options, ability-based grading systems, and the strong power of HR departments to be directly involved in determining the transfer of individual employees—are linked in a complementary manner to the aspect of close coordination among departments. Such complementarities seem to be still effective today.

Reading through the five papers in this journal, one can understand that an employment system is incorporated into complementary relationships with various other systems, e.g. the labor market, legal frameworks, and university system. New developments, such as the introduction of the performance-based pay system, can be observed since the beginning of the severe employment situation period, but they do not appear to have a powerful impact that would extend to the employment system as a whole. The conclusion reached by the studies presented in the Special Edition articles is that the Japanese employment system has been changing only gradually and many of its characteristic features that were seen during the stable growth period still remain unchanged. However, these characteristic features apply only to the employment system for regular employees. The number of regular employees has been decreasing as Japanese firms reduce the workforce in regular employment and implement strict personnel management out of the need for thorough cost-cutting. To replenish the reduced workforce, non-regular workers and contract workers, who are unable to enjoy the benefit of the Japanese employment system, are increasing. A new type of regular employees, whose place of work, working hours, or type of job is limited, are also increasing, and along with this, an employment system applicable to regular employees with such limitation is being established within a buffer area between the employment system for regular employees and that for non-regular employees, which have been separated. This movement may have the magnitude to change the system of rules on the internal labor markets of Japanese firms. We should keep watching the future transformation of the Japanese employment system.

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This paper refutes the folklore of the Japanese company built upon front-line employees and middle-class managers. The folklore most likely originated from the realities that prevailed during the 1980s, and gained general acceptance through the 1990s. In fact, the data that reflects Japan’s reality as of 1995 and 2010 are consistent with the folklore, but the data of 1965 and 1980 are inconsistent with the folklore. The paper thus concludes that the folklore fails to take into account the founding period of Japanese companies. It further establishes that the role the hands-on, top executives played during the founding period of a company is far greater than normally believed. The folklore arises because researchers almost always equate the Japanese company with the largest of the companies in the country. It is worth noting that even the top executives of the largest Japanese companies remained in their positions well over ten years during the founding period. Through these analyses, this paper refutes a popularly held belief about Japanese companies.

I. Introduction

Top management is conspicuously absent from the depictions of the Japanese company. The absence of top management, one may well argue, defines the Japanese company. When James Abegglen called attention to the uniqueness of the Japanese company in 1958, he highlighted three characteristics as particularly noteworthy: (i) lifetime employment, (ii) seniority system, and (iii) enterprise labor union. This characterization has since reinforced the view that the Japanese company struck a new relationship with employees and, thereby, opened a better way to prompt skill formation on the part of employees regardless of the colors of their collar. It is not surprising, then, that both labor economists and business scholars alike concentrate research on the lowest and/or middle layer of the Japanese company (Itami 1987; Koike 1991; Clark and Fujimoto 1991; Kanai, Yonekura, and Numagami 1994; Nonaka and Takeuchi 1995; Kagono 1997).

There is a stream of top management studies in Japan (Urabe 1956; Tsuchiya 1959; Takahashi 1977; Shimizu 1983), but they remain on the side line in the overall literature of the Japanese company.

Mishina (2004) challenged the tradition, presenting new evidence. He assembled the profitability data of the Japanese company, adjusting for the changes in the fiscal year and the value of money, over the 40-year period from 1960 to 1999, and cast serious doubt on the presumption that the Japanese company had delivered superior performance. Interestingly, as his data shows, the decline in the profitability goes hand in hand with the changes in the nature of top management. It is only ironic that the Japanese company has been in deep trouble all the while the literature articulating its superiority was mushrooming.
This paper reviews Japan’s post-war period with new data, and sheds light on the fact and folklore concerning the Japanese company. We do not use the word “new data” lightly. In what follows, we distinguish two interpretations of the Japanese company so as to isolate fact from folklore.

Oddly enough, the Japanese company seems such an obvious notion that it has long defied definition. When it comes to companies registered in Japan, they are too diverse to form a meaningful group in any sense whatsoever. Accordingly, researchers select a very small subset of the companies registered in Japan based on their own judgment and, sometimes, the convenience of data collection. There is no single body of substance, “the Japanese company” as a result.

When the notion of “the Japanese company” is casually used, it most likely refers to large companies that are regularly followed by mass media. We call this interpretation the imaginary Japanese company. To the contrary, the Japanese company in reality consists of both large and small. We assembled a group of all public companies in a specific industry, and call this the real-life Japanese company. Should we set up a matrix with different industries extending horizontally and different sales bands extending vertically, the two interpretations correspond to a row or a column of this matrix and together cover the whole. We hope this set-up pinpoints the origin of the folklore surrounding “the Japanese company.”

II. Methods

We select a group of top fifty industrial companies in terms of sales as the imaginary Japanese company, and a group of public companies in the electronics industry as the real-life Japanese company. The latter group is limited to the electronics companies that are listed on the first section of the Tokyo, Osaka or Nagoya Stock Exchange\(^1\) in the year 2000. Each group is scrutinized at four time points: 1965, 1980, 1995, and 2010. We try to identify one chief executive of each company at each point in time and analyze the background and the tenure of the chief executive.

1. Four Time Points

We choose four time points from 1965 to 2010 at 15 year intervals. 1965 was in the midst of the period of high economic growth. A trade dispute between Japan and the United States was intensifying in 1980. 1995 saw the flagging economy after the collapse of the economic bubble. The Japanese economy entered a period of economic expansion in February 2002, enjoying the longest economic boom in history until the fall of Lehman in November 2008. 2010 was the point of time that saw the sign of recovery from the economic crisis. This paper is based on the research conducted in 2010.\(^2\) We examine the data in reverse

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\(^1\) Tokyo, Osaka and Nagoya Stock Exchanges are the three major stock exchanges in Japan.

\(^2\) We conducted a research with the same approach as this paper in 2010 and wrote a paper in Jap-
The literature articulating superiority of the Japanese company was published intensively between 1980 and 1995. *Jinpon Shugi Kigyo* (Itami), which depicted the characteristics of the Japanese company was published in 1987, in the midst of the bubble economy. Koike published *Shigoto no Keizaigaku*, a prominent work with the experimental study of the lowest layer of the Japanese company. Clark and Fujimoto published *Product Development Performance* in 1991. Middle up-down management, which is believed to be one of the unique features of the Japanese company, was shed light on by Nonaka in 1990 in *Chishiki Sozo no Keiei*. Kanai, Yonekura and Numagami published a book with the very word “middle” in its title in 1994 (*Sozosuru Midoru*).

2. Two Groups of the Japanese Company

The top fifty industrial companies in terms of sales and all the electronics companies listed on the first section of the three major markets are the research objects. We limit the scope of the research to industrial companies because the industrial sector played a leading role in the economic growth of Japan and occupied the central position in the literature of the Japanese company. The reason for choosing the electronics industry is that it was one of the strongest fields of Japan and the decline of the performance of the electronics companies overlaps the decline of the performance of the industrial sector as a whole. If we were to choose one industry to represent Japanese industries, the electronics industry would be the most appropriate.

We add two other conditions for selecting the companies in the electronics industry: (i) Joined the first or the second section of at least one of the three major markets by 1980, (ii) Listed on the first section market continually from 2000 to 2010. The conditions about the stock markets are set because sufficient information is not available with regard to the unlisted companies.

The influence of excluding unlisted companies from the top fifty companies list is little. Most of the large companies in Japan are publicly held. Although some companies were delisted by becoming subsidiary companies (often a subsidiary of a holding company), the parent (or holding) companies usually continue to be listed.

The influence of excluding unlisted companies from the electronics companies list is

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3 Sales of the year 1965 are defined as the sales of the fiscal year that ends between June 1965 and May 1966, and the same definition is applied to the sales of the other three time points.

4 The industrial sector includes industries such as Food, Textile, Pulp and paper, Chemical, Petroleum and coal products, Rubber products, Glass and ceramic products, Steel, Non-ferrous metal, Metal products, Machinery, Electronic equipment, Transportation equipment, Precision equipment, or Other products. Companies classified in the above industries in *Yukashoken Hokokusho Yoran 2000* (Directory of Annual Securities Report 2000) are the starting point of the research. Electronic companies in this paper consist of the companies classified into the Electronic equipment industry and Precision equipment industry in the directory.
not little. Any conditions requiring the company to be publicly held eliminate most of the electronics companies, because only a few hundred out of more than 25,000 electronics companies are publicly held. This is not a serious problem as most of the companies eliminated are too small and we are interested in the companies with a certain presence in the Japanese economy. What we really need to be aware of is the effect of the condition of “listed by 1980.” We extracted 128 companies for the year 2000, much less than 163 companies chosen by Mishina (2004). Mishina (2004) added a condition, availability of 10-year data, instead of the condition of the timing the company was listed. The gap between 128 and 163 is not small.

However, it might be better to eliminate unlisted companies, as they tend to be new and new companies did not play a major role in the literature of the Japanese company. Furthermore, we would like to distinguish the transformation of the existing companies from the mere effect of the addition of newly listed companies after 1980.

We call the companies of the second group as “all public companies in the electronics industry,” or simply “electronics companies.”

3. The Final Lists

The number of companies in the top fifty companies list is 50 at each point in time, as is obvious from the definition. The number of companies on the electronics companies list was 128 in 1980 and 1995. Twenty-three companies were unlisted in 1960 and nineteen companies had been delisted before 2010.

Some electronics companies are large enough to be included in the top fifty companies list. In 2010, for example, fourteen companies were on the both lists. This fact justifies our choice of the electronics industry as a representative industry. Although the overlap might seem weird, it is not appropriate to eliminate electronics companies from the list of large Japanese companies or to eliminate large electronics companies from the list of Japanese electronics companies. The contrast of the two groups assembled by different perspectives is of our concern, not the comparison of two mutually exclusive groups.

4. Identification of Chief Executive

We identified one chief executive of each company at each point in time. In general, president (shacho, in Japanese) makes the final decision in Japan, although it is not required by law to have a president and there are some exceptional companies without a president. Some companies have a chairman (kaicho, in Japanese). The chairman in Japan is an honorary post for past presidents and retires in a few years in most cases. The chairman sometimes supports the president and/or becomes a member of external economic groups. In some exceptional companies, however, the chairman makes the final decision in spite of the presence of a president. Some companies have come to have a CEO, especially after 2000. The CEO is deemed to be an equivalent to the president, in reality, in most cases, and in this paper as well. It is impossible to measure the power of the president and the chairman to make
final decisions. Instead of measuring the power itself, we identify chief executives based on their backgrounds.

The procedure for identifying a chief executive is described below. Step 2 is valid only when the chief executive is not determined by step 1. Step 3 is valid only when the chief executive is not determined by either step 1 or step 2.

Step 1: If the president or chairman is the founder of the company, that person is identified as the chief executive. If both the president and chairman are cofounders, the chairman is chosen.

Step 2: If the president or chairman is a member of the founding family, that person is identified as the chief executive except for one case. The founding family chairman with no experience as president is eliminated because of the honorary nature of the position. The definition of the member of the founding family is explained in the next section.

Step 3: President is identified as chief executive.

5. Types of Chief Executives

We classify chief executives based on their background.

a. Founder: The person who is known as the founder of the company or the person who played a similar role.

b. Founding family member: The member of the founding family with president experience or the person whose families or relatives were the past president of the company.

c. Insider: The person hired by the company within 1 year of graduation or by the age of 30.

d. Quasi-insider: The person hired by the company after more than 1 year passed since graduation and at the age of 31 or older. The person who had been hired less than 1 year before appointment as an executive is excluded.

e. Outsider: The person who was appointed as an executive with no or less than 1-year experience as an employee. Outsiders are further classified into three categories.

e-1. From the parent company: The person who was dispatched from a company in the same group or a Keiretsu company, mainly from the parent company.

e-2. From a supervising agency: The person who had been a public official or at a similar position.

e-3. From an unrelated organization: The person who was invited to the company as a professional manager from an unrelated organization.

The major source of information for classification is *Yukashoken Hokokusho* (Annual Securities Report). Classifying chief executives into c, d or e-3 was sometimes difficult and we adopted the following procedure.
If a chief executive had experience as an executive of another company, the chief executive is classified as “outsider from an unrelated organization (e-3).” It is possible that the person must have been classified as “quasi-insider.” However, it could be extremely rare that a person becomes an employee of company X after being an executive of company Y, except for the short-term employment in company X before the next election of executives of company X. There is a trade-off between misidentifying “quasi-insider” chief executives for “outsider from an unrelated company” chief executives and excluding some chief executives non-randomly from the database. We judged the effect of the latter choice would be more serious.

There were eight chief executives who could not be classified even after investigating several sources of information. They are basically excluded from the analysis and the tenure classification is written in the margin of Tables 1 to 8.

6. Tenure of Chief Executives

Average tenure is not calculated in this paper for two reasons. First, the tendency that the tenure of the president had been becoming shorter is already pointed out by Itami (1995), Tanaka and Morishima (2004) and Mishina (2004). Repetition is not fruitful. Second, as is known from past research, the variance of tenure is large and the average of the widely dispersed data is meaningless in this paper. For example, the average of a group consisting of “one president with 24-year tenure and two presidents with 3-year tenure” and the average of a group consisting of “three presidents with 10-year tenure” are both 10 years, although the situation is different between those two groups. Grabbing the whole picture is important, without being deluded by the average figures. We classified the chief executives as follows.

a. Long tenure chief executive: The person whose tenure as president is equal to or longer than 10 years.
b. Middle tenure chief executive: The person whose tenure as president does not reach 10 years but reaches 10 years when the tenure as president and the tenure as chairman are added.
c. Short tenure chief executive: The person whose tenure is less than 10 years even if the tenure as president and the tenure as chairman are added.

Many of the chief executives of the year 2010 are still holding the position at the moment of writing and, therefore, their tenure is not fixed. We calculated tentative tenure, supposing they retired in August 2012.5 The tentative tenure is shorter than the actual tenure. It is possible to misclassify “middle tenure” or “long tenure” chief executives as a “short tenure” chief executive. Our concern is how serious that error could be.

5 As to some exceptional cases, we could not obtain the information on the status of chief executives in August 2012 or later. We assumed they were still at the position if the chief executive was at the position in the latest Annual Securities Report and not reported as retired in the Nihon Keizai Shinbun (a leading economic newspaper in Japan).
We start from a hypothesis that “the tenure of every chief executive was 10 years with no bias of the appointment year.” A histogram of the number of chief executives appointed on each year should show uniform distribution. In reality, however, the histogram using the actual data of “insider” chief executives in top fifty companies shows negatively skewed distribution (Figure 1). The chief executives are mostly appointed in 2010, followed by 2009, 2008 and 2007. This looks far different from the hypothesized situation. Furthermore, the result of the t-test was significant at 1% level, comparing the hypothesized appointment year and the actual appointment year. The average of the former is 2005.5 by definition and that of the latter is 2007.4. The possibility of misclassifying the “middle tenure” chief executive or “long tenure” chief executive as “short tenure” chief executive is assumed to be low. We obtained similar results as to electronics companies.

III. Results

1. Tables

Tables shown on pages 16 and 17 are matrixes of the background classification and the tenure classification of chief executives. The figures are the number of the chief executives corresponding to each cell. The cell with the largest number is black and white reversed and the cell with the second largest number is half tone dotted. The tenure classification of the eight people whom we could not identify background classification are written below each table.

The expressions of “outsiders from the” and “outsiders from a” are abbreviated. For example, “parent company” is short for “outsiders from the parent company.”

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6 We focused on “insider” because most of the chief executives still in position are “insider.”
2. 2010

(1) Top Fifty Companies (Table 1)

Tenure: As is already mentioned, tenure classification of chief executives in 2010 is tentative. Only five out of forty-one “short tenure” chief executives have actually retired. Four chief executives are still in chairman position and hence may be classified as “middle tenure” in the future. Thirty-two chief executives are still in president position and hence may be classified as “middle tenure” or “long tenure.” However, it is difficult to assume that many of the present chairmen or presidents will finally be classified as “middle tenure” or “long tenure,” based on the distribution of the year they were appointed as president.

Background: 72% of chief executives are “insider” and 16% are “founding family member.” No chief executive was “founder,” “quasi-insider” or “supervising agency.”

(2) All Public Companies in the Electronics Industry (Table 2)

Tenure: Fifteen out of eighty “short tenure” chief executives have actually retired. Eight chief executives are still in the chairman position and fifty-seven chief executives are still in the president position. The distribution of the year they were appointed as president is also biased in the electronics industry. With regard to “insider,” fifty-six out of sixty-seven chief executives were appointed between 2006 and 2010. This is far from the hypothesis that “the tenure of every chief executive was 10 years with no bias of the appointment year.” A hypothesis that “the tenure of every chief executive was 5 years with no bias of the appointment year” fits the data better.

Background: 61% of chief executives are “insider” and 20% are “founding family member.” “Parent company” chief executives account for 9% and chief executives classified as other backgrounds are rare.

(3) Comparison of Two Company Groups

There are three common features in both groups. First, “insider” chief executives are the majority. Second, it is expected that most of “insider” chief executives currently in position will be classified as “short tenure” after all. Third, there are some “founding family member” chief executives but no or few “founder” chief executives. Generational change from founders had completed in nearly all the companies and a few companies were still run by founding family members.

(4) Consistency with the Folklore

“Insider” is the majority in both groups and most of them are expected to be “short tenure.” The standard career of the chief executive in 2010 is: hired by the company soon after graduation, face competition among homogeneous colleagues for a long period of time, winner becomes the president but leaves the company after several years. The absence of top management from the depictions of the Japanese company may be natural, as chief
executives have spent most of their career as front-line employees or middle-class managers and stay only a short time at the top layer.

3. 1995
   (1) Top Fifty Companies (Table 3)
   Tenure: 52% of chief executives belong to “short tenure” and 30% belong to “middle tenure,” which means “long tenure” chief executives are less than 20%.
   Background: 82% of chief executives are “insider” and 12% are “founding family member.”
   No chief executive was “founder,” “parent company” or “supervising agency.”
   Combination: The largest cluster is “insider and short tenure” (42%), followed by “insider and middle tenure” (28%). Half of the “founding family member” chief executives belong to “long tenure.” “Founding family member” chief executives may tend to be in position for a certain period of time, given the fact that one of two “founding family member and short tenure” chief executives has died at the age of 56 and there is only one out of five “founding family member” chief executives who actually retired before ten years. The few chief executives in other background categories were all “short tenure.”

   (2) All Public Companies in the Electronics Industry (Table 4)
   Tenure: 47% of chief executives belong to “short tenure,” followed closely by “long tenure” (43%).
   Background: 38% of chief executives are “insider,” followed by “founding family member” (20%) and “parent company” (20%).
   Combination: The largest cluster is “insider and short tenure” with 20% share, while not a few “insider” chief executives belong to “long tenure.” The second largest cluster is “parent company and short tenure,” most of “parent company” chief executives fitting into this cluster. Although the two largest clusters are both in the “short tenure” column, the third to fifth largest clusters are in the “long tenure” column. All but one “founder” chief executive belongs to “long tenure.” The exceptional chief executive was one of the cofounders of the company and another cofounder who played the leading role had been the president for more than 30 years. The only one “founding family member and short tenure” chief executive was the person mentioned in the top fifty section, who died at the age of 56. In general, “founder” and “founding family member” chief executives tend to be in position for a long time.

   (3) Comparison of Two Company Groups and Comparison with 2010
   Tenure: In both company groups, the proportions of “long tenure” chief executives and “middle tenure” chief executives are higher and the proportion of “short tenure” chief executives is lower in 1995 compared to 2010. “Short tenure” chief executives account for about half of the chief executives in each company group, while the
Table 1. Classification of Chief Executives (2010, Top Fifty)

<table>
<thead>
<tr>
<th></th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Founding family member</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Insider</td>
<td>1</td>
<td>1</td>
<td>34</td>
<td>36</td>
</tr>
<tr>
<td>Quasi-insider</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Parent company</td>
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<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Supervising agency</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unrelated organization</td>
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</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>2</td>
<td>41</td>
<td>50</td>
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</table>

Table 3. Classification of Chief Executives (1995, Top Fifty)

<table>
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<tr>
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<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>Founding family member</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Insider</td>
<td>6</td>
<td>14</td>
<td>21</td>
<td>41</td>
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<tr>
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<td>Parent company</td>
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<tr>
<td>Supervising agency</td>
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<td>Unrelated organization</td>
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<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>15</td>
<td>26</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 5. Classification of Chief Executives (1980, Top Fifty)

<table>
<thead>
<tr>
<th></th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Founding family member</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>8</td>
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<tr>
<td>Insider</td>
<td>10</td>
<td>15</td>
<td>8</td>
<td>33</td>
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<tr>
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<td>Supervising agency</td>
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<tr>
<td>Total</td>
<td>22</td>
<td>18</td>
<td>9</td>
<td>49</td>
</tr>
</tbody>
</table>

One short tenure chief executive unclassified.

Table 7. Classification of Chief Executives (1965, Top Fifty)

<table>
<thead>
<tr>
<th></th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>4</td>
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<td>0</td>
<td>4</td>
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<tr>
<td>Founding family member</td>
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<tr>
<td>Insider</td>
<td>15</td>
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<td>25</td>
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<tr>
<td>Quasi-insider</td>
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<td>1</td>
<td>5</td>
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<tr>
<td>Parent company</td>
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<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Supervising agency</td>
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<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Unrelated organization</td>
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</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>9</td>
<td>6</td>
<td>50</td>
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### Table 2. Classification of Chief Executives (2010, Electronics)

<table>
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<th>Middle tenure</th>
<th>Short tenure</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Founding family member</td>
<td>19</td>
<td>1</td>
<td>2</td>
<td>22</td>
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<tr>
<td>Insider</td>
<td>5</td>
<td>1</td>
<td>61</td>
<td>67</td>
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<td>Unrelated organization</td>
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<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>4</strong></td>
<td><strong>80</strong></td>
<td><strong>109</strong></td>
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</table>

### Table 4. Classification of Chief Executives (1995, Electronics)

<table>
<thead>
<tr>
<th>Category</th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>13</td>
<td>0</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Founding family member</td>
<td>22</td>
<td>3</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Insider</td>
<td>17</td>
<td>5</td>
<td>26</td>
<td>48</td>
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<tr>
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<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Parent company</td>
<td>1</td>
<td>2</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Supervising agency</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Unrelated organization</td>
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<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>12</strong></td>
<td><strong>60</strong></td>
<td><strong>127</strong></td>
</tr>
</tbody>
</table>

One middle tenure chief executive unclassified.

### Table 6. Classification of Chief Executives (1980, Electronics)

<table>
<thead>
<tr>
<th>Category</th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>32</td>
<td>1</td>
<td>0</td>
<td>33</td>
</tr>
<tr>
<td>Founding family member</td>
<td>17</td>
<td>1</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Insider</td>
<td>11</td>
<td>3</td>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>Quasi-insider</td>
<td>4</td>
<td>0</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Parent company</td>
<td>7</td>
<td>6</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Supervising agency</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Unrelated organization</td>
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<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>15</strong></td>
<td><strong>30</strong></td>
<td><strong>125</strong></td>
</tr>
</tbody>
</table>

Three long tenure chief executives unclassified.

### Table 8. Classification of Chief Executives (1965, Electronics)

<table>
<thead>
<tr>
<th>Category</th>
<th>Long tenure</th>
<th>Middle tenure</th>
<th>Short tenure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>48</td>
<td>1</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Founding family member</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Insider</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Quasi-insider</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Parent company</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Supervising agency</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Unrelated organization</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td><strong>11</strong></td>
<td><strong>9</strong></td>
<td><strong>102</strong></td>
</tr>
</tbody>
</table>

Two long tenure chief executives and one short tenure chief executive unclassified.
proportion of “long tenure” chief executives is much higher in the electronics industry than in top fifty companies.

Background: The distribution of background of chief executives in top fifty companies in 1995 is similar to that of 2010. Most of them are “insider” followed by much less “founding family” with other category chief executives being rare. The distribution of background of chief executives of electronics companies is somewhat different between 1995 and 2010. The proportion of “insider” is the highest among all the background categories in both years, but the figure is much smaller in 1995. On the other hand, the rate of “founder” and “parent company” chief executives are much higher in 1995.

Combination: The largest cluster of top fifty companies is “insider and short tenure” in both years, though the percentage is lower in 1995. The second largest cluster in 1995 is “insider and middle tenure,” with a far higher percentage compared to 2010. The largest cluster in electronics companies is “insider and short tenure” in 1995. This cluster is the largest not only in electronics companies in 2010 but also in top fifty companies in 1995 and 2010. However, the percentage is much lower in the electronics companies in 1995. It is less than half that of 2010. The second largest cluster in electronics companies is “parent company and short tenure,” with the proportion more than doubled that of 2010. Information on “parent company” chief executives highlights differences between two Japanese company groups. In 1995, there are no “parent company” chief executives in top fifty companies, while they account for 20% in electronics companies. Nineteen out of twenty-six “parent company” chief executives were sent from companies on the top fifty companies list. Top fifty companies tend to be the companies that send top management to other companies, rather than the companies that are sent top management.

(4) Consistency with the Folklore

The data of both company groups are consistent with folklore, although the consistency is weaker in the electronics industry.

The presence of “insider” is even greater in 1995 than in 2010 in top fifty companies. 51% of “insider” chief executives (42% of all chief executive) retired before ten years had passed, including the tenure as chairman. Although 28% of all chief executives belong to “insider and middle tenure,” it is unlikely that many of them had great power after retiring as president within ten years.

In the electronics industry, nearly half of the chief executives had retired within ten years. The proportion of “insider and short tenure” chief executives in electronics companies is 20%, lower than that in top fifty companies and that of electronics companies in 2010 but is still keeping a certain proportion. In addition, 18% belong to “parent company and short tenure.” Chief executives sent from parent companies are generally less experienced than middle managers of subsidiary companies, often less than employees in their 20s. Further-
more, it is likely that not a few of them may have poor ability and experience to become chief executives. Some of them had little chance of promotion in the parent companies and were sent to subsidiary companies. These chief executives may leave the impression of weak chief executives.

4. 1980
(1) Top Fifty Companies (Table 5)
Tenure: 45% of chief executives belong to “long tenure” and 37% belong to “middle tenure,” which means “short tenure” chief executives are less than 20%.
Background: Two-thirds of chief executives are “insider.” There is a 51 percentage point gap between the proportion of “insider” and that of the second largest category, “founding family member” (16%).
Combination: The largest cluster is “insider and middle tenure” (31%). The second is “insider and long tenure” (20%), followed closely by “insider and short tenure” (16%) and “founding family member and long tenure” (16%). Two “founder” chief executives and eight “founding family member” chief executives all belonged to “long tenure.”

(2) All Public Companies in the Electronics Industry (Table 6)
Tenure: 64% of chief executives belong to “long tenure” and 24% belong to “short tenure.”
“Middle tenure” chief executives were only 12%.
Background: 26% of chief executives are “founder,” followed closely by “parent company” chief executives (21%). The proportion of “insider” is 18%.
Combination: The largest cluster is “founders and long tenure” with 26% share and the second largest cluster is “founding family member and long tenure” (14%). All but one “founder” chief executive and one “founding family member” chief executive were “long tenure.” Nearly 40% of electronics companies were lead by “founder” or “founding family member” chief executives over a long period of time.

(3) Comparison of Two Company Groups and Comparison with 1995
Tenure: In both company groups, tenure tends to be longer in 1980 compared to 1995. The proportion of “long tenure” reaches 45% in top fifty companies and 64% in electronics companies. The proportion of “short tenure” in 1980 was nearly one-third of the proportion in 1995 in top fifty companies and about half of the proportion in 1995 in electronics companies.
Background: The distribution of background of chief executives has not drastically changed between 1980 and 1995 in top fifty companies. “Insider” has already accounted for two-thirds of chief executives in 1980 and increased to four-fifth in 1995. However, “founder” was still in position in 1980 while there was none in 1995. The distribution in electronics companies in 1980 differs from that of 1995. The majority was “founder” in 1980 instead of “insider” in 1995. The proportion of “insider” in
1980 was half that of 1995. The rate of “founder” and “founding family member” has reversed between 1980 and 1995.

Combination: “Insider and middle tenure” shapes the largest cluster with 31% share of top fifty companies in 1980, instead of “insider and short tenure” in 1995 with 42% share. The proportion of “insider and short tenure” in 1980 is much lower than that of 1995 and the proportion of “insider and long tenure” in 1980, consisting the second largest cluster, is higher than that of 1995. The largest cluster in electronics companies is “founder and long tenure” in 1980, which is far different from the largest cluster in 1995, “insider and short tenure.” The second largest cluster has also shifted from the “long tenure” column in 1980 to the “short tenure” column in 1995. There are two reasons for the higher proportion of “long tenure” in 1980 compared to 1995. The first reason is the higher rate of “founder” or “founding family member” chief executives, those who tend to lead the company for an extraordinarily long time. The second reason is high proportion of “long tenure” chief executives among “insider” chief executives, which is not the case in 1995.

The number of “parent company” chief executives is the same as that of 1995, none in top fifty companies and twenty-six in electronics companies. Seventeen out of twenty-six chief executives were sent from the companies on the top fifty companies list. Sixteen out of seventeen were sent from the same company as 1995. As for remaining nine chief executives, three were sent from the same company as 1995. In total, nineteen out of twenty-six electronics companies were governed by the chief executives sent from the same parent company for at least 15 years. “Parent company” chief executives in 1980 tend to be in position for a longer time period than those in 1995, although “short tenure” is the majority among “parent company” chief executives.

(4) Consistency with the Folklore

There is less consistency with the folklore in 1980 compared to 1995 in both company groups and the consistency is much weaker in the electronics industry.

In top fifty companies, “insider” is majority in 1980 and 1995. However, tenure is different between the two time points and chief executives are assumed to have had a greater presence in 1980 than in 1995.

In electronics companies, the picture of 1980 is fairly different from the picture of 1995. About 40% of chief executives are “founder and long tenure” or “founding family member and long tenure.” In addition, the proportion of “long tenure” is the highest in all background categories except for “parent company.” Even in the “parent company” category, the proportion of “long tenure” is higher compared to 1995.
5. 1965

(1) Top Fifty Companies (Table 7)
Tenure: 70% of chief executives belong to “long tenure,” followed by “middle tenure” (18%). “Short tenure” chief executives were only 12%.
Background: Half of chief executives were “insider,” followed by “founding family member” (16%).
Combination: The largest cluster is “insider and long tenure.” The second largest is “insider and middle tenure” and “founding family member and long tenure.” These three categories altogether account for 62% of all chief executives. The proportion of “long tenure” is the highest in all background categories except for the “parent company” row.

(2) All Public Companies in the Electronics Industry (Table 8)
Tenure: 80% of chief executives belong to “long tenure,” with “middle tenure” and “short tenure” respectively accounting for roughly one-tenth.
Background: Nearly half of the chief executives were “founders” with a huge gap to the second largest category, “parent company” (16%).
Combination: The largest cluster is “founder and long tenure,” reaching as high as 47%. The second largest cluster is “founding family and long tenure,” “insider and long tenure” and “parent company and long tenure,” each accounting for only 8%. The proportion of “long tenure” is the highest in all background categories.

(3) Comparison of Two Company Groups and Comparison with 1980
Tenure: In both company groups, tenure tends to be longer in 1965 compared to 1980. The proportion of “long tenure” reaches 70% of top fifty companies and 80% of electronics companies. The proportion of “middle tenure” in top fifty companies and “short tenure” in electronics companies of 1965 are significantly lower than corresponding numbers of 1980.
Background: The distribution of background of chief executives in electronics companies in 1965 differs substantially from that of 1980. The proportion of “founders” in 1965 is nearly double that of 1980, which is more than double that of 1995. “Insider” in 1965 is 61% of 1980, which is about half of 1995. In top fifty companies, the difference between 1965 and 1980 is not as big as that of electronics companies. The proportion of “insider” has already reached 50% in 1965 and increased by 1980.
Combination: “Insider and long tenure” shapes the largest cluster with 30% share of top fifty companies in 1965, instead of “insider and middle tenure” in 1980 with 31% share. The largest cluster of electronics companies is “founder and long tenure” in both 1965 and 1980, with much higher proportion in 1965. Three chief executives belonged to “parent companies” in 1965, while there was none in 1980. Ten out of sixteen chief executives belong to “parent companies” in
electronics companies that were sent from companies in the top fifty list. Eight out of the ten executives were sent from the same company as 1980. Half of “parent company” chief executives of electronics companies in 1965 were “long tenure,” while half of them in 1980 were “short tenure.”

(4) Consistency with the Folklore
There seems to be little consistency with the folklore in top fifty companies. “Insider” accounted for half of the chief executives, and the distribution of background categories did not dramatically differ from 1980 or other time points. However, there is a distinct feature in 1965 that 60% of “insider” was “long tenure” and only 8% of “insider” was “short tenure.” “Founders” and “founding family member” together constitute about one-fourth all chief executives, all chief executives in these two categories being “long tenure.”

There is no consistency with the folklore in the electronics industry. Nearly half of the chief executives were “founder” and far from the image of powerless top management. Not only the “founder” chief executives but also the “founding family member” and “insider” chief executives held the position for a long time.

6. The Origin of the Folklore
(1) Top Fifty Companies vs. All Public Companies in the Electronics Industry
The main difference between the two groups is the proportion of “founder.” In the electronics industry, “founder” accounted for half of the chief executives in 1965, one-fourth in 1980, and more than one-tenth even in 1995. In top fifty companies, there were a small number of “founder” chief executives in 1965 and 1980 and none in 1995. One reason may be the ages of the companies. The top fifty companies list includes old companies more than the electronics industry list does and, therefore, less “founder” chief executives remained. The other reason may be the type of the companies. Top management was purged after World War II, and most of them were the founders of big companies, including Zaibatsu.

The folklore of the Japanese company missing top management may be based on the observation of large companies only. Top fifty companies in this paper are well known in Japan. However, in reality, there are small and large companies and old and new companies in Japan. We may fail to understand the Japanese company if we rely on the image created based on large companies.

(2) Four Time Points
Tenure has become shorter in both groups. Tenure of chief executives in top fifty companies became shorter and shorter, from most of them being “long” in 1965, “long” or “middle” in 1980 to “middle” or “short” in 1995. In the electronics industry, the proportion of “short tenure” chief executives exceeded that of “long tenure” between 1980 and 1995.

There were two major changes in top fifty companies. The proportion of “insider” has increased from 50% to 82% in 1995. Among “insider” chief executives, the proportion of
“long tenure” has decreased from 60% in 1965 to 15% in 1995. Twenty-one out of forty-one “insider” chief executives were “short tenure” in 1995. It is visually shown as the shift of the black and white reversed cell from left to right in the “insider” row.

One of the largest features of the electronics industry is the greater presence of “founder” chief executives. However, the proportion of “founder” had been continuously and drastically decreased between 1965, 1980 and 1995. In 2010, only two “founder” chief executives were in position. Although the proportion of “founding family member” had increased during the period, it did not increase between 1995 and 2010. It was the proportion of “insider” that has increased while the proportion of “founder” has decreased. “Insider” accounts for 61% of chief executives in 2010. From 1965 to 2010, the reversed cell and the dotted cell have approximately shifted from top left to middle right.

The literature of the Japanese company mushroomed between 1980 and 1995. During the period, tenure of “insider” had become shorter in top fifty companies and “insider and short tenure” chief executives had increased even in the electronics industry. Both changes could have enhanced the plausibility of the folklore.

IV. Conclusion

Japanese companies laid a foundation for international expansion during the 1960s and early 1970s. With the exception of the largest of the companies, it was the founders who led the companies during this period, and these leaders reigned for more than ten years, and so did the leaders of the largest companies at the time. By the time the Japanese management called attention from academia, the situation had changed dramatically. It is unfortunate that the misleading perception spread after the change gained popularity. The fact remains that top management, far from being absent, played a dominant role when the Japanese company took shape after the war.

The point of this paper is not to deny the merit of Japanese human resources policies—periodical reshuffling and slow promotion. The point is to cast a doubt on the merit of the same policies when they are applied indiscriminately without any regard to the pipeline of top management. Japanese companies might as well step into the next stage of evolution should they properly recognize the role, as well as the development path, of top management.

References


Selection and Promotion of Managers in Japanese Companies: Present and Future Perspectives

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Given the long-term employment and recruitment of new school graduates, firms must maintain the motivation of the greatest number of staff as long as possible. Under the long-term employment system, where it is difficult for firms to urge them to leave or hope that they would leave voluntarily, if they are sorted into elite and non-elite as a result of competition at an early stage of their career, losers are likely to stay for a long period, with reduced motivation. To avoid that, firms select managers through tenure-based management of promotion—wherein a promotion gap among the staff on the same tenure cohort (called nenji) expands gradually over a long time. In addition, personnel department has a great influence in relocating their staff, so that they can transfer to different departments or functions within the firm and have a greater opportunity of promotion than staying in the same function for a long time. This also helps to maintain tenure-based management of promotion. However, it also causes that the staff with specialty is assigned to managerial positions, and on the contrary, the staff with managerial grades but with no managerial positions tend to be given the title as ‘specialists.’

I. Introduction

Japanese employment system has been discussed from various points of view, such that it is indispensable element for skill formation, or that they are the cause of turning labor costs into fixed ones and are obstacle to managing human resources. The point of view is also broad, ranging from employment and wages of regular employees to unequal treatment of regular and non-regular staff.

An attempt to capture it as a whole goes beyond the scope of this paper, which instead focuses on the selection and development of managerial staff as the main topic, because the incentive system for the white-collar employees is a critical aspect of Japanese employment system and the source of their incentives is the ambition to be promoted to managers.

The sections of this paper are as follows. First, Section II briefly reviews the Japanese employment system, prescribing the selection and development of managers. Then, Sections III to VI examine and analyze the present situations in terms of the main issue, and Section VII finally explores the future picture for the selection and development of managerial staff.

II. The Japanese Employment System: Actual View

1. The “Long-Term Employment”

In the introduction section, I used the term “Japanese employment system.” In its
past country reviews on Japan, the OECD named a trio of typical Japanese employment system—Lifetime Commitment, *Nenko* Wage System, and Company-based Unions—the “Three Treasures.” However, because the mandatory retirement age is 60 years and the average life span is 80 years, the concept of “lifetime commitment” has deviated from the actual view in Japan. For that reason, “lifetime commitment” was replaced with “long-term employment,” which bases the discussion of selection and development of managers in this paper. The employment in Japan can be divided into the following three types.

The first is to recruit new school graduates as a main source of regular staff. Once hiring graduates, firms do not urge them to leave or dismiss them but continue to retain them until they reach the mandatory retirement age, while recruiting no mid-career staff. Although Abegglen (1958) gave it a title “lifetime commitment,” it does not literally represent employment for the entire life.

While firms do not urge staff to leave, they can actually leave. In fact, the proportion of leaving the companies to the total new school graduates hired is considerable, and firms have to recruit mid-career staff to fill the vacancies. This is the second type of employment.

In the case of the third type, employees are free to change jobs as in the case of the second type, and also firms are “free to hire, free to fire,” that is, they recruit and dismiss employees on an as-needed basis.

Which of the above three types represents best the employment in Japan? Presumably, lifetime commitment among the “Three Treasures” may have been parallel to the concept underlying the first type. However, in the present situations, it does not necessarily draw the true picture because of presupposing that employees would not leave their firms before mandatory retirement. The third type is not the present picture, either, because firms are supposed to be subject to restrictions on dismissal, as detailed later. We actually had an argument that where employees can quit their firms at any time and firms can fire their staff at any time is an ideal society, on the condition that employees and firms are on an equal footing. However, the existence of labor laws—including the Labor Standards Act and the case law doctrine—, and also of labor unions, gives proof that employees and firms are not on an equal footing.

In contrast, given the prevalence of the recruitment of new school graduates and the mandatory retirement system, the second type—that firms should refrain from terminating employment contracts at least for reasons attributable to themselves, is the closest to the actual view. In the sections below, it will be assumed as the definition of “long-term employment.”

2. “Firm-Specific Skill”

Before going into the main discussion, let us first consider why firms retain their staff for a long period of time, despite incurring fixed labor cost and facing difficulties in employment adjustment.
It is dealt with by labor economics, as “firm-specific skill.” Skills are divided into two types, “general skill,” which is appreciated equally by anywhere in the labor market, and “firm-specific skill,” which is appreciated only by a particular firm. Unlike general skill, which is equally valuable in the labor market, firm-specific skill is valuable only within the firm workers receive training. So, they are not motivated to receive training at their own cost. So, the training for firm-specific skill would eventually be joint investment by workers and their firms, and in that respect, long-term employment is economically rational for both sides, in the sense both are to bear training cost, in order to recoup their own investment in training. The practice of recruiting new school graduates, which is prevalent in the Japanese labor market, can be explained by the desire of firms to secure human resources that are highly adaptable to such human investment.

The characteristics of “firm-specific skill” are that the nature of specificity is not clear and the concept itself tends to mean “less developed.” Regarding the former, Koike (1977) provided a convincing explanation based on the concept of “specificity of career,” which used differences of work experience within a firm as a substitute indicator for the firm-specific nature. As for the latter, Pfeffer (1998) presented an argument that creating a differentiated manpower is the source of competitive advantage. By considering differentiated manpower as employees with firm-specific skills, the concept of “firm-specific skills” is not a sign of “less developed,” but is an advantageous element. The long-term employment is economically rational in the above-mentioned aspects.

The legal aspects can be described by the doctrine of abuse of the right of dismissal, or more specifically, the four requirements for dismissal for restructuring (collective redundancy). Under the Labor Standards Act, firms may dismiss its staff by giving 30-days prior notice. Actually, however, dismissal for restructuring would be regarded as invalid unless it meets the four requirements, including whether the firm endeavored to avoid dismissal. As a case law doctrine is not a statute, it is possible for the firms to dismiss employees if they take the risk of litigation (Kamio 1999). However, because large firms worry about their reputation, the existence of this case law doctrine constitutes an extreme constraint on their decision to dismiss staff. Therefore, Japanese firms and the U.S. firms show different responses. Now, let us move on to reviewing the selection and development of managers.

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1 For more details of “firm-specific skills,” see Higuchi (1996, chap. 6).
2 The case law established four requirements for validating the dismissal of employees for the purpose of restructuring (collective redundancy): (i) the need to reduce the workforce; (ii) the obligation to endeavor to avoid dismissal; (iii) the rational grounds for the selection of employees to be dismissed; and (iv) consultation with the labor union.
III. Promotion under the Long-Term Employment System

1. Multi-Tiered Career Track: Japanese Type of Tournament Mobility

This section discusses various types of promotion management under the long-term employment system. In general, staff is promoted by positions subsection chief (kakaricho) to section chief (kacho), and to department chief (bucho). Therefore, on the promotion ladder mentioned above, the staff who fails to move up to kakaricho or kacho can never be promoted kacho or bucho. In order to move up to bucho, they must first be kacho and then bucho. It means that selection for promotion takes place in the form of a “tournament” (Rosenbaum 1984). Company-men have to survive succession of competitions in the course of developing their career paths within the firm. Winners can join higher level of competitions, although they are not guaranteed of winning of the next “game.” Losers are completely either excluded from all competitions or can join lower level of competitions.

In Japanese firms, such a selection for promotion is conducted within each tenure cohort (called nenji), that is, among staff who enter the firm as new school graduates in the same year. According to Rosenbaum’s theory of tournament mobility, Imada and Hirata (1995) defined the series of competitions for promotion among the staff in each nenji as a “multi-tiered” career track, in which competitions are held in different manners according to the career stage.

The first stage is “escalated promotion based on the tenure.” For a few years after coming to the firm as new recruits, a group of staff in nenji are equal in terms of promotion. According to the survey conducted by the Japan Institute of Labour (JIL), 64.5% of the surveyed firms adopted this tenure-based escalated promotion system. The most popular reason was to “evaluate employees’ abilities accurately” (73.4%), followed by “increase employees’ motivation” (58.4%) and “develop employees’ abilities” (52.1%) (Japan Institute of Labour 1993).

The survey results reveal that the period of tenure-based promotion is (i) the time to collect information to overcome asymmetry of information, (ii) the time to invest in training their staff at a higher cost than the worth of their abilities, and (iii) the time to motivate employees by providing the majority of them with the opportunity to be promoted.

The second stage is “competition in promotion speed.” Selecting people for promoted is inevitable in order to use the pyramidal structure of organization as motivators. The group of staff, selectively promoted to the positions with title first among the members in nenji is called the “first selected group” and the age they are selected for promotion is called the “promotion age of the fast-trackers.”

In that stage, they compete in terms of the speed of being promoted, rather than compete for the chance to be promoted. According to a close examination of the career data of

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3 The discussion in this section is based on Yashiro (2009, chap. 7).
white-collar staff of a large corporation, Imada and Hirata (1995) found that those who fall behind front-runners for a few years in the competition are not completely deprived of the opportunity to be promoted; they follow those running not so large a distance ahead from them, and this results in a “resting place” in the promotion ladder.

Another feature of the stage is the reshuffling of “runners” in competitions. Hanada (1987) presented a case of a firm where only about 20% of the members of the tenure cohort were promoted in the first selection, and some of those failed in the selection can be promoted next time—which can be referred to as a “return game,” and also presented another case where the reverse case is occurring. There are firms which do not hold such a return game but rather place importance on the differentiation of losers from winners.

Uehara (2003) conducted a detailed data analysis of promotion structure for large banks, and found that job assignment and personnel relocation were closely linked to selection for promotion.

The third stage is “competition by tournament,” in which runners compete for the chance to be promoted. Unlike the competition pattern up to the rank of the kacho where there is a resting place in the promotion ladder, competition to the rank of the bucho and higher positions is held in the form of a tournament, that is, only winners of the competition can join a subsequent competition. As a result, much of the staff is deprived of promotional opportunity and stay in the same position or grade.

The multi-tiered career track hypothesis considers that the type of selection differs for each stage of the career track. However, as explained above, if the staff are promoted through the ranks within the organizational structure in a pyramid shape, from kakaricho to kacho and then to bucho, the basic mechanism should be a tournament. So, there is no great difference between the multi-tiered career track hypothesis and Rosenbaum’s theory of tournament mobility, assuming that in the multi-tiered career track, the period of the first round of the tournament is intentionally set rather long, encompassing the periods for tenure-based escalated promotion and for competition on the promotion speed.

Next to be reviewed is the JIL comparative survey of selection for promotion in Japan, the United States, and Germany (Japan Institute of Labour 1998b). It asked the distribution of promotion in the same nenji, the group of staff who joined the firm as new university recruits in the same year. In Figure 1, point A indicates the time of the first selection and point B indicates the time when the staff ratio who loses the chance to upward movement reached 50% in the same nenji and stay at the present status, career plateau. The first selection was held 7.9 years after recruitment in Japan, whereas it was held at an earlier stage after recruitment in the other two countries: 3.4 years in the United States, and 3.7 years in Germany. Similarly, as for when the majority in nenji lose the chance to be promoted, the period was 22.3 years in Japan, whereas it was 9.1 years in the United States and 11.5 years in Germany. Thus, career paths are separated at an earlier stage in the latter two countries than in Japan.
Then, it should be inquired whether tenure-based escalated promotion can be the best practice. If this is effective to developing human resources and increasing staff’s motivation, it can spread over the world, as the best practice everywhere in the world. However, in the 1980s, Ishida (1985) already pointed out that because Japanese firms tried to transfer their own style of promotion overseas, they failed to acquire the best talent there. It would be evidence that nenji-based escalated promotion is not the best practice but is the consequence of recruiting new school graduates and the subsequent long-term employment.

2. Selection for Promotion and Motivation

The above sections provided an explanation of selecting people for promotion in nenji, which continues over a long period of time, that is, “long-term competition.” As mentioned before, its role in human resources management (hereafter HRM) is critical, because it contributes to training and educating their staff, enables accurate evaluation of their abilities, and gives due consideration to their motivation.

However, it is not always correct to propose that “narrower the gap, the greater the motivation.” People would generally consider: “how can long-term competition motivate us? Elevating capable ones to higher positions faster than others would rather increase motivation.” Assuming that the “narrower the gap, the greater the motivation.” is suitable for long-term employment. If the winners-losers gap expands, it will definitely increase winners’ motivation but also will obviously de-motivate losers. And, it is more serious in the case new school graduates are the major source of the manpower and all of the new recruits
join the firm under the same conditions.

Of course, it is not serious providing that firms are free to ask losers to leave, or losers tend to voluntarily leave their firms. However, as explained above, in Japanese labor market, firms are not free to fire their staff as well as they are not willing to leave their firms, as compared to other countries. Then, losers would not leave in spite of expanding the gap, but they eventually choose to stay, with being de-motivated. Therefore, it is not effective to allow the large gap in an earlier stage of the careers because it will cause losers to harbor dissatisfaction for the subsequent long period of services. Consequently, the gap in nenji expands gradually over a long period of time, instead of “sudden dropout” in a short period.

Yashiro Atsushi Seminar, Faculty of Business and Commerce, Keio University (2011), conducted a survey on the promotion gap and the job turnover in nenji. It set four quadrants based on the scales of these elements and formulated a hypothesis that “the larger the promotion gap (9.2 years or more), the higher the turnover (4.9% or higher in 1998; 4.5% in 2010).” The questionnaire survey results show that firms with a large promotion gap and low job turnover, and firms with a small promotion gap and high job turnover, were hardly seen. Thus, even in Japan, losers tend to leave their firms, in case of facing a great promotion gap.

3. Tenure-Based Escalated Promotion and HRM System

In terms of tenure-based escalated promotion, the following three points are important for HRM system (Yashiro 1995).

The first is the minimum required period of staying in each grade. Under the ability-based grade system, staff must stay in each grade for the minimum required period regardless of their performance appraisal results, to prevent the promotion gap in nenji from expanding.

The second to point out is separation between positions and grades, and between promotion in positions and promotion in grades. The grade system is a “system for clarifying the ranking and treatment within the firm, aside from the position hierarchies” through separation between two hierarchies, staff is now able to move up to higher grades even when he or she fails to catch higher positions, which diversifies the population in managerial grades, such as line managers, staff managers, managers without subordinates, etc. (Yashiro 2002).

Thirdly, as shown in Figure 2 and Table 1 (Institute of Labour Administration 1997), the relationships between positions and grades are of four types: (i) each grade corresponding to a particular position (Type A); (ii) a certain scope of grades corresponding to a certain scope of positions (Type B); (iii) each grade corresponding to a certain scope of positions,

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4 “Questionnaire on Aging of Society and Human Resources Management,” the Association of Employment Development for Senior Citizens (1984, 3).
Figure 2. Correspondence between Positions and Grades

Table 1. Changes in the Correspondence between Position and Grade

(Unit: %)

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<th>Category</th>
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<th>Type A</th>
<th>Type B</th>
<th>Type C</th>
<th>Type D</th>
<th>Lack of correspondence</th>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>All industries</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
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<td>20.0</td>
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<td>30.7</td>
<td>20.0</td>
<td>2.9</td>
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<td>25.8</td>
<td>29.0</td>
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<td>3.6</td>
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Currently

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<th>Category</th>
<th>Total (number of firms)</th>
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<th>Type B</th>
<th>Type C</th>
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<th>Lack of correspondence</th>
<th>Others</th>
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<td>All industries</td>
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Note: The survey targeted 2,657 firms in total, of which 2,291 are listed and 366 are unlisted.
Managers include specialists and staff managers.
and each position corresponding to a certain scope of grades (Type C); and (iv) each grade corresponding to a certain level of positions (Type D). The correspondence between positions and grades suggests that if promotion in grades is based on the tenure, the influence of the tenure cannot be eliminated from promotion in positions.

4. The Determinative Elements of Managerial Promotion

The next to consider is the influence long-term competition, which gradually widens the promotion gap in nenji, has on the selection and development of managers.

First, it is impossible, at least on a superficial level, to launch the selection and development of executive candidates who will be senior managers in the future at an early stage in their career. However, long-term competition and the necessity of early selection of executive candidates are different issues. If firms attempt early selection in the course of long-term competition, the selection should inevitably take a latent nature.

Secondly, on the premise of such long-term competition, what determines selection of promotion? If selection is before each one’s ability and contribution to their firm is disclosed, their potential would be a key element. However, if they are selected for promotion through long-term competition or in the tournament, what would be important is achievement of performance in their career within the firm. According to the JIL survey (Japan Institute of Labour 1993), “ability, performance,” “attainment of a certain level of performance under the grade system” and “recommendation by the line managers” are frequently answered in promoting the staff to kacho and bucho. Just as a manager of a professional baseball team is usually chosen from among those who were successful players, promotion to managers is not necessarily on the basis their performance.

IV. Personnel Department: Its Role in HRM

1. Does the Management Board Decide Staffing of Employees or Vice Versa?

Then, we now turn to our focus on the influence personnel department has in the process of selection for promotion. Generally, personnel department executes the following tasks: planning HRM systems, negotiating with labor unions, as well as planning staffing allocation. And also, because long-term employment and tenure-based HRM are established in Japan, personnel department should influence in staff allocation, transfer and promotion for the following two reasons.

Firstly, on the premise of long-term employment as described in Section II, labor supply and demand in internal labor markets should be adjusted by the corporate level, rather than by each function or unit. If adjustment of supply and demand is executed per function or unit, those who are judged as redundant are to be dismissed and gone to the external labor market.

The second is the tenure-based HRM described in Section III. Gradual expansion of the promotion gap in nenji is possible only when the corporate personnel department holds
the influence in staff allocation. Since individual information is departmentalized and the access is limited across the function, personnel department is the only body within the firm, capable of determining promotion in position or grades based on the information of all the staff in each nenji.

According to the JIL survey (Japan Institute of Labour 1998b), line manager (“the head of the division + “the direct boss”) was the most frequent answer chosen as the organ with the greatest influence on promotion to kacho, standing at 57.4%, followed by “personnel department” at 29.7%. On the other hand, in the case of promotion to bucho, line manager was chosen by 27.8% and “personnel department” by only 7.4%. In the latter case, “top management” (61.5%) substantially picks up from the pool of the candidates.

It does not necessarily mean that personnel department has no influence in the process of promotion to senior managers. In the case that long-term employment and internal promotion are established, even board members and senior managers start their careers from rank-and-file jobs and move up to senior positions through the “tournament mobility.” If the personnel department is the “gate keeper” of such career path, it can described that the personnel department strongly commit to the selection of top management, although hardly told officially.

V. Job Rotation and Managers

1. Manager’s Role and Job Rotation

In the previous sections, selection of promotion was dealt with in the context of Japanese employment system. Here, staffing relocation is considered from the viewpoint of “Japanese Managers.”

Since Ouchi (1981) described job rotation as a salient feature of the Japanese management system in the 1980s, it has been on the center of the controversial point. Ouchi pointed out that the purpose of job rotation was for coordination and integration across the function, although he did not make it clear what need the coordination and integration in Japanese companies.

Hirano (2006) compared Japanese organizational modes with American counterparts, and stated that Japanese managers tend to make horizontal coordination voluntarily, because they understand firm specific context by their broad experience within the firm.

It has a vital importance on the selection and development of managers. According to the theory of Japanese organizational mode, staff is required to experience various jobs within the firm. This would be so under long-term employment, it is not general that managers are recruited directly from the external labor market.5

The JIL survey (Japan Institute of Labour 1993) defined ten categories of functions white-collar staff is engaged, such as “personnel,” “accounting” and “sales,” and asked the

5 The discussion in this section is based on Yashiro (2009, chap. 7).
personnel department of their job rotation policy across function. 51.3% of the surveyed firms answered that he or she should have been transferred across function for their 20s, but the number declined for their thirties and forties. Thus, firms have strong preference for executing cross-functional job-rotation for the younger than the older.

Another survey by Japan Institute of Labour (1998b), comparing personnel, sales, and accounting managers between Japanese, the U.S. and German firms, asked them of career paths for of university graduates. According to the survey results, “experience in other functions in addition to one’s main function” is the most frequently answered in Japan, as desirable career paths to kacho in particular function. The survey illustrates that Japanese firms have orientation for broader career paths than the U.S. and German firms, where managers are rather required to “experience many jobs in the particular function.”

What, then, is the actual picture from individual careers data? The abovementioned JIL survey (Japan Institute of Labour 1998b) for kacho and bucho of personnel, sales, and accounting function, asked the length of services in their current firms and the length of services they have been engaged in the function for which they have the longest experience.

The proportion of the latter to the the former shows the career patterns of the respondents can be categorized into three types: (i) single-function career, with such proportion at 76% or over; (ii) quasi-single-function career, at 51–75%; and (iii) multiple-function career, at 50% or under. Among Japanese firms, these types are distributed nearly evenly, about 30% for the multiple-function type, 30% for the quasi-single-function type and 40% for the single-function type. However, among the US and German firms, the single-function dominated career accounted for an exceedingly majority, while the multiple-function career was not often observed. It clearly shows that Japanese managers have broader career paths than their overseas counterparts.6

2. Tenure-Based HRM and “Retirement from Specialists”

Apart from the mode theory of Japanese firms, the necessity for staff relocation seems to be the result of the abovementioned tenure-based HRM. According to the tenure-based HRM resulting from recruiting new school graduates, the staff in each nenji is promoted to higher positions or grades based on their length of service, with the gap of promotion gradually expanding. Therefore, if the promotion in the particular nenji is delayed, it would cause a further delay of promotion in the immediately lower nenji. (Yashiro 1995)

To avoid it, they should move up to higher positions or grades across function. The chance for promotion will surely be greater in the case staff moves between functions than their careers being within a particular function. This is because they would be able to acquire wide-range skills through job rotation, and also such a rotation itself would involve

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6 Based on the JIL survey (Japan Institute of Labour 1998b), Koike (2005) defined the career patterns of Japanese university graduate white-collar employees as a “broader single-function type.”
promotion in positions or grades.

The staff relocation system is quite convenient insofar as to maintain the tenure-based HRM. However, if it is applied to firm-wide base, job rotation and promotion is given the priority than specialists pursuing their specialized career paths.

3. Specialist Careers and Managerial Positions

Okamoto (1990, 178–79) described the characteristics of career paths in the 1960s, which basically continues today:

“The paradox is created between heterogeneity from functional specialization and homogeneity-oriented HRM, based on academic background and tenure cohort (nenji). An extreme case is that a well-experienced engineer in the research division is moved to first-line managers in the factory only to avoid imbalanced treatment of people in the same nenji. The engineer’s specialist careers are interrupted at a critical point, due to such job transfers.”

According to the survey conducted by Keio Studies on Organizational Behavior and Human Performance (1996), for the staff engaged in research in leading manufacturing companies, nearly 60% responded that they had limits for their careers as researchers due to age. The most frequent answer for such age limit is “being occupied by managerial works” (69.7%). It shows researchers following career paths as specialists are ‘pushed up’ to managerial positions under the tenure-based HRM and forced to “retire” from their researcher’s jobs.

If one moves up to manager’s positions by job rotation under the tenure-based HRM, they do not have enough experience in the field to which they are newly assigned, so they have to make decisions just by approving the choices by the staff directly reporting to them. It is another consequence of promotional selection in Japanese companies, in addition to that managerial promotion is not necessarily on the basis of managerial competencies.

4. Do Specialist’s Careers Actually Have Specialties?

The above section pointed out that specialists are ‘forced’ to be managers as a result of tenure-based HRM. On the contrary, however, it is often the case that someone, whose level of specialties is questionable, is appointed to ‘specialist’ just as a name. Okamoto (1990, 181–82) stated as follows of ‘specialists’:

“A career pattern for developing specialists has not yet been created...therefore, in the extreme case, he or she is rotated in an opportunistic and unplanned manner....In such a situation, the specialists jobs are, as if, pool of ‘‘veterans and reserves,” not suitable to perform line functions.’ In that case, the order of division of duties easily leads to sectionalism.”
Research Institute for Advancement of Living Standards (2000) compared their jobs and careers between managers and specialists. Regarding the minimum required years for which they should be managers or specialists, more than 70% of the total responded they required at least five years to have managers, and those requiring ten years or more reached almost half of the total (“five to nine years” [27.3%] + “ten years or more” [45.4%]). On the other hand, for the specialists, requiring ten years or more were only 11.2%, and those requiring five years or more were about one-third of the total (“five to nine years” [23.0%] + “ten years or more” [11.2%]). From the above-mentioned survey results, managers are required to have greater years of service than specialists in the single firm.

The similar thing can be observed on the academic background to perform the duties of managers or specialists. 56.9% perceived they required the “status of four-year university graduate or equal academic level” for managers and 48.0% required it for specialists, whereas 27.5% of specialists and 31.6%. The academic background was not considered for managers. Therefore, actually, the ratio of respondents requiring higher level of academic background is slightly greater for managers than specialists.

As the earlier sections pointed out, firms separate positions and grades, and separate managerial positions and managerial grades for motivating the staff under the long-term employment system. Consequently, all of the staff, promoted to managerial grades in the same nenji, will not be able to have managerial positions. So, the position of specialists, they should execute their specialties by, is actually the pool managerial candidates, staying and queueing for promotion.

The consideration in the previous and present sections indicates the following mismatch. Those who have been failed for managerial promotion take the way of specialists, while those with high level of specialties are ‘forced’ to move to managers. It is derived from tenure-based HRM, which is the center of Japanese employment system.

VI. “Dynamics” between Personnel Department and Line Managers for Job Rotation

1. Manager’s Role: Human Resources Development and Staff Allocation

The preceding sections reviewed selection and development of managers from the Japanese employment system, long-term employment, recruiting new school graduates and tenure-based HM. However, apart from the corporate policy of HRM, line managers themselves have considerable influence in the development of future managers. Here, “dynamics” between personnel department and line managers for job rotation has a vital importance.7

As mentioned above, rotating the staff is firms’ policy. However, from the side of

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7 The discussion in this section is based on Yashiro (2002, chap. 7).
managers, staff relocation means that they are to give away their subordinates to other workplaces, whom they have developed, and consequently productivity would decline. So, managers would not be willing to agree to the transfer of their subordinates by personnel department as well as his direct bosses.

The JIL survey (Japan Institute of Labour 1998a) actually illustrates it clearly. Regarding the obstacles of human resources development in the workplace, 48.8% of the surveyed managers answered that due to the pressure to achieve a short-term performance, they will not be able to consider job rotation as mid- and long-term human resources development, and 34.4% answered that they were too busy to spare time for the development of younger or mid-career staff. The above-mentioned answers were more frequently among managers who reduced the number of regular staff greatly.

Then, next to consider is, how the declining of managers’ developing their staff will affect their attitude for job rotation? According to the abovementioned JIL survey, when managers were required by their superiors or the personnel department to move their subordinates, about one-third of them accepted transfers of “younger” or “mid-career” staff as requested. As for other options, 50% accepted the request for transfer conditionally (accepted the request for transfer on condition that they can retain the target employee in his/her current position until he/she finishes the assigned task or until his/her successor is developed or assigned), while slightly less than 20% refused the request for transfer (for the sake of the target employee’s current situation or future career or in consideration of the circumstances within their workplace). It clearly shows that managers can reserve the request by their superiors or personnel department to transfer their subordinates, or can even refuse it.

However, if manager’s attitude is rather negative to the request for transfer of their subordinates, promotional opportunities of their subordinates might be delayed. There is such “dynamics for job rotation” affecting the actual control over promotion.

VII. A Sign of Change?—Selection and Development of Managers in the Future

1. The Future Way of Japanese Employment System

In this paper, selection and development of managers was taken up from the viewpoint of Japanese employment system. Finally, some future prospects will be presented here.

According to the above consideration, Japanese employment system is composed of recruiting new school graduates and tenure-based HRM, based on long-term employment. Long-term employment is justified by the following two reasons: (i) economic rationality, investment in developing human resources for firm-specific skills; and (ii) the case law doctrine.

In consideration of interdependency among HRM systems, it is difficult to select executive candidates at an early stage or build career paths for specialists as long as firms
maintain current way of recruiting and subsequent HRM. When recruiting new school graduates, firms evaluate their potential, rather than whether they are suitable for firm-specific jobs. Consequently, it is efficient that recruiting activities are synchronized, and these newcomers are managed collectively by personnel department for their promotion in positions and grades based on their tenure in terms of scale economies. Such tenure-based HRM, combined with the case law doctrine, makes a great promotion gap unacceptable.

Yet, of the two wheels for long-term employment, (i) the combination of recruiting new school graduates and tenure-based HRM, and (ii) the case law doctrine of abuse of the right of dismissal, the former is controllable by the firms. If they reduce the quota of new school graduates and expand mid-career recruits, tenure-based HRM will gradually fade away.

2. Japanese Employment Practices and Organizational Field

The next thing to consider is the element influencing firms’ choice to either maintain the traditional Japanese employment system or change it. The theory of “organizational field” in organizational sociology, considers that management is under pressure to become isomorphic to the system that is regarded as a norm in the areas they are operating the businesses. Japanese firms compete to each other in the Japanese market; they naturally become isomorphic to the Japanese employment system.

Therefore, in the areas long-term employment and recruiting new school graduates are established as norms, firms cannot catch talented people in the external labor market even if they would like to recruit mid-career staff. These firms have no choice but recruiting new school graduates, which would make long-term employment more established as a normative employment system.

The story would be completely different; however, if foreign-owned firms enter the Japanese market and their management system is recognized as the best practices. In that case, organizational field does not exist in “Japan” but it rather exists in “industry.” For an instance, in the investment banking industry, Anglo-American HRM is standard even in Japan, New York, or anywhere else in the world. Japanese investment banks follow and become isomorphic to Anglo-American system, regardless of their basement. If mid-career recruiting or head-hunting, early selection of executive candidates, and career development as specialists are standard in the industry, Japanese firms operating in the industry would have to change their employment system. Unless they take suitable actions, such as searching competitors’ pay levels, selecting executive candidates in the early stages and notifying them, and offering them monetary benefit, otherwise, they would lose talented human resources. Competition with foreign-owned firms for tal-

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8 For details of the organizational field theory, see Hirano (2006), Magoshi and Kuwana (2010), etc.
3. Case Study: Company A in the Automobile Industry

The following is the case of Company A, manufacturing automobiles on global scale. In Company A, the appointment of staff for the key positions on the world base must be formally approved by the Nomination Advisory Council (NAC). The NAC consists of management executives and human resources staff. The NAC is formed on three levels: Corporate NAC, Global Functional NAC, and Functional/Regional NAC.

Talented persons, called High Potential Persons (HPP) are registered in the list of candidates for these key positions. HPPs are divided into three stages according to their career stages or potential, in which persons at the highest stage, Corporate High Potential Persons (CHPP), are regarded as having potential to be future corporate executives. Age or tenure is not taken into consideration when approving the appointment of HPPs.

In addition to the appointment for the key positions, the NAC also approves HPP nominations and formulates their career development plans. The major career development patterns for HPPs are assignment to projects and transfer to important positions in regions and functions, as well as global headquarters. The NAC discusses their career development plans (CDP), while understanding HPPs’ desires and intentions through periodic interviews with career coaches.

There is no special rule for the promotion of HPPs, but actually they rise to higher positions quickly because they are qualified persons. HPPs are subject to periodic review and some of them leave the HPP list in light of their performance or intentions, although this is the rare case. HPPs are not informed that they are HPPs. In principle, HPPs’ bosses are not informed that their subordinates are HPPs, except when they need to be, due to the HPPs’ ranks. Motivation of HPPs and their colleagues, and the accountability for their deletion from the list, is taken into account in such a decision.

Company A states that it sets rough target numbers of HPPs in different ranks so as to secure the appropriate size of pools of human resources but does not make it a rule to achieve such targets.

This paper considered Japanese employment system from the perspective of selection and development of managers. We have two extreme view of Japanese employment system: whether it will survive as a whole or completely collapse. However, as the case of Company A clearly shows, the possibility of survival depends on industries. Some industries, focusing on domestic competition, and others, toward international competition, will take the different way. Accordingly, the selection and development of managers will diversify among industries.

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9 The survey was conducted in August 2012.
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How Did Intellectual Skills on the Shop Floor Change in the 2000s?

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The major changes that took place on the shop floor in the 2000s were an increase in the number of non-regular workers, primarily contractors and dispatched workers, which continued until 2007, and a sharp decline in production in industries such as the automotive industry, coupled with a reduction in employment focused on dispatched workers, following the September 2008 Lehman Crisis. Intellectual skills are said to be the characteristic of the Japanese shop floor, but how did these skills and the way in which they are formed change amid this situation? According to a shop floor survey conducted within the automotive industry in 2002, intellectual skills were considered to be important and were formed among regular employees in an integrated fashion. The work done by non-regular workers, whose numbers are growing in the workplace, was initially separated from that done by regular employees, but that led to poor efficiency and many such workers quit their jobs. Although their status is “non-regular,” their work experience in that workplace is important. As the economy recovered, there was an increase in their appointment to positions with regular employee status. The surveys conducted by the Japan Institute for Labour Policy and Training in 2007, 2008 and 2009 show that the importance of intellectual skills among regular employees and the methods used to form them have remained basically unchanged. In fact, skills have become more advanced and have penetrated to the level of small and medium-sized enterprises.

I. Introduction

Organizational capability on the shop floor in Japan lies in the intellectual skills of blue-collar workers in workplaces that are responding to change and problems. Amid changes in the environment over the last 20 years, in the form of the diversification of types of employment and the introduction of IT to the workplace, the issue has been raised that a growing number of non-regular workers are not included in “qualification systems, regular wage increases, or appraisals,” which should promote the acquisition of intellectual skills, and a major change in intellectual skills themselves appears to have taken place on shop floors in Japan.

Following the recession at the end of the 1990s, Japan began a gradual recovery from around 2002 and was suffering from a considerable labor shortage in 2006–7. However, the rapid decline in production and employment due to the worldwide recession that followed the so-called Lehman Crisis, resulting from a financial crisis originating in the USA in the fall of 2008, was horrendous. Subsequently, the economy has been on the path to recovery, but it remains uncertain whether or not this will progress smoothly in the future. How have the importance of intellectual skills on the shop floor and the way in which they are formed changed amid such major transformations during the 2000s?
Hitherto, fact-finding surveys dealing with themes arising at those particular times have been carried out on the front line of manufacturing, mainly in the automotive industry, with a primary focus on “intellectual skills,” which refers to the ability to do one’s job. With regard to the theme of this paper, a survey of skills formation and the impact of the growing use of non-regular workers on shop floors in the automotive industry was carried out in the summer of 2002, by the Institute for Industrial Relation and Labor Policy, Chubu (2003) under the title “The Handing Down of Monozukuri (the Art of Manufacturing) to the Next Generation and Medium-term Labor Policy.” In 2007, the Institute for Industrial Relation and Labor Policy, Chubu (2008) conducted a survey entitled “Creating a Shop Floor Workplace Where Older People Can Play an Active Role and Issues Relating to This,” concerning middle-aged and older people on the shop floor and workers who have been re-employed, focusing again on the automotive industry.

How has the formation of skills on the shop floor progressed since then? In August 2007, October 2008 and October 2009, the Japan Institute for Labour Policy and Training (JILPT) conducted a survey among companies in the machinery and metals-related sectors, concerning the cultivation and skills development of technicians. These surveys were conducted over the period during which the September 2008 Lehman Crisis occurred, so they are of great value in understanding changes that occurred around that time. This paper seeks to respond to the aforementioned question that has been raised by examining and considering these surveys.

II. The Growth of Non-Regular Employment, the Problem of Quality and the Formation of Skills: Based on the Example of the Automotive Industry

1. Problem and Hypothesis

Since 2000, in the automotive industry, there has been a sharp rise in the number of non-regular workers, such as fixed-term employees and contract workers. Accordingly, the question was raised of whether confusion and a deterioration in quality were occurring on the shop floor. In FY2002, Tomoko Kishi (Faculty of Economics, Nanzan University) and I carried out a study commissioned by the federation of labor unions of Enterprise Group A in Aichi Prefecture. The study involved conducting interviews at the shop floors of six companies and distributing questionnaires to those companies and the managers of each workplace in question.

Although it was a study intended to identify problems, it would not have been possible to ask about issues in depth during the limited time available for the interviews unless we had decided upon a viewpoint that we should examine. The basic hypothesis was whether intellectual skills and integrated skills formation had ceased to be effective.

The term “intellectual skills” as used here refers to the ability to deal with changes and problems outside repetitive tasks and reasoning capabilities in relation to the root causes of problems, and was established at the end of the 1980s by Kazuo Koike. “Inte-
"grated skills formation" is a mechanism for the formation of skills, involving a front-line operator spending several years acquiring the ability to deal with problems and the ability to suggest improvements while rotating through various parts of the workplace, and it includes career progression from being an operator to taking up a supervisory position on the shop floor. In contrast, the “separated system” is a mechanism in which the two functions are separated, with operators doing only their usual repetitive tasks, while advanced skills such as dealing with problems are handled by specialists in maintenance or other areas. These operators are not promoted to supervisory positions, so there is no prospect of a career.1

Next, respondents were asked about whether there were any problems in terms of running the workplace, resulting from the shift toward non-regular employment. A workplace centered on regular employees is desirable in terms of forming skills and passing them on to the next generation. However, this is fine when the future production prospects are assured, but when the prospects for the future are uncertain, it can result in a surplus in the event of a decline in production, thereby putting pressure on profits. Accordingly, there are rational aspects—in business terms—to determining the fixed number of regular employees according to the lowest level of production, and then using non-regular workers, such as temporary and contract workers, to deal with one-off increases in production. Furthermore, as well as the fact that the labor costs associated with them are lower than those of regular employees, making it possible to economize on welfare expenses, recruitment and education and training costs, using non-regular workers has the advantage that they can easily be dismissed in the event that they become surplus to requirements.

On the other hand, companies lack incentives to have non-regular workers acquire skills in their workplace, as they may quit jobs at any moment. As a result, there is a greater tendency for difficulties to arise in terms of dealing with changes or problems and ensuring quality, which increases the burden on regular employees and those in supervisory roles. Consequently, there is a risk that this will impede the skills formation of regular employees and cause difficulties in passing on skills to the next generation. Eventually, this might even cause stagnation in productivity improvements throughout the workplace as a whole. Is it not the case that proprietors are stubbornly attached to a policy of curbing the number of regular employees and doing too little to cultivate regular employees—who will become the core of the workplace in the future—because they are failing to heed the actual situation and opinions on the front line? The study was carried out on the basis of this hypothesis.

2. The Employment Situation in Operational Departments: The Situation in 2002

Let us take a very brief look at the employment situation in operational departments in the automotive industry in 2002, at the time the survey was conducted. From 2000 to

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2002, production began to recover to some degree, having previously been slackening. However, companies were still unable to feel confident about the future, so they continued to curb the hiring of regular employees and there was a sharp rise in the number of fixed-term employees and contract workers instead.

With regard to the question of what kind of people become fixed-term employees and contract workers, young Japanese men (aged under 30) accounted for just under half, with those in the more mature age bracket (30–49) accounting for one-third, while foreign nationals accounted for around 20%. When we actually went to the shop floor, we were surprised to find that there were many young people—the so-called freeters (young people who depend on odd jobs to scrape a living as a freelance worker of sorts)—whereas we had thought that most would be middle-aged men, based on the image we had of migrant workers a few decades ago.

Having learned their lesson from the slump at the end of the 1990s, companies had become very cautious about downside risks. Accordingly, over 80% of the companies that responded (multiple responses permitted) cited as their reason for using non-regular workers “to adjust the volume of employment in response to economic fluctuations” and more than 60% answered “to economize on labor costs,” while “because we cannot increase the number of regular employees” and “to respond to temporary/seasonal changes in the workload” each accounted for approximately 50% of responses.

3. Forming Skills in Monozukuri (Manufacturing) and Passing Them on to the Next Generation

What kind of technological changes have taken place on the shop floor in the automotive industry recently and what changes have occurred in the skills required as a result of this? We prepared questions that were the same as the ones that had been included in a survey conducted in 1994 among what was more or less the same enterprise group, and sought to examine changes in technology and skills.

To summarize the results, the importance of “the ability to deal with change or problems, namely, intellectual skills” remained unchanged on the shop floor in the automotive industry. Respondents were asked about the use of “skills charts” and it emerged that these were used company-wide or in most workplaces, whereas they had not been used a great deal in 1994.

When asked about their sense of crisis in regard to forming skills in Monozukuri (manufacturing) and passing them on to the next generation, approximately three-quarters of all companies surveyed responded that they had a sense of crisis. The most commonly-cited reason for feeling a sense of crisis was “because it is anticipated that a large number of older, highly-skilled technicians will retire in the future,” which was given by more than half of all companies that responded. The reasons “because there is no leeway to enable veteran workers to provide guidance to young people” and “because we are hiring fewer young people” were each cited by just under half of the companies responding, while “be-
cause the motivation and abilities of young people are falling” accounted for 30% of responses.

However, the aforementioned responses related solely to regular blue-collar work. With regard to the education and training of non-regular workers, the overwhelming majority of respondents answered that “it is undertaken within the scope required” and that it was carried out separately from that of regular employees. In this sense, this does not constitute “integrated skills formation” on the shop floor according to its original meaning. There is a strong sense of crisis about forming skills in Monozukuri (manufacturing) and passing them on to the next generation, but only a little under 20% of respondents selected “because there are many non-regular workers” as the reason for this. With regard to this point, the results were different from those of the surveys of the managers of each workplace, showing discrepancies in terms of the awareness of the actual situation between the personnel division and the shop floor.

4. The Growth in Non-Regular Employment and Workplace Management

From the questionnaire conducted among workplace managers with responsibility for the shop floor, we sought to examine the impact of the growth in non-regular employment by comparing shop floors that had a large proportion of non-regular workers with those that had only a small proportion.

When asked in the questionnaire “Is everything going well in terms of passing on skills to the next generation and conducting education and training?,” 33% of workplaces in which non-regular workers accounted for at least 30% of all workers responded “It is not going well.” On the other hand, 29% of workplaces with a small proportion (less than 10%) of non-regular workers answered in the negative, so there was not a great difference between them. In regard to a question that focused on the core issue that “it is difficult to maintain and improve quality,” 55% of workplaces in which non-regular workers accounted for at least 30% of all workers responded in the affirmative; on the other hand, although we thought that the figure would be lower among workplaces in which non-regular workers accounted for less than 10% of all workers, 44% of such respondents answered in the affirmative. Accordingly, we were bemused by the fact that, contrary to our original idea, there was an unexpectedly weak relationship with the proportion of non-regular workers.

What should we think about this point? Does this mean that workplaces with only a small proportion of non-regular workers have only just introduced non-regular workers and are not yet making effective use of them? On the other hand, it may be considered that at workplaces with many non-regular workers, some kind of response has already been implemented in the process of increasing the number of such workers, in light of the many years of experience that the workplace has gained in using them. This is made clear from the examples seen in the workplace interviews.
5. Medium-Term Management Policies and the Growth in Non-Regular Employment

It is thought that each company’s medium-term business plan is influenced considerably by the medium-term management policy—including the policy on overseas expansion—of Company A, which is the flagship company for the group, as well as the employment policy based on this. The medium-term outlook for domestic production by Company A is to maintain the status quo, but it had been revised to take greater account of downside risk than previously. Consequently, cutbacks in the hiring of regular employees began in FY2000, particularly in operational departments, and these were still ongoing as of 2002. At the same time, the company was coping with a short-term increase in actual demand by means of backup from outside the company, such as from group companies, and the hiring of fixed-term employees, with the company changing its policy on the share of personnel directly engaged in production, raising the upper limit from 20%, which it had been hitherto, to 25%.

Amid this situation, each company, except for Company C and Company F, which had already been promoting a full-scale switch to non-regular employment, seems to have switched to a policy of curbing—or, at best, maintaining the status quo—the number of regular employees in blue-collar work. However, actual demand for motor vehicle products and components increased from FY2000 and each company sought backup from outside the company and increased the number of fixed-term employees and contract workers in order to cope with this.

6. Devising Ways to Retain Non-Regular Workers

All of the workplaces where interviews were conducted had experienced many personnel changes and a great deal of confusion on the shop floor when large numbers of non-regular workers began to be introduced, and there had been frequent complaints. After this initial experience, each workplace had devised its own ways to try to retain non-regular workers. These can be summarized as follows:

i. Selecting more settled people and giving preferential treatment to those with experience;

ii. Paying wages above the market rate and providing continuation allowances;

iii. Inviting non-regular workers to recreational activities and social events in order to build interpersonal relationships as members of the same team;

iv. Opening up the path to becoming a regular employee.

When non-regular workers—particularly contract workers who are affiliated to a different company—are first introduced, there is an inevitable tendency to treat them in a rather distant manner, and this makes work-related collaboration difficult. Accordingly, it is important to make efforts to involve such workers on the shop floor as members of the same team, working in the same place, even if their pay and conditions, and contracts differ. In fact, there were workplaces at which this had led to an increase in skills and morale among
non-regular workers, with production taking place smoothly, even though there was a large number of such workers.

It is perhaps easier to understand if an example is selected from among the interviews and explained in more specific terms. The following is an introduction to Company F, a medium-sized automotive component company. Company F is located in Kyushu and the proportion of fixed-term employees among its blue-collar workers was very high, at 75% at the time, so before our visit, we were concerned about how production was going there.

However, when we actually visited, we discovered that young, energetic fixed-term employees in their 20s were working there, and they greeted us with loud voices. When we asked the company president about this, we were told that when hiring male blue-collar workers for regular positions, rather than hiring new graduates as regular employees, like other companies, the company only appoints such staff from among its fixed-term employees. The reason for this is that the company had taken into consideration the fact that its fixed-term employees would lose their motivation if regular employees were hired from among new graduates.

In order to encourage staff to take the initiative in learning as many processes as possible, irrespective of their employment type, the company put up a “skills work sheet” in the workplace, which motivated staff to acquire skills, and this became the evaluation criterion for appointment to quasi-regular and regular employee posts. In addition, when we asked the employee about how they felt about the sheet being put up in the workplace, they said it was good, because it motivated them.

Thus, over the course of four or five years, the company has sought to promote the retention of staff, looking beyond differences in forms of employment, such as fixed-term employee or contract worker, and has endeavored to involve such staff on the shop floor through appropriate skills development, which has led to production progressing more smoothly.

7. Policy Responses to the Growth in Non-Regular Employment and the Problem of Quality

In light of the above, what kind of policy responses can be devised in relation to the growth in non-regular employment and the problem of quality? First of all, I would like to affirm that the stabilization and continuation of work is vital for both non-regular workers and for shop floors. Accordingly, rather than excluding or separating non-regular workers, it is important to deal with the issue by adopting a stance of integrating them into the workplace. I would like to actively support opening up the path to regular employment as one means of doing so.

The law has been amended to enable the employment contracts of fixed-term employees to be extended to up to three years, and the time frame for the employment of dispatched workers on shop floors was also extended to three years from March 2007. One can say that employment has stabilized compared with the situation previously. However, one
must not forget that the fact that it is an employment contract with a set time frame means that such staff have been employed based on the understanding that the employment contract will end if employment has to be reduced due to a decline in product demand.

III. Subsequent Endeavors to Secure and Cultivate Technicians

1. From the 2007 JILPT Survey

From 2003 to 2007–8, the economy recovered, albeit gradually, and a labor shortage even began to be seen from 2004. Amid this situation, non-regular employment increased further at manufacturing industry production sites. In particular, the embargo on dispatch work in manufacturing industry was lifted in March 2004 and there was a sharp rise in the number of dispatched workers, replacing the contract workers used hitherto. Furthermore, concerning the issue of the transfer of skills to the next generation, there was a great deal of concern about the “2007 problem,” referring to the year when the so-called “baby-boom generation” would reach the mandatory retirement age.

In Japan Institute for Labour Policy and Training (2008), a survey was carried out in August 2007 targeting business establishments in the machinery and metals-related sectors, focusing on the use of diverse forms of employment in manufacturing-related workplaces and its relationship to the securing and cultivation of technicians and engineers. Let us look at the main results obtained from this.

There had been an increase in the number of so-called “external personnel” not directly employed by the company, such as dispatched workers and contract workers. The better the business performance of the business establishment over the previous three years, and the better its long-term business prospects in relation to the volume of production and orders for its main products, the higher was the proportion of external personnel. It is likely that the number of regular employees had also increased in such business establishments.

When looking at fluctuations in regular employees according to the situation in regard to fluctuations in non-regular employees over the previous three years, the study found that the number of regular employees had increased at approximately 60% of the companies at which the number of non-regular employees had increased, while conversely, the number of regular employees had decreased at 60% of business establishments at which the number of non-regular employees had decreased. Looking only at the status of fluctuations, it can be seen that there is no simple substitution relationship in which the number of regular employees decreases if the number of regular employees increases (or vice versa).

When respondents were asked about changes at or effects on the manufacturing site arising from the use of non-regular employees, the greatest number of responses was accounted for by “it has become possible to deal with sudden increases in the workload.” A comparatively large number of responses was accounted for by “it has become possible for regular employees to dedicate themselves to more advanced operations” and “it has ceased to be necessary to tamper with the employment of regular employees in response to fluctua-
tions in demand,” while “there have been no particularly noticeable effects or changes” accounted for approximately 20% of all responses.

Unexpectedly, few cited the negative effects that we anticipated in the 2002 survey, namely “the burden of site management on regular employees has increased” (14.7%) and “it has become difficult to accumulate and pass on know-how” (10.4%). This would seem to be because companies have become more efficient as a result of having used non-regular employees for many years.

When respondents were asked about the knowledge and skills required of skilled regular employees, the answers demonstrated that the greatest importance is attached to “knowledge and skills relating to the rationalization of production processes” (28.5%), followed by “advanced, outstandingly proficient skills” (19.4%), “knowledge and skills relating to the maintenance and improvement of equipment” (12.0%), “knowledge and skills relating to quality control and inspection/testing” (10.7%), and “skills relating to handling multiple processes singlehandedly” (9.4%). Moreover, the survey reports a considerable decline in those responding “skills relating to assembly and adjustment” at business establishments where non-regular workers account for at least 30% of all workers. The term “intellectual skills” is not used, but one can see a tendency toward separation, in which regular employees are required to have even more advanced intellectual skills, while comparatively simple tasks are left to non-regular employees.

When respondents were asked to evaluate the cultivation of skilled regular employees, just under half answered “it is going well,” but the proportion giving this response declines among business establishments with a higher proportion of non-regular workers. The reasons given for why this was not going well included “because there is a lack of middle-ranking employees,” “because more-experienced employees are too busy to provide junior employees with guidance,” and “because few young employees are assigned to manufacturing sites.” In other words, it is because there are too few regular employees in comparison to the number of non-regular workers.

When respondents were asked about whether they had been able to hire new graduates as skilled regular employees as planned over the last three years, approximately one-third of business establishments answered that they had not been able to hire them as planned. One of the measures to deal with this is the appointment of regular employees from among the ranks of non-regular employees, contract staff, and dispatched workers, etc. With regard to the appointment of regular employees, approximately 23% of respondents stated that they “have a system,” while just over 40% stated that “there is no system, but we do this in practice”; thus, in total, approximately two-thirds of respondents stated that they offered opportunities for appointment as regular employees. Furthermore, approximately 80% of respondents stated that they had actually appointed such staff over the past three years. Among business establishments that allow non-regular workers to do jobs involving skills that take time to acquire, the proportion responding that they “use external personnel, such as contract or dispatched workers” and the proportion responding that they “appoint
regular employees from among the ranks of non-regular employees, contract staff, and dispatched workers, etc.” is significantly higher.

2. From the 2007 Case Study: Positioning of Dispatched Workers

In order to gain a more specific insight into the use of external personnel, such as dispatched workers and the impact this has on human resource development, I shall highlight the main points from the interview-based survey of business establishments.

“At Business Establishment A, where dispatched workers account for approximately 20% of the 500 or so employees, dispatched workers, etc. are hired because it is unclear whether the current good business performance will continue. . . . A commensurate period is required for workers to become proficient at their tasks, but because there are cases of dispatched workers quitting suddenly, even when education is provided, they are confined to simple work.”

“At Business Establishment D, it was taken for granted that training would be carried out for regular employees on the basis of long-term employment, and that work would be assigned to them on the shop floor for many years. However, due to the increase in dispatched workers, this attitude is losing currency. . . . Nevertheless, no matter how much the jobs done by dispatched workers might be described as simple support tasks, operations on the shop floor do not progress smoothly unless they learn the key points. Accordingly, it becomes necessary to provide education and training for dispatched workers. . . . Over the past three years, six dispatched workers have been appointed as regular employees.”

“For Business Establishment F, dispatched workers entail the advantage that hiring is dealt with by the temporary staff recruitment agency and the business establishment can reliably secure the personnel that it requires. Even if the workload increases in the future, it will be difficult to deal with it by increasing the number of regular employees hired or having dispatched workers switch to being regular employees, if the business establishment wishes to prevent further employment adjustments.”

“At Business Establishment G, the increase in workload is forecast to continue for some time into the future, but if the workload increases, while it might hire a few more regular employees, it mainly tries to deal with the increased workload by using dispatched workers and contractors. Company G has a policy of not conducting employment adjustment among regular employees, so it feels that if it adds too many regular employees to handle increases in production, it will become unable to adhere to this policy when the production volume falls again.”
These examples show that although regular employees are appointed from among the ranks of dispatched workers in some cases, there is a strong sense that businesses want to avoid conducting employment adjustment among regular employees when product demand falls, even if it is strong at present. Accordingly, it can be seen that businesses are very cautious about hiring regular employees.

3. The Use of Continued Employment of Elderly People

In Japan Institute for Labour Policy and Training (2009), a survey was conducted in October 2008, immediately after the Lehman Crisis. Respondents were asked whether they implemented continued employment among technicians aged 60 or above as one method of securing core technicians. Two-thirds of the business establishments that responded stated that they were implementing such a system, with many of them having put the greatest effort into securing multi-machine handlers.

Focusing on whether this new trend, where most of those who took mandatory retirement remain in the workplace, has caused any new issues at the workplace to which they were assigned, and with the objective of examining approaches to workplace management that seeks to increase the motivation to work of those employed under the continued employment system and have them take on roles proactively, I became lead researcher on a study for the Institute for Industrial Relation and Labor Policy, Chubu (2008) entitled “Creating a Shop Floor Workplace Where Older People Can Play an Active Role and Issues Relating to This,” and commenced my research in September 2007. I would like to introduce some of the results obtained from this.

In the study, a questionnaire-based survey was conducted in February 2008 among 504 managers and supervisors at Enterprise Group A in Aichi Prefecture, and among 552 employees who had been re-employed. One can see that, among those who had taken mandatory retirement, the proportion of those securing employment thereafter has been increasing markedly, from 30% in FY2005 to 53% in FY2006 and 57% in FY2007. Nevertheless, this is still only 60%, so the figure is expected to grow further in the future.

In the questionnaire, when the shop floor managers and supervisors were asked “Looking at the situation overall at your workplace, do you think it is a workplace in which re-employed workers can play an active role?,” 56% of respondents answered “Yes,” while 44% answered “No.” The workplaces in which there was a large number of “Yes” responses were indirect workplaces, such as those involved in “education,” “improvement,” “maintenance,” and “inspection and packaging,” while a large number of “No” responses was received from direct shop floors, such as “fabrication,” “welding,” and “vehicle assembly”; the workplaces in the latter category involve laborious, fast-paced work, which is often carried out via the shift system.

With regard to the location of the workplace in which these workers are re-employed, the overwhelming majority (84%) are employed in “the same business establishment and
the same workplace in which they worked before retiring.” When respondents were asked about their annual income (including pensions, etc.) compared with the situation before reaching the mandatory retirement age, 12% stated that it was “60–70%” of the previous level, while the most common answer was “about half,” received from 46% of respondents, and 39% stated that it was “30–40%,” so it can be seen that income falls considerably. When respondents were asked about their “level of satisfaction with being able to work under the re-employment system,” looking at the proportion of annual income, the greatest proportion of those who were satisfied was seen among those whose annual income was “60–70%,” at 83%, while 73% of those whose income was “about half” and 69% of those whose income was “30–40%” stated that they were satisfied. Thus, although there is a drop in satisfaction, the decline does not seem to be as substantial as the large fall in annual income. Until a few years ago, it would have been difficult to be re-employed by the company and workplace at which one had worked until that point, so it is likely that there are many people who are grateful for the opportunity, even though their wages have dropped significantly.

Managers and supervisors were asked about the advantages of elderly people continuing to work, from the perspective of “demonstrating proficient skills,” and I compared the responses of supervisors who had replied “I think that re-employed workers can play an active role” with those of supervisors who had responded “I do not think so.” Whereas the proportion of those who thought that “they can pass on their proficient skills to young people” was 88% among supervisors who had replied “I think that they can play an active role,” it was much lower among supervisors who had replied “I do not think that they can play an active role,” at 54%. In the section of the questionnaire provided for comments by respondents, the most common opinion among supervisors was that “It is almost impossible to treat re-employed workers as ‘one full-time equivalent’.” With regard to re-employed workers themselves, even at workplaces where supervisors had replied “I do not think that they can play an active role,” approximately 70% thought that they could demonstrate their skills, so there is a considerable gap between the workers and the supervisors.

Respondents were asked about issues in the workplace resulting from elderly people continuing to work after reaching the mandatory retirement age. The most commonly-cited issue was “it is difficult to rotate or redeploy them, as the tasks that they can do are limited.” This issue was cited by as many as 89% of supervisors who had answered that “I do not think that they can play an active role,” and was even quite high among supervisors who had replied “I think that they can play an active role,” at 69%. Moreover, the issue “it is difficult to introduce new equipment and new technology to the tasks that they are handling” was mentioned by quite a large share of all supervisors, with 59% of supervisors who had answered that “I do not think that they can play an active role” and 49% of supervisors who had replied “I think that they can play an active role” citing this as an issue.

The majority of re-employed workers were doing the same job in the same workplace as before their retirement, so this issue is thought to result from the tasks that they could do
in that workplace having been limited even before their retirement. Although the term “wide-ranging skills development” has frequently been referred to, it is presumed that most middle-aged and older workers have few opportunities for training in new equipment and new technologies.

With regard to future skills development, it is important to develop an attitude and support system aimed at proactively broadening the experience of those in their 40s and 50s, with a view to their continuing their careers until the age of 65. More specifically, it would be desirable to implement proactive rotation and redeployment, including dispatch overseas, provide training in new equipment and technologies, and provide training opportunities that would facilitate a transfer to an indirect workplace.

4. From after the Lehman Crisis until 2009

In Japan Institute for Labour Policy and Training (2010), a study entitled “The Cultivation and Skills Development of Technicians Amid a Changing Economic and Business Environment: The Current Status of the Machinery and Metals-related Sectors” was conducted from around November 2009, focusing on the machinery and metals-related sectors, as in the previous survey. Let us look at the main results to see how the cultivation of technicians changed due to the transformed environment brought about by the Lehman Crisis in September 2008.

Respondents were asked what employment adjustment measures they had taken after the Lehman Crisis. The most common response was “curbing overtime,” followed by “temporary suspension of operations” and “curbing hiring,” which were cited in more than 50% of responses, while “adjustment using external personnel, such as contractors and dispatched workers” and “ending the employment of temporary workers, fixed-term workers, and part-time contract workers, etc.” each accounted for approximately 30% of responses. At the same time, business establishments that implemented “employee dismissals” and “solicited applications for voluntary redundancy” accounted for approximately 10% of respondents, so comparatively few business establishments dealt with the situation by reducing the number of regular employees.

It is thought that this kind of sequence of employment adjustment measures remains basically unchanged from the major recessions of the past. In many cases, fixed-term employment was ended, while hiring of regular employees was curbed and temporary suspensions of operations took place using employment adjustment subsidies to maintain existing employment.

The most common management-related initiative undertaken over the previous three years was “reducing personnel costs and rethinking manpower management,” while more than half of the business establishments cited “the quality of technicians” as the issue to which they wished to devote their energies to achieving improvements, in order to maintain and strengthen competitiveness in the future. So what kind of technicians are being sought? There is currently a shortage of “multi-skilled workers,” “highly-proficient technicians,”
How Did Intellectual Skills on the Shop Floor Change in the 2000s?

“technicians with engineering skills,” and “personnel suitable for managerial/supervisory roles”; more than 50% of business establishments stated that they lacked all these types of technician. The fact that there is a shortage of these even during a recession demonstrates that they were not adequately cultivated previously.

When respondents were asked about the methods used for the cultivation and skills development of skilled regular employees, the most common method cited as being used at present was “daily guidance provided by managers to their subordinates and by more-experienced workers to their less-experienced colleagues,” followed by “implementing systematic OJT, having selected an instructor” and “job rotation progressing from simple tasks to harder work.” With regard to their future education policy, approximately 60% of business establishments stated that their policy hitherto and their policy for the next three years was “to focus on raising the level of staff overall,” so there was no change compared with the situation previously in regard to this point.

When respondents were asked about the use of non-regular employees and external personnel, such as dispatched and contract workers, the proportion of business establishments that stated that “there are no applicable employees at present” was approximately 30% in the case of non-regular employees and approximately 50% in the case of external personnel, so one can see that there has been a sharp drop in their numbers. With regard to external personnel, there is a fairly strong tendency to restrict the scope of the duties that they undertake or to curb the number of such workers.

5. From the 2009 Case Study: The Cultivation and Skills Development of Technicians

In this study, interview-based surveys were conducted regarding the cultivation and skills development of skilled regular employees at manufacturing businesses in the small and medium-sized enterprise category, having around 100 employees. I shall highlight the points that stand out in this study.

“Hitherto, Company B has used mid-career employment to secure personnel to replace employees who have quit. However, in 2009, with the objective of passing the skills of elderly workers on to the next generation, it hired three new graduates from a technical high school for the first time. . . . Since being hired, they have been cultivated through education and training centering on OJT and are transferred between manufacturing processes as appropriate.”

“Processing skills are required in the manufacturing processes at Company C, so new graduates are primarily cultivated through OJT. The goal of Company C is to cultivate multi-skilled workers by transferring them between each department, so that they can handle a variety of machines.”
“Company D anticipates that it takes ten years for workers to become able to assume a leadership position. The cultivation of technicians is carried out via OJT, with workers being assigned to the shop floor immediately after being hired. In each division, a person in charge creates a skill map to gain an understanding of the skill level and issues for each and every employee, and makes use of this in cultivation and skills development.”

“At Company E, technicians are required not only to be familiar with a series of work processes for manufacturing, but also to have highly proficient skills, including experience and knowledge backed up by theory and the ability to pinpoint the root causes of defects.”

“Currently, the technicians that are felt to be lacking at Company F are personnel who can serve as multi-skilled workers, and managers and supervisors. . . . However, it is very difficult to secure and cultivate them.”

“At Company I, there are regular employees, quasi-regular employees, and dispatched workers, and there is no major difference between them in terms of the content of the work that they do on the shop floor. Those quasi-regular employees and dispatched workers who have the requisite motivation and skills are appointed as regular employees.”

From these examples taken from interviews, it can be seen that there has been no change in the fact that the “quality of technicians” is important, even after the Lehman Crisis. In addition, one can see that their skills can be described as intellectual skills and that the cultivation of multi-skilled workers using skills charts has become widespread, even at the level of small and medium-sized enterprises.

IV. Conclusion

The major changes that took place on the shop floor in the 2000s were an increase in the number of non-regular employment, primarily contracting and dispatch work, which continued until 2007, accompanying the economic recovery, and a sharp decline in production in the automotive industry, coupled with a reduction in employment due to layoffs—primarily of dispatched workers—as a result of the September 2008 Lehman Crisis. How have the importance of intellectual skills on the shop floor and the way in which they are formed changed amid such major transformations during the 2000s?

Hitherto, fact-finding surveys dealing with themes arising at those particular times have been carried out on the front line of manufacturing, mainly in the automotive industry, with a primary focus on “intellectual skills,” which refers to the ability to do one’s job.
With regard to the theme of this paper, a survey of skills formation and the impact of the growing use of non-regular workers on shop floors in the automotive industry had already been carried out in the summer of 2002 by the Institute for Industrial Relation and Labor Policy, Chubu (2003) under the title “The Handing Down of Monozukuri (the Art of Manufacturing) to the Next Generation and Medium-term Labor Policy.” In 2007, the Institute for Industrial Relation and Labor Policy, Chubu (2008) conducted a survey entitled “Creating a Shop Floor Workplace Where Older People Can Play an Active Role and Issues Relating to This,” concerning middle-aged and older people and workers who have been re-employed, focusing again on the automotive industry.

How has the formation of skills on the shop floor progressed since then? In August 2007, October 2008 and October 2009, the Japan Institute for Labour Policy and Training (JILPT) conducted a survey among companies in the machinery and metals-related sectors, concerning the cultivation and skills development of technicians. These surveys were conducted over the period during which the September 2008 Lehman Crisis occurred, so they are of great value in understanding changes that occurred around that time. This paper seeks to respond to the aforementioned question that has been raised by examining and considering these surveys.

From the survey conducted in 2002, it can be seen that intellectual skills were important among regular employees, and that their development was taking place in an integrated fashion, at least among regular employees. However, amid a situation in which future sales were uncertain, companies increased non-regular employment, with the objective of reducing costs as well. Initially, the work that these employees did was separate, but this was inefficient and there was a great deal of attrition. Despite being “non-regular,” work experience in that location was important, so these workers were gradually integrated into the workplace, and their appointment as regular employees increased as the economy recovered.

Moreover, the number of re-employed workers on shop floors increased, albeit on one- and two-year contracts. Unexpectedly, the skills that they had were not necessarily wide-ranging and transferable to new equipment and technologies.

From the surveys conducted by the Japan Institute for Labour Policy and Training in 2007, 2008 and 2009, it can be seen that the importance of intellectual skills among regular employees and the methods used to form them had basically remained unchanged. In fact, skills had become more advanced and skills development had penetrated to the level of small and medium-sized enterprises. It was at this point that a sudden slump occurred as a result of the Lehman Crisis, with the operation rate of factories dwindling by 40–50%.

We have just seen how employment adjustment took place on shop floors amid this situation. The employment of many fixed-term employees, who were employed for a fixed time frame, and that of dispatched workers was terminated. It is a fact that this protected the employment of regular employees. Although the fluctuation was sharper than had been expected, this kind of situation can be seen as being “within the expected scope” as shown in
the medium-term management policy of Company A in the 2002 survey.

In Japan, a “clear” standard such as the “last in, first out” policy used in the USA, where those who have the shortest length of service in the workplace are the first to be dismissed, is not generally permitted. This means that when personnel adjustments are required, there are disputes about “who to dismiss first.” In order to avoid this, non-regular workers have to accept non-regular worker status with a fixed period of employment from the hiring stage, which puts them further up the list of those at risk of job losses in the event of a management crisis. As shown in the examples, if a fixed-term employee were positioned as an “apprentice regular employee,” then in one sense, one could see this as an order of dismissal based on the “last in, first out” standard used in the USA. In this situation, it has come to be seen as desirable for both regular and non-regular workers, as well as for the business, to adopt a method in which the path toward becoming a regular employee is opened up if business is developing smoothly and if the individual concerned makes an effort, and in which the division between the two statuses is minimized, as far as possible.

Nevertheless, in cases where the burden of job losses has been shifted onto non-regular workers alone, it has become clear that the safety net in the event of unemployment—such as the application of employment insurance in the labor market, housing allowance, and the lack of a guaranteed minimum income—is very poor. There is a strong need for a permanent system to be established to deal with this.

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Japan’s New Recruits: Victims of the Japanese-Style Family and Japanese-Style Employment

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The objective of this paper is to elucidate problems concerning job-seeking activities and the relationships between the family, universities and employment that form the background to them, focusing on the university graduates who are Japan’s new recruits, and to explore the future direction of university policy. The first half of this paper introduces the current situation, in which educational reforms and job-seeking activities are giving rise to confusion on university campuses, and points out the fact that behind this lies the relationship between companies and universities, which has been structuralized on an economically rational basis (the Japanese-style employment system). Based on the awareness of this current situation, the latter half of the paper asks “what is it about Japanese universities that makes them characteristically Japanese?” The characteristic attributes of Japanese universities that are unusual from the perspective of the rest of the world are “the requirement to be 18,” “the emphasis on graduation” and “the expectation that parents bear the financial burden”; these three attributes are strongly affected by the distinctive nature of the typical Japanese family (the Japanese-style family) and go hand-in-hand with each other. In other words, Japanese universities and new recruits are shackled by the Japanese-style family and Japanese-style employment, and are completely trapped by them. Finally, this paper considers the future direction of university policy, in light of the structural relationship between the family, universities and employment.

I. The Commercialization of Universities

The university lecturers of today are very busy, under pressure from both calls for educational reform and the job-seeking activities of students. Japanese universities began to embark upon educational reform in 1991. As a result of a report by the University Council in February 1991, the standards for establishing a university were streamlined substantially. In accordance with the trend toward deregulation at that time, the standards for establishing a university and the legal regulations concerning the curriculum were relaxed, and the scope for autonomous decision-making by each university was broadened. In addition, in May the same year, the University Council submitted a report entitled “Concerning the Upgrading and Enhancement of Graduate Schools,” leading to the announcement of a quantitative expansion in graduate schools. A new system for Japanese universities was established after the Second World War, but from the very outset there was criticism that the legal system based on establishment standards would standardize universities and destroy the possibility of diverse universities; in addition, it was pointed out that the role of graduate schools was ambiguous and undeveloped. The two 1991 reports sought to resolve these concerns that had lingered for the last 40 years. Universities greatly welcomed the reform policies of the
government and began to work proactively on implementing reforms, but nobody imagined that reforms would continue for a long time afterwards.

The reforms have continued for so long because of the impact of the decline in the population aged 18 and the recession. Despite the fact that the population aged 18 had declined, the number of universities increased and Japan entered an age in which anybody who so desired could go on to university. At present, 40% of universities cannot secure their full capacity of students and the decline in the academic ability of students has become a serious social problem. Private universities (accounting for 75% of all universities in Japan) are run using the tuition fees paid by students, so if they cannot secure students, they cannot survive. There are those who say that universities that accept students who lack basic academic skills are in the wrong, but the only shops that refuse entry to paying customers are special clubs. Although they lament the decline in academic ability, the reality is that private universities are becoming commercialized because they cannot survive unless they secure students.

In addition, the financial difficulties caused by the recession and the difficulty in finding employment faced by students are serious. These financial difficulties are encouraging greater efficiency in university management and reforms oriented toward privatization are progressing steadily, based on the approach of entrusting to the private sector the things that the private sector can do. In addition, if the number of students who cannot find employment increases, universities will lose their popularity. In a bid for survival, an increasing number of universities trumpet themselves as being “a good university for finding employment.” Curriculum reforms focused on providing education about qualifications and careers education are progressing, and universities have been completely transformed from the leisure colleges of yesteryear into business colleges.

Population decline and the recession are shaking the whole structure of the university system, from the entrance gateway and exit pathway to the content of education in between. Long, ongoing reforms are an inevitable consequence of this. From the perspective of the students, finding employment is a much bigger, more pressing problem than the content of education or attendance at classes. Classes that do not appear to be useful in finding employment are given a wide berth. In fact, even if a university prepares a skills program that will undoubtedly be useful in the future, students prioritize their job-seeking activities and skip classes. Even if attendance is incorporated into the assessment of academic achievement, absence due to job-seeking activities is classed as attendance. Guidance concerning graduation research is divided up piecemeal and does not form an educational corpus. This is because universities are swayed by both educational reforms and job-seeking activities. Fundamentalists who believe that market competition by universities will bring about greater efficiency may consider that there is still not enough competition and that more competition will lead to poor universities, poor lecturers and poor students being weeded out.

One can only hope that such market fundamentalists do not exist any longer. Rather than deregulation or the commercialization of universities, one would like serious consideration to be given to the strengthening of regulations and support in the form of public funds.
As a member of a university myself, I believe that ignoring this kind of situation is unforgivable. However, the ranting of a single lecturer will not change anything; most university academics are resigned to the situation, feeling that there is nothing that they can do about it, and themselves become mixed up in the endless round of reform and confusion.

II. The Split between Those Who Find Employment Quickly, Those Who Take Longer, and Those Who Do Not Find It at All

It is even harder for students than for lecturers. Why are job-seeking activities so arduous? The following provides a brief explanation for the benefit of those who are not aware of the circumstances surrounding job-seeking in Japan. Under the Japanese university system, students enter university in the spring, in April, and graduate in March. In addition, it is customary for both high school students and university students to begin working immediately after graduating. In other words, the mass hiring of new graduates is a fundamental personnel policy of Japanese companies. Consequently, by the time they graduate, students must decide at which company they will find employment, and companies must decide on which students to hire. Through repeated screening of application documents and interviews, companies select a limited number of new hires from among the many candidates. Popular companies are inundated with applicants, so such companies have to spend a considerable amount of time in screening candidates. Students have a strong desire to find employment at the most decent company possible, so there is intense competition focused on the companies that they wish to join. In the USA, the competition for a better job is called the “job competition model,” but in Japan, rather than focusing on particular jobs, there is a “company competition model” focused on searching for a company to join.

During the period of economic boom, companies hired a large number of people, so it was comparatively easy to find employment, but as a result of this long recession, the number of fortunate people hired by good companies is declining rapidly. The competition among students pursuing limited opportunities is harsh and students who are unable to obtain a position repeatedly go through the application and interview process. As this is repeated, their job-seeking activities gradually become prolonged.

Nowadays, from the summer vacation of their third year, students think about whether to participate in an internship (short-term practical experience at a company) and at which company. They are beset by such obsessive thoughts as “If I participate in an internship, will it give me an advantage in finding employment?” and “I must find a topic of conversation that will be useful in a job interview.”

In the fall, company introduction seminars begin for job-seekers. Some seminars last for several days, leading to students prioritizing attendance at the seminars over attending their university classes, as they worry that “If I go to one, I won’t be able to find employment unless I attend all of them.” Their heads are filled with nothing but thoughts of finding employment.
After New Year, full-scale company information sessions and selection begin. Quite a few companies issue early unofficial job offers (an advance promise of employment) before the April when students become fourth-years. Leading companies decide on hiring in April or thereabouts. However, fewer than half of all students are able to secure a decision on their place of employment before the summer vacation of their fourth year. Accordingly, the situation in which it is almost impossible to provide students with guidance for graduation research continues even at the beginning of the fall of the fourth year.

That is the least of their problems. The number of students who cannot find employment even after they graduate is increasing. Students who graduate without being able to find employment lose their biggest opportunity to find employment. It is not the case that one can only find employment when graduating, but it does put such young people at quite a disadvantage. The point of departure for one’s working life is a major factor that determines one’s future career.

The long process of job-seeking activities that begins from the latter half of the third year divides students into those whose employment is decided quickly and those who have to carry out activities for longer; however, there is now also a group consisting of an increasing number of students who are unable to find employment and graduate from university without having secured employment. As well as strengthening the creation of a hierarchy, consisting of famous universities that provide an advantage in finding employment and obscure universities that put job-seekers at a disadvantage, this split intensifies competition, both between students and between universities.

In response to a request from the Ministry of Education, Culture, Sports, Science and Technology, the Science Council of Japan conducted deliberations concerning the “Quality Assurance Framework for University Education” and reported back on their findings (Science Council of Japan, 2010). Of the three subcommittees, the Subcommittee Examining the Ideal Connection between University and Employment considered revisions to the approach to job-seeking activities and formulated both short-term, interim measures and long-term measures. Particular attention was paid to the proposal that “employment should not be limited to new graduates.” The subcommittee was of the opinion that it would be desirable to relax the fundamental element of Japanese-style employment, namely the mass hiring of new graduates, and proposed that, for the three years following graduation, young people be treated in the same way as in the simultaneous recruiting of new graduates.

Rather than short-term, interim measures, searching for a path that will resolve the issue of the connection between university and employment in the long term is a major challenge for universities. The Science Council of Japan is also undertaking deliberations that take the long-term perspective into account. These are beneficial in understanding experts’ ways of thinking, but the harmful effects of job-seeking activities in real life are intolerable.

From the perspectives of both students and companies, employment transactions are decisions made with incomplete information. However, it is not the case that one will gain
the complete information if one carries out activities over the longer term. The job-seeking = hiring mismatch can occur at any time. Most adults in Japan scold young people for a lack of perseverance if they quit a company, which differs completely from the situation of young people in the West, who frequently change jobs while searching for a suitable occupation. I do not think it is necessary to stop searching for a job just because one has found employment at a company, and I think it is healthier to find the work that suits oneself through a variety of social experiences. The top priority is perhaps to create a society in which it is as easy as possible to change job. Based on the premise of changing job, it would be better for job-seeking to take the form of a short, intensive attack, taking place during the summer vacation of the fourth year, or for a period of one to three months before graduation. I strongly feel that job-seeking activities outside those periods should be prohibited.

However, from my own experience of speaking out on this matter, one will end up being laughed down from all directions if one proposes such a ban. There are objections from the “can’t be done” faction, who say that even if a ban were put in place, nobody at all would obey it. In addition, there are objections from the “shouldn’t be done” faction, who believe that it would be an unacceptable restriction in terms of the principles of both the freedom of job selection and a free labor market. Both are correct, perhaps. Nevertheless, I think that the commotion of job-seeking activities carried out by students while neglecting their studies for 18 months is an overly stupid Japanese-style event.

III. The Relationship between Universities and Companies Has Not Changed

Perhaps good sense among the public is stronger than the indignation of a single lecturer. It is hoped that sensible business sectors will emerge even without a ban. Recently, there was a great deal of talk about the recommendation by the Japan Foreign Trade Council—a non-profit industry group for trading companies—that employment activities be revised. According to proposals posted on the internet, the group has stated that “Concrete deliberations will be carried out, with a view to delaying the whole hiring schedule, including PR activities, starting with the new graduates from the cohort who would be due to join companies in 2013.” It also states that it will call for cooperation on the part of related groups and seek to deepen understanding.

The subject has also been highlighted in various newspapers, which have signaled their approval for the good sense of these trading companies. It would be wonderful if such sensible rules became established, avoiding interference with university education, while not requiring a ban. If sensible companies and educational reform at universities could bring about the resolution of the problem of job-seeking activities, it would be splendid.

The Central Council for Education has also established the Special Committee on Careers Education and Vocational Education, which is discussing a “specialized framework for practical vocational education in higher education.” Matters discussed include a rehashed version of foreign vocational qualifications in the form of a “career grade system”
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and proposals for incorporating work experience within a company into university education. Having been positioned a long way from vocational education and practical education, Japanese universities now find themselves in a period of transition to a new age. It looks as though reforms will continue for quite some time to come.

Kariya and Honda (2010) have carried out an analysis of changes in the transition from university to work, based on valuable data. The prevalence of the internet and the recession have combined to bring about changes and progress in such areas as the job-seeking process, the content of job-seeking activities, and hiring policy. Although it is a fact that one can see changes in the various tools used for job-seeking activities and the attitudes of students and companies, if we look at the relationship between universities and companies at the macro level, I do not believe that there has been much change, nor do I think that the situation will alter greatly in the future. Accordingly, if the recession had not continued for so long and the job-seeking situation had changed for the better, the situation concerning reforms and job-seeking activities would undoubtedly also have calmed down.

The reason why I think that they have not changed is based on experience of having observed the relationships between universities and companies for many years. It was in 1974, while serving as the research assistant of Professor Yoshio Hara, that I first analyzed data concerning the situation in relation to job-seeking and hiring. All I did was sort by university the data concerning the names of companies at which students found employment and sort by company the names of the universities from which companies hired new staff, but there was a clear relationship between universities and companies in terms of job-seeking = hiring. It was quite bold data processing for the time, involving classifying universities by the degree of difficulty to enter on the basis of student’s test results (Hara and Yano 1975).

This highlighted the reality that those attending more famous universities were more likely to seek employment at more famous companies, and famous companies were more likely to exclusively hire those attending more famous universities; the situation was as pronounced as the public imagined, if not even more so. Above all, there was a marked concentration and monopoly in the case of universities focused on the liberal arts. Job-seeking and hiring in the technology field was relatively diversified and well-dispersed.

This was the time when the theory was beginning to gain currency that society’s placing undue emphasis on academic background and school background was having a del- eterious effect on education. Hara and Yano (1975) pointed out that it is necessary to break free of this situation of concentration and monopoly in job-seeking = hiring, in order to remedy this situation in which society places undue value on academic background. In order to emphasize the necessity of this, the paper made the bold proposal of prohibiting the monopoly of famous companies on personnel (a Personnel Antimonopoly Act). The proposal for a ban or measures was made with the full awareness that there are many who say that a ban cannot or should not be imposed. It is rhetoric aimed at sounding the alarm about the excessive concentration and monopoly of some famous companies. In addition, the paper
proposed that it would be desirable for hiring companies to pay a form of employment tax so that they bore part of the burden of education expenses.

Subsequently, I used indicators such as job-seeking, promotion and income to conduct a multifaceted analysis of the relationship between universities and companies. In 1980, I reported that the society placing undue value on academic background was being structuralized on more economically rational lines (Yano 1980). Becoming structuralized means that it is harder to change. However, at the same time, the pathology and harmful effects of a society placing undue value on academic background began to be pointed out by many people and there was a desire for a solution. I expressed the following opinion in this paper as one method of solving the problem.

One method is to reduce as far as possible the uncertainty in the information involved in job-seeking = hiring. Thinking about the current situation in which the ease or difficulty of entering a university is used as handy information when hiring new recruits, I pointed out that, rather than a “common first-stage university examination,” it might be important to introduce a “common first-stage employment examination.”

Furthermore, I stated that, rather than placing the cost burden on the family finances, it would be desirable to consider placing the burden on the individual, in order to promote equality of educational opportunities. This method involves all students bearing the burden of educational expenses, irrespective of each family’s level of household income, with the costs incurred being repaid from income after graduation.

It was 30 years ago, but all of my proposals remained nothing more than deskbound theories. One could say that this demonstrates how difficult it is to achieve transition in the economic structure. It is also due in part to the fact that I thought that there was no way to eliminate the harmful effects of the economic structure, other than a ban that would restrict freedom.

Even based on my experience of analysis since the 1980s, the relationship between universities and companies from the perspective of job-seeking, or the economic structure of the society placing undue value on school background, has not changed a great deal in subsequent years. Positioned atop this kind of structure, the personnel departments of Japanese companies have continued to say “Knowledge from school is no use to companies. We don’t have any expectations concerning specialist knowledge from schools. What companies want is individuality, creativity and vitality, not knowledge.” Personnel departments have openly stated this, so it is inevitable that job-seeking students will lack enthusiasm for their studies. From my own experience, having both studied in a faculty of engineering and been involved in education in such a faculty for many years, education in the liberal arts and hiring by companies are more serious problems. Japanese universities have been criticized for having been careless about education, but education in engineering certainly has not been poor. It has been done well for many years. Social commentary often emanates from people with a liberal arts background, so quite biased views tend to circulate in society. I believe it would be fair to say that the job-seeking activities of students at leading liberal
arts universities and the hiring policies of leading companies have stripped Japanese university education of its substance, thereby weakening it.

Companies are still ignoring university education and are simply bringing forward the hiring process. However, companies that have reduced the number of staff they hire have recently begun to say “We need immediately-effective workers” and “You should provide useful education.” At the same time, as a result of the impetus provided by the words “basic skills as a member of society” and “employability,” universities are tinkering with the educational curriculum. There is nothing particularly new in the skills and abilities referred to in those terms. They are things that one will learn naturally, if one engages earnestly with one’s general and specialist university courses. Based on this opinion, I have conducted a study of the relationship between learning experience during the student years and subsequent career development. One of the conclusions is the proposal of a hypothesis of learning habits. I will not repeat it in full here, but I discovered that learning experience during the university years enriches learning after graduation and this ongoing learning becomes the source of career development.


The foregoing constitutes my understanding of job-seeking activities nowadays and the relationship between universities and companies that lies behind them. Based on the premise of this understanding, I would next like to consider the Japanese-style employment system, focusing on Japan’s new recruits.

With regard to the employment policies of Japanese companies, the study conducted by Iwawaki (2006) is an example of analysis that carefully traces the abilities of students that are sought during the process of selecting candidates for hiring. This study analyzes how the abilities required of new graduates have changed over the 30 years from 1971. According to this, the universal characteristics in the personnel profile sought in every period have included a positive attitude, vitality and motivation, but in recent years, importance has come to be attached to the willingness to take on a challenge and the ability to set targets and translate them into action. It has been pointed out that these are indications of the tendency to value the potential to become an immediately-effective worker, as well as the aptitude for long-term, stable employment.

Recently, many books have been published about job-seeking activities, and are also being disseminated by those in charge of personnel at companies. The sharp rise in the number of employment journalists and employment consultants is a recent major change. The process leading to hiring seems to have changed, but the atmosphere feels like a game of cat-and-mouse between job-seeking activity manuals and personnel departments. There has been no major change in the hiring policy of attaching importance to using interviews to seek counterparts with whom one wishes to work. Although immediately-effective workers
are being sought, it is not the case that specific knowledge and skills are required. In many cases, importance is placed on personnel profiles, specifically their mental toughness, and the fact that employers are still not paying attention to specialist knowledge and academic performance from university remains unchanged from that day to this.

Rather than changes in hiring policy, the question “Why doesn’t it change?” is actually a more practical, important issue. I would like to explain my interpretation of this issue below. This is why it is necessary to ask “What is it about Japanese universities that makes them characteristically Japanese?” It is not sufficient merely to explain that the relationship between universities and companies has become rigidly structuralized. While it is a fact that universities are constrained by Japanese-style employment, the roots of Japanese-style universities go much deeper. This is because it is not only the exit pathway from university that is deeply involved, but also the entrance gateway and, in fact, the economic infrastructure that supports the entire education system.

V. The Sickness of the Japanese-Style Mass University

If universities become “massified,” their quality will inevitably decline. In addition, universities worldwide are undergoing “massification.” The rate of advancement to Japanese universities is lower than the average for all OECD countries, so it is certainly not the case that this massification is only taking place in Japan. It is not the case that Japan is the only country troubled by a decline in quality. However, if one compares massified universities around the world with those in Japan, the major attributes stand out clearly. More specifically, these attributes are “the requirement to be 18,” “the emphasis on graduation,” and “the expectation that parents bear the financial burden.” I use the collective term “the Japanese-style mass university” to refer to this three-piece set. As is common knowledge among everyone in Japan, these attributes have been maintained almost unchanged for decades since the end of the war. However, one certainly cannot describe this as a healthy situation. It is a pathological phenomenon that is far removed from international standards.

The first attribute is the requirement that university entrants be 18 years old; it is surprising that this has been stubbornly maintained, having been accepted as a matter of course for many years. The data providing international comparisons of educational statistics published by the OECD include figures for “age distribution of new entrants” in regard to tertiary education (OECD, 2007). No data are provided for Japan, but as you may be aware, young people aged 18 account for the 80th percentile of new entrants to Japanese universities, with most of the rest being accounted for by those aged 19. However, in the case of the USA, the highest age of new entrants included in the 80th percentile is 26.5. This means that 20% of new entrants are aged above 26.5 years old. Looking at the ages of new entrants based solely on this 80th percentile benchmark, in France it is 26.6, in the UK 25.2, and in Germany it is 24.1. It is even higher in Nordic countries, at 26.6 in Finland and 28.3 in Denmark. In Sweden and Norway it exceeds 40 years old.
The second attribute relates to the exit pathway. At Japanese universities, hardly any attention is paid to the proportion of students who drop out. The OECD statistics feature university survival rates and state that “drop out and survival rates can be useful indicators of the internal efficiency of tertiary education systems.” If the conditions for graduation in terms of academic results are strict, this definition is probably valid, but in Japan at present where such conditions are not strict, it cannot be said that the low dropout rate represents high efficiency. An educational institution that enables students to graduate without acquiring any specialist university education is not a healthy one.

The tertiary level survival rate is the number of graduates divided by the number of new entrants in the year of entrance. According to these data providing an international comparison, the Japanese survival rate is 91%. This makes it far and away the highest in the world. The average for the countries of the OECD and for the 19 countries of the EU is 71%. It is 78% in the UK, 73% in Germany, and 54% in the USA. The only countries where it is in excess of 80% are South Korea and Ireland, where it is 83%.

Little attention has been paid to changes in the survival rate in Japan, but detailed figures are reported among the statistics published by the Ministry of Education, Culture, Sports, Science and Technology. It can be found in the tabulation of the number of graduates by year of entrance. For example, looking at the graduates from the 2007 academic year, 79.7% of those who were entrants in 2003 graduated after four years. The four-year survival rate in 1987 was 78%, so there is not a great difference. The highest figure over the last 20 years was 82.3% in 1996, meaning that over 80% of entrants went on to graduate without any problems. Less than 10% graduate a year late (having repeated a year). Looking at those who repeat two years, the figure drops to less than 2%. The proportion of those who graduate, including those who repeat a year or two, is between 90% and 93%.

Over the last 20 years, there has been no major change in the four-year survival rate (80%), the completion rate for those who repeat a year (10%), and the dropout rate (10%). The students’ flow from the entrance gateway to the exit pathway is quite stable and firmly established. Making the appraisal of academic performance more rigorous has been advocated in the recent reforms, but I have never heard any talk of making it harder to graduate.

These statistics from the Ministry of Education, Culture, Sports, Science and Technology do not go back very many years, so I have calculated the following figures. Figures calculated on the basis of (number of graduates/number of entrants four years previously) provide the approximate survival rate. If the proportion of those who graduate after repeating a year or two is the same each year, this will be the same as the survival rate. As can be seen from Figure 1, the rate has remained around 90% over the long term, from 1953 to 2008. The conspicuously low rate in 1970 alone (82.2%) was due to the impact of the student unrest. The fact that it has been above 90% since 1990 is probably due to the fact that students are more serious about graduation than they were in the past.

Compiling this graph, I was surprised once more. The rate of advancement to university in the 1950s was less than 10% and the universities were only for a small elite. Subsequently,
the rate of advancement rose sharply and has now reached 50%. The quality of the students entering university must inevitably decline, but the survival rate remains almost unchanged. If anything, it has actually gone up a little of late. It is not the case that assessment of results for graduation has become more rigorous. The era in which it is taken for granted that one will graduate if one enters university has continued for 60 years. The emphasis on graduation, which has been regarded as self-evident, is the second attribute of the Japanese-style mass university.

The third attribute relates to the economic infrastructure that supports university education. The running of private universities, which account for 75% of all universities, is funded by the tuition fees paid by students. In around 1980, subsidies were paid to private schools to cover as much as 30% of their ordinary expenditure, but these subsidies have now dwindled to around 10%. At the same time, the tuition fees at national universities have risen, approaching 63% of the figure for the private sector. The figure used to be no more than 15% of private university tuition fees, so there has been a remarkable decline in public expenditure.

It has frequently been pointed out that the proportion of public expenditure spent on universities is the lowest in the world. I call this third attribute “the expectation that parents bear the financial burden of educational expenses.” As is commonly known, the proportion of the burden of private funding is high, but in order to understand the nature of the cost burden in Japan, it is appropriate to express it as an expectation that parents will bear the financial burden. Even within the burden of private funding, there is a big difference between the burden on parents and the burden on the individual student. There are cases in which the individual student pays their tuition fees themselves, funding them through casual work or a scholarship, but in most cases, it is actually the parents who bear the burden. The Japanese-style family principle emerges markedly in the fact that parents push themselves
to the limit for the sake of their children. As can be seen clearly from statistical data in the Family Income and Expenditure Survey, if children go on to university, the household savings rate plummets sharply to -10%, and the proportion of income spent on food (the Engel coefficient) also declines. Most of the child allowance paid by the government should be diverted to saving for the child to go to university.

Japan’s mass universities have been supported by the expansion in private universities and soaring tuition fees. At the root of this is the family principle in which the parents and child form a single unit. It is thought that it is only natural for parents to push themselves to the limit for the sake of their children, and children have been indulged by their parents as a matter of course. The policy of making public universities closer to private universities, rather than making private universities closer to public universities and thereby diminishing the difference in financial burden between the two results in the strengthening and permeation of the expectation that parents bear the financial burden. Students today take it for granted that their parents will bear the burden of their tuition fees. If one tells students that “at most universities in Europe, tuition is free of charge,” their response is “Really? No way!” In Japan, tuition fees have already soared to the extent that it would not be at all surprising if a movement opposing fee rises emerged. Even in Japan, there was a fierce opposition movement during the 1960s, but it seems as though everyone has completely forgotten this and takes the tuition fee rises for granted.

VI. The Three-Piece Set Formed by the Japanese-Style Mass University

Everybody knows about the aforementioned three attributes. This is no exaggeration. However, these attributes, which are the tacit premise on which Japanese universities are based, constitute a Japanese sickness that deviates considerably from international norms. Nevertheless, they are not discussed seriously or are ignored on the grounds that nothing can be done about them. They are hardly ever highlighted as the focus of university reform, and even if the distortion is pointed out, it is assumed that nothing can be done to remedy them. It is true that they are hard to remedy. There are two reasons for this.

Firstly, the three attributes are not independent of each other, but influence each other and form a unified whole. They have formed a three-piece set and have become institutionalized. The fact that they have taken root as a three-piece set is a consequence of the massification of universities that took place as a result of high economic growth. During the period of high economic growth during the 1960s and 1970s, the scale of Japanese universities soon overtook that of European universities and approached that of the USA, which occupied the top position. Most of this growth was the result of the expansion of private universities. This outcome was steadily maintained thereafter.

The decision concerning advancement to university is determined by the parent-child relationship at the age of 18. It is only until the age of 18 that parents are willing to provide their child with funds. There are hardly any parents who would be willing to bear the finan-
cial burden if their child wished to go on to university at the age of almost 30. The cost of tuition fees would be too high to finance oneself to go to university at that age. Perhaps the true feeling of parents is that they count on their children to look after them in their old age because they push themselves to the limit to enable their children to go to university.

Recently, advertisements for university open days (exhibitions that provide high school students with an introduction to university education and student life) have become conspicuous on advertising posters in train carriages. On one occasion, I encountered the following superb piece of advertising copy. “Mums! Why don’t you interview the university?” Rather than universities interviewing candidates for entrance, the universities are being interviewed by candidates’ mothers.

This is an age in which young people attend open days accompanied by their parent (or guardian), many parents attend university entrance ceremonies, parent-lecturer meetings take place while students are enrolled at university, and many parents even attend graduation ceremonies. Students who have gone on to university with financial support from their parents must graduate at all costs. It is normal to want to find employment at a good company and give one’s parents peace of mind. This is the filial duty of Japanese people. If a student comes to see a lecturer and says that they want to drop out of university, the lecturer must always ask “Do your parents agree to this?” and advise the student “Please ensure you consult them properly before making a decision.” The top subject of conversation in parent-lecturer meetings is the issue of finding employment. The lecturer must carefully explain how they have prepared the curriculum with a view to job-seeking.

What I have frequently heard when visiting countries in Northern Europe is that “education until the age of 18 is the responsibility of the parents, but after the age of 18, it is the responsibility of the individual.” Once a young person goes to university, it is usual for them to move out of the family home and support themselves, even if their home is within commuting distance of the university. Young people becoming independent of their parents at the age of 18 is probably the usual pattern of parent-child relationships not only in Northern Europe, but also throughout the West. However, in Japan, parents and their children form a unified whole even at the age of 22, not to mention at the age of 18. Nowadays, there are parents who even attend company entrance ceremonies and visit the company where their child works. The Japanese-style family system in which parents and their children form a unified whole operates in such a way as to reinforce the system of Japanese-style mass universities in which the requirement to be 18, the emphasis on graduation and the expectation that parents bear the financial burden go hand-in-hand with each other.

VII. Universities Shackled by the Family and Companies

The second reason why it is hard to remedy the situation is the fact that Japanese-style mass universities operate in synchronization with the Japanese-style employment system, and have a relationship in which each reinforces the other. During the period of
high economic growth, Japanese-style management began to become the focus of international attention. The three-piece set of lifetime employment, seniority-based promotion and enterprise unions was deemed to be the secret of the strength of Japanese companies. From the perspective of the relationship with universities, the following two points are also important, in addition to the three-piece set of Japanese-style management. The mass hiring of new graduates and the system of internal human resource development by means of corporate in-service training. Companies attach greater importance to the hiring of new graduates, rather than mid-career employment, and the mechanism in which companies educate the personnel that they require forms the basis of the Japanese-style employment system.

This is why company personnel departments have developed the attitude that “We don’t have any expectations concerning university education” and “Vitality is more important than what students have learned.” Japanese companies have ceased to question the quality of university education and employ university graduates aged 22 as brand new recruits. If a student drops out of university, they will be labeled as someone unsuited to a company hiring personnel for long-term employment, so students have to find some way to graduate. There seems to be truth in the saying that “Two years is the limit you can spend as a ronin [student retaking university entrance examinations] (repeating a year or two).” If a student reports that they have found employment, the university finds ways to ensure that they can graduate.

In parallel with the mass hiring of new graduates, what is important is hiring based on a uniform starting salary. Everyone who joins a particular company has the same starting salary. In addition, the differences between companies in terms of starting salary are very small. With regard to starting salaries at companies in China, I was surprised to discover that the difference between the companies with the highest starting salaries and those with the lowest between fivefold and tenfold. This is because starting salaries for IT engineers at foreign-owned companies can be very high. There can be no doubt that there are big differences between new entrants in terms of ability. Nevertheless, hiring in Japan takes place on the basis of a uniform wage. This means that if a company hires someone talented, it is a major gain for the company. The competition to secure the most capable students available is because there is an economic incentive in that companies effectively profit if they hire someone talented. This spurs on the tendency for job-seeking activities to start earlier.

The Japanese-style mass university is shaped by the Japanese-style family principle. The Japanese-style mass university is shaped by the Japanese-style employment system. These three systems of family, university and employment complement each other, shaping the Japanese-style mass university, which is accepted as the norm and has become unchangeable. Figure 2 depicts the situation of universities, which are shackled by both families and employment. Japan’s new recruits accept both the Japanese-style family and Japanese-style employment as customs that they cannot change, so they engage earnestly in job-seeking activities within those narrow confines. I believe that ultimately, from the perspective of Japan’s new recruits, the Japanese-style employment mechanism has not changed at all.
Figure 2. The System of Family, University and Employment

VIII. No Reform without a Policy on Educational Expenses

The foregoing is a commentary on “why things are not changing,” but I believe that this is a serious problem that cannot be dealt with merely by explaining the current situation. It will be difficult to cure the sickness of the Japanese-style mass university, but I would at least like to consider the whereabouts of a prescription to treat it.

The Japanese-style family in which parents and their children form a single unit exacerbates the tendency to think “It’s fine as long as my child is OK,” while Japanese-style employment, which is enduring a recession, is fully occupied with the thought that “It’s fine as long as our company is OK.” These true feelings become the hidden curriculum in universities. As a result, they cultivate egocentric students who think “It’s fine as long as I’m OK.” The appointed task of education is to cultivate personnel who can all help each other out and contribute to society. Where this mission becomes devoid of substance, one finds the impoverishment of the Japanese-style mass university.

So what kind of university system is desirable? The best system would be one in which anyone—as long as they had the motivation to learn and basic academic skills—could go to university at any time, irrespective of their parents’ financial situation (the universities of today are distorted, as anyone can go to university as long as they have the money, even if they do not have basic academic skills). If one does not have the motivation to learn or if one’s academic performance is poor, one should be able to drop out at any time. If, while working, it becomes clear what one wishes to study, one should be able to return to university at any time. One should be able to “happily drop out and cheerfully re-
turn.” Adults should be able to come to university in order to change their careers. It is also fun to study at university after retirement. In addition, universities should have the confidence to apply themselves to providing general education and specialist education.

If the current situation in Japanese-style mass universities were turned around, they would become such splendid universities. However, in order to rescue the universities shackled by families and employment, there are things that must be done before reforming the legal system. Examining the diagram, one can see which variables can be controlled. The only one that can be controlled is the burden of educational expenses. I believe that a policy on educational expenses that liberates students from their parents is the only way to transform this structure. Even now, I do not think that I was mistaken in the proposals I made 30 years ago, when I stated that it was desirable to impose an employment tax on companies and to introduce a system that would impose the burden of educational expenses on students themselves.

In order to design an education system in which everyone helps each other and contributes to society, we must support it from money provided as mutual aid, rather than from money focused on self-interest (the household budget). It is crucial to invest tax money, which is, above all, money to provide mutual aid. If opportunities to learn are guaranteed through financial support provided by people whom one does not know, this will become the hidden curriculum, leading to the formation of education focused on repaying one’s obligation to these unknown strangers. Considering the large tax burden, it would be desirable to explore a path that involved introducing a financial burden for both individual students and companies, thereby liberating them from the expectation that parents bear the financial burden. If students are liberated from their parents, they can make decisions about their career path freely, based on their own independent responsibility. In addition, university entrance, academic work, and graduation must all be properly regulated. Such regulations cannot be introduced in universities as they stand at present, which will go bankrupt if they regulate university entrance and graduation.

The three-piece set underpinning the Japanese-style mass university must be reformed simultaneously. One cannot change only the requirement to be 18 and the emphasis on graduation, based on the premise of the market principles implicit in the expectation that parents bear the financial burden. Under the present financial difficulties, the “can’t be done” faction and the “shouldn’t be done” faction will doubtless appear on the scene again. However, hardly anyone knows that with the tax revenue from just 1% of the consumption tax, the tuition fees for universities could be reduced so far as to make them almost free of charge.

As a result of the long process of reform, the reform of the legal system has come almost full circle. What will be required in the future is not a change in the legal system. We must change the allocation of resources invested in education. A change in the allocation of resources is the policy. Although there have been educational reforms in Japan, there has been hardly any education policy. We stand at a point at which we must understand that the
policy on educational expenses is the basis of education policy, and must draw up a grand
design for the future of our society.

IX. Japanese-Style Distortion in the Lifetime Policy

You might think that this is no more than vain theorizing. However, I cannot be so
optimistic as to think that Japanese universities will improve through the cooperation of
“conscientious companies” who do not merely think “It’s fine as long as our company is
OK,” and the “specialized framework for practical vocational education in higher educa-
tion” formulated by the Central Council for Education. To be perfectly honest, I am deeply
despontent about the serious illness of Japanese-style mass universities. Unless not only
employment, but also the mechanism of society as a whole is discussed, we will not be able
to save Japanese universities. The reality that “university graduates are unvarnished new
recruits” constitutes a serious illness. Japan’s new recruits, who are haunted by the need to
conduct job-seeking activities, are the victims of the Japanese-style family and Japa-
nese-style employment and are suffering from a serious disease.

We are carrying out surveys of attitudes among citizens concerning education and so-
cial security. This is because we think that education policy must be considered on the basis
of its relationship to employment policy and social security policy. We have reported on
some of the survey results at a meeting of the Japan Society of Educational Sociology. In
closing, I would like to introduce just a small fragment of these results.

In relation to a number of policies, we asked the question “Do you think that this
should be actively promoted, even if taxes have to be increased, or do you think that there is
no need to actively promote it if taxes will increase?” The table shows the results in terms of
whether the response was “agree” or “disagree” (including those responding “somewhat” in
one or other direction), in regard to four policies.

The proportion indicating agreement was highest in regard to medical care, and more
than 60% of respondents answered that it was acceptable to invest tax money in three of
these issues, namely pensions, medical care, and employment. However, when it came to
opportunities for going to university, only 25% of people agreed. Looking at the other sur-
vey items as well, it seems that people believe that families should resolve issues concern-
ing education, rather than investing tax money in this area. This reflects the fact that there is
a very strong family principle in education.

While we thought “It’s just as we expected,” we also suspect that a fundamental
problem with the “lifelong social policy” in Japan lies in a distorted awareness of the life-
time policy. Let us think about the flow of a person’s life: education – employment – pen-
sion. There are three principles in this lifetime policy: the principle of self-responsibility, the
principle of family responsibility, and the principle of social responsibility. If we envisage a
consistent principle, there is a method focused on making all policies throughout our lives
consistent with just one of these three. If one took the principle of self-responsibility as the
guiding principle for education, employment and pensions, that would be understandable. On the other hand, it is also easy to understand the method based entirely on the principle of social responsibility, based on funding from tax revenue.

In Japan, where there is a strong family principle, only education is run on the basis of the principle of family responsibility, while everything else is significantly oriented toward the principle of social responsibility. If we are to resolve the problems of education based on the principle of family responsibility, we should also make all other issues consistent with this principle. I believe that this distortion is quite characteristically Japanese in its nature. In the period of economic growth, problems did not become apparent, despite this distortion. However, when thinking about a zero-growth future, this distortion might exacerbate social contradictions.

This is because there is no consistent lifetime policy. Pensions are supported by the working generation. If employment is jeopardized, pensions will also collapse. In addition, it is education—including workplace education and training—that supports vigorous employment. If education alone is subject to the principle of family responsibility, future employment will be jeopardized. If the attitude that “We don’t have any expectations concerning university education” continues in the future, employment in Japan, which is becoming an increasingly knowledge-based economy, will cease to be viable.

Education is not closed to the matters of individuals and families. Education is a public investment over a lifetime, which benefits everyone. This is precisely why everyone should cooperate with each other in sharing the cost of educational expenses. We can create opportunities not only for 18-year-old students, but also for everyone to study at university at some stage in their lives. Dividing the 5 million yen cost of tuition fees over four years is a substantial burden. However, if one were to pay that 5 million yen in installments over one’s lifetime, the annual burden would become smaller. This is what supporting universities from tax revenue would mean.

In order to resolve the problems of Japan’s new recruits and employment, what is required is not only a connection between university and employment, but also a lifetime policy for changing the very structure of society.
References


Kariya, Takehiko, and Yuki Honda, eds. 2010. *Daisotsu shushoku no shakaigaku* [The sociology of transition from university to work]. Tokyo: Tokyo Daigaku Shuppankai.


The purpose of this paper is to examine whether the roles of the human resources (HR) departments of Japanese corporations have changed. This study compares the operations of HR departments in Japanese firms today with those during the stable growth period in Japan (1975–1996), as well as with the business partner theory advocated in the United States. Using survey data obtained from the answers 365 HR managers provided to a questionnaire, this study finds that the centralization of personnel management and intensive accumulation of personnel information which characterize the HR departments of Japanese firms have mostly remained unchanged since the stable growth period. Moreover, the advantages of HR managers, such as high status within companies and promising career paths, have remained unchanged. Japanese HR departments negotiate individual personnel transfer issues with line managers, using sticky personnel information—that is, information embedded in the workplace about employees’ characteristics—as their sources of power. They then contribute to the reform of workplaces by placing the right persons in the right positions. To fulfill these duties, HR managers are required to have experience working in multiple divisions, thorough knowledge of various personnel roles within the company, and the imagination to match their employees to their right roles. As a result, the career paths of HR managers extend to a variety functions, and they come to have high status which vests them with bargaining power over line managers.

I. Introduction

The purpose of this study is to examine whether the roles of the human resources (HR) departments in the headquarters of Japanese corporations have changed, and if so, which aspects have changed and which have remained the same. Specifically, this study analyzes the operations of current HR departments through comparison with those of the “Japanese employment system” (Nitta and Hisamoto 2008) or “Japanese HR management” (Hirano 2006) which were born during the period of rapid economic growth in Japan (1960–1974) and matured during the stable growth period (1975–1996), and also in light of the business partner theory advocated in the United States. The main targets of analysis are the HR departments of large Japanese corporations and medium-sized firms (hereinafter referred to as “Japanese HR departments”), focusing on the power and personnel information possessed by these departments.

Historically, Japanese HR departments have been characterized by the great power they possess over other line departments in terms of the various HR management functions (hereinafter referred to as “HRM”) they perform (Kagono et al. 1983; Japan Institute of Labour 1992; Yamashita, 2008). In American companies, by contrast, HRM is relatively
decentralized and HR departments generally have lower status than line departments (Jacoby 2005). The differences in the roles of Japanese and American HR departments are represented by whether they are directly involved in determining the transfer of individual employees. Although they are not involved in this process (Kato 2002a), American HR departments are groups of HR professionals specialized in the development and implementation of personnel and training systems (Kato 2002b). Japanese HR departments, on the other hand, make use of their thorough knowledge of employees and positions within the company to determine individual personnel transfer issues together with line managers. Because of this, there is a sort of check-and-balance relationship between the HR department and line managers, which could be called “personnel transfer dynamics” (Yashiro 2002). Whether the transfer of an employee is successful depends on the quantity and quality of information concerning the employee possessed by the HR department (Hirano 2006). To be more specific, while line managers aim to optimize only that which is within their responsibility, the HR department is committed to handling personnel transfer issues from the perspective of total or company-wide optimization. This inevitably results in conflict, and in such cases, the negotiations between the HR department and a line manager will be influenced by the quality of the personnel information possessed by the HR department and its ability to process such information to assign personnel in line with the company’s business strategy. Such differences between Japanese and American HR departments in terms of the power vested in them and the functional skills required of HR staff are linked in a complementary manner with career development methods, incentive systems (personnel ranking systems) and organizational coordination functions. Masahiko Aoki elucidated a principle that can be used to clearly account for this point, called the duality principle (Aoki 1988, 1989). I will start the main discussion by taking up this concept.

II. Duality Principle

The duality principle for organizational modality, advocated by Masahiko Aoki, Professor Emeritus of Stanford University, theoretically explored the differences between Japanese and American personnel management systems in the 1980s through comparative institutional analysis and had a great impact on subsequent personnel management studies. To explain this principle briefly, when an organization is regarded as an information processing device that relies on exchanges of various resources with the external environment, the organization needs a proper information system (information processing, communications, and decision-making, as well as coordination of these operations) in order to take action appropriate to its environment. To achieve this, an information system that uses time and resources efficiently is desired. Accordingly, it is necessary to make appropriate decisions regarding the quantity and quality of information circulating among employees engaged in production and other services, and regarding the allocation within the organization of the power and responsibility for using such information. When employees process information,
they must intend to perform these tasks. Therefore, the organization has to create an incentive system to encourage employees to make efforts in a certain direction.

Incentive and information systems can be structured in various ways. It is particularly important that the efficient use of skills required for a certain information system is secured by employees who are properly motivated by the corresponding incentive system. At the same time, it is necessary to provide training for employees to enable them to acquire the necessary skills. Training means providing employees with work experience in an orderly sequence—or in a word, career development. To put it differently, personnel management can be understood in substance as the assembly of a “career development system,” which develops employees’ skills, an “incentive system,” which motivates employees to acquire skills, and the “exercise of the power to manage personnel issues” including personnel transfer, with a view to allowing the information system to function successfully. When the information system and personnel management are effectively integrated, the combination will have a positive effect on an organization’s business performance.

The Japanese organizational mode employed during the stable growth period (hereinafter referred to as the “Japanese mode”) functioned to complement internal management in the following manner. First, Japanese firms chose to employ decentralized information systems (hereinafter referred to as “DIs”). For DIs to be successful, they had to promote sharing among employees of their various work experiences and knowledge and to enhance inter-department communications, thereby fostering personnel equipped with “firm-specific integrated skills”\(^1\) (Hirano 2006). Secondly, personnel with firm-specific integrated skills could be fostered by providing employees with the opportunity to experience multiple jobs (assigned through personnel transfers), and the success or failure of a particular training method (career development) was determined by the personnel management framework. In other words, the best approach for equipping employees with firm-specific integrated skills through personnel transfers was an ability-based grading system which was not linked to any specific job. Thirdly, since personnel transfers beyond sectional boundaries must be determined from the perspective of total or company-wide optimization, the power to manage personnel issues tended to be centralized in HR departments. That is, the Japanese personnel management mode was organization-oriented centralized personnel management (hereinafter referred to as “CP”), consisting of a wide variety of career development activities which enabled better use of workplace information, ability-based grading systems emphasizing balance within an organization, and centralization of the power to manage personnel issues in the HR department enabling systematic personnel assignment from a company-wide perspective (Aoki 1989; Hirano, Uchida, and Suzuki 2009). At the same time, this mode functioned as a complement to a labor market with reduced mobility and strict

\(^1\) Referring to comprehensive skills that incorporate expertise in a specific field, contextual skills, integrative skills, and malleable skills. For details, see Hirano (2006, 18).
restrictions on dismissal for restructuring purposes.\footnote{Japanese labor law has established restrictions on dismissal under case law which make it difficult for companies to adjust their labor forces by laying off workers. At the same time, this case law recognizes employers’ broad discretion to administer their personnel affairs, such as the broad power to order personnel reshuffling within a company (Otake, Ouchi, and Yamakawa 2002).}

On the other hand, if a company adopts a centralized information system (hereinafter referred to as a “CI”), whereby the upper and lower levels of a hierarchy are linked through information processing by way of command or standards, employees specialized in their respective fields are required and the power to hire and fire employees would be delegated to each level of the hierarchy. Thus, CI fits with market-oriented decentralized personnel management (hereinafter referred to as “DP”). When companies that select this personnel management approach account for the majority, market competition will promote the standardized evaluation and development of specialized skills and encourage and enable individual workers to move from one organization to another in the pursuit of better opportunities. In such a situation, organizational integrity and the line managers’ authority can be established only by concentrating decision-making under these managers and vesting them with the power to manage personnel issues; otherwise, the base underpinning their authority would be fragile. Thus, DP—which consists of a career system aimed at achieving standardized promotion of skills, job-based grade systems defined by market-oriented policy, and decentralization of the power to manage personnel issues to line managers—would be compatible with CI. Aoki (1989) called the combination of CI and DP the American organizational mode (American mode), and it was frequently seen in corporations in the United States at that time.

III. Prediction of Evolutionary Japanese Personnel Management Mode

1. Evolutionary Japanese Personnel Management Mode

It is possible for a personnel management mode to fail to adapt to changes in the environment and lose the functionality that it previously displayed. In fact, the Japanese personnel management mode, which had been highly esteemed as the source of Japanese companies’ international competitiveness during the stable growth period, was suddenly attacked as the main culprit for Japan’s recession when the employment situation became severe in Japan (1997), and the raison d’etre of HR departments started to be strongly doubted. HR departments now had to face the argument that they were no longer necessary. Yashiro (1998), a leading advocate of this view, regarded HR departments as bureaucratic units that hold the power to determine personnel transfers, and argued that this power should be decentralized to line managers. While predicting greater labor market mobility due to the advancement of globalization and the aging of the population, Yashiro argued that individuals should be able to choose their career paths autonomously with the aim of improving their own expertise, and to enable this, HR departments should be barred from get-
ting involved in the process of determining personnel transfer issues, so that the in-house labor market mechanisms could function. Regarding Yashiro’s argument, Jacoby commented as follows: “…the depiction of HR departments as all-powerful bureaucracies is a dated stereotype. Nevertheless, it contains sufficient truth to make Yashiro’s book a plausible brief for reform and a contribution to the debate over the Japanese corporation” (Jacoby 2005, 7).

HRM can only gradually be transformed because it is required to complement the information system and is subject to the rule of path dependence. Actually, since the beginning of the severe employment situation period (since 1997 until today), amid environmental changes or impacts such as the globalization of corporate activities, advancement of information and communications technology (hereinafter referred to as “ICT”), and the global financial recession, Japanese companies have made various attempts to reform their HR systems. Their overall tendency seems to be a movement away from focusing the grading and treatment of employees on their individual attributes to a job-oriented focus. To put it differently, in light of the duality principle, in-house information systems are changing from DI to slightly CI, and in concert with this, incentive systems are changing from CP to slightly DP.

Hirano (2006) depicted the current personnel management approach as an evolutionary Japanese mode, characterized as follows (Figure 1).

What are the mechanisms of this evolution? They can be explained by the relationship between environmental changes and in-house information systems. While CI is effective when the environment is stable or undergoing very violent change, DI is more effective when environmental changes are more gradual (Aoki 2001). In other words, in a stable environment, standardizing task coordination processes will increase information efficiency (CI). When environmental changes are moderate, efficiency can be improved by combining ex post facto coordination in response to environmental changes and horizontal coordination through information sharing and assimilation of tasks (DI). However, when the environment is extremely unstable, or, in other words, undergoing violent change to the extent that it totally changes within the period of time necessary for horizontal communications, swift decision-making is required. In this case, a top-down approach wherein the power and the decision-making processes are clear (CI) would be most efficient.

Each company makes three types of decisions: strategic decisions (decisions on business targets and strategies); administrative decisions (decisions on organizational structures and work flows); and operating decisions (decisions on various operational standards) (Ansoff 1965). From the beginning of the severe employment situation period (since 1997 until today), the Japanese organizational mode was impacted by the external environment (i.e. the increasing uncertainty of the environment), and it is presumed that in response to this, the strategic decision-making processes have moved toward CI, whereas the administrative and operating decision-making processes have largely remained DI. To be more specific, as the environment undergoes violent changes, the flow from a “strategic decision” to an “administrative decision” will be a top-down, swift and centralized decision-making
process (CI), whereas the flow from an “administrative decision” to an “operating decision” will continue to be based on horizontal coordination between middle management and the workplace (DI). All in all, the information system is changing into a mildly centralized form (new information system, NI).

At the same time, personnel management will evolve into a hybrid of ability-based and job-based ranking policies, according to the duality principle. Specifically, a personnel ranking system can be structured by (i) applying a job-based ranking policy to managerial employees in order to translate their job performance into assigned duties that can be assessed on the market, while (ii) applying an ability-based ranking policy to non-managerial employees to motivate them to improve their firm-specific integrated skills, in such a way that these policies complement each other. In the past, Japanese HR departments had determined personnel transfer issues by collecting and accumulating information on individual employees and using it as the source of the departments’ power. Qualitative information embedded in the workplace about employees’ characteristics is difficult to transfer to an-
other place, therefore, that may be sticky (von Hippel 1994).

Since the job-based ranking policy encourages the delegation of the power to determine grading standards and choose candidates for promotion to line managers (Hirano 2003), the “asymmetric personnel information costs” and “sticky personnel information costs” incurred by line departments and by the HR department will increase. The amount of effort that can be invested in cutting the personnel information costs depends on the type of personnel. In order to cut the personnel information costs, the HR department would manage core personnel in a centralized manner, while delegating the management of other personnel to their respective line departments. Specifically, the transfer of managerial employees would be subject to the HR department’s centralized management. On the other hand, with regard to non-managerial employees, the HR department would be involved in determining personnel transfer issues only for certain personnel, such as those in charge of core corporate functions or those with high-level performance, while the management of other personnel would change into a form wherein more power is delegated to line managers (new personnel management, NP).

Hirano (2006) proposed a concept of personnel information costs. This is divided into two types, asymmetric personnel information costs and sticky personnel information costs. Asymmetric personnel information costs can be explained as follows. Personnel information concerning each employee who belongs to a line department is accumulated by the line manager who observes him/her on a daily basis, whereas information on company-wide staff needs is accumulated by the HR department, both in a fragmentary manner. When information is unevenly distributed between the parties when they negotiate a personnel transfer issue, if a target employee is making a great contribution to the performance of his/her department, the line manager would refuse to offer this employee to the HR department as a candidate for a personnel transfer because the line manager would be more motivated to improve the immediate performance of his/her line department rather than to contribute to HR development on a company-wide basis. That is, the asymmetry of personnel information gives the line manager an incentive not to disclose information to the HR department. Line managers’ tendency to withhold their human resources, which is frequently observed, generates such asymmetric personnel information cost because the company fails to earn profit that could be realized through company-wide optimal assignment of human resources. On the other hand, sticky personnel information costs can be explained as follows. This is concerned with the nature of personnel information per se. Less sticky information is objective information managed by a personnel information system. In fact, pieces of information such as the transfer records, personnel evaluation records, and training records are compiled into a database, and the HR department is able to use such information at low cost. However, in addition to such documented formal information, if the HR department intends to use qualitative information that will be conducive to predicting an employee’s performance potential in a new position to be assigned while determining his/her transfer, HR staff has to visit the employee’s workplace and collect information on site, which generates additional costs. Furthermore, the HR department would also incur the cost of training HR staff to improve their competencies to handle personnel information appropriately. These costs would increase if the target employee is a non-managerial employee who has not worked for the company for long and whose personnel information available is therefore limited. Furthermore, as the number of employees increases, the amount of information to be processed will also increase and this leads to the need to increase the number of HR staff.
2. Role-Based Ranking Policy

A hybrid personnel ranking policy could be called a role-based ranking policy. This role-based ranking policy can be regarded as a ranking principle which employs both ability-based and job-based ranking policies as subordinate factors. By focusing on the patterns of combination between the ability-based and job-based ranking policies, we can identify the characteristics of the role-based ranking policies adopted by companies. A role-based ranking policy should be understood as two independent axes crossing at right angles, rather than as a balance between ability-based and job-based ranking policies. Using this approach, we can categorize companies into those at which either an ability-based ranking policy or a job-based ranking policy predominates, and those at which both ability-based and job-based ranking policies are important.

According to the prediction of the evolutionary Japanese mode, there is likely to be a diverse array of personnel ranking systems ranging from those strongly inclined toward an ability-based ranking policy and those strongly focused on a role-based ranking policy (Figure 2). In fact, many companies shift to a job-based ranking policy for managerial employees, while maintaining an ability-based grading system for non-managerial employees. Even with regard to managerial employees, some companies apply several ranking principles and implementation patterns. For example, if it is easy to measure the value of an employee’s job (e.g. a line manager), personnel management of the employee would be strongly inclined toward a job-based ranking policy, whereas in the case of jobs whose value is difficult to measure (e.g. back-office staff, engineers, sales representatives, project leaders), a strong focus on role-based ranking policies which use both job and ability as metrics can be observed. Companies are likely to evaluate their employees using ability-based and job-based ranking policies to different degrees within the context of a single,
uniform ranking system—the role-based ranking policy. As role-based ranking policies are flexible in combining these policies, they will become the mainstream in Japan in the future.

IV. Realities of the Evolutionary Japanese Personnel Management Mode

1. Data

Let us now look at the realities of the evolutionary Japanese personnel management mode using data. The data used here has been taken from a survey jointly conducted by Kobe University and the Japan Management Association (JMA) (Kobe University Graduate School of Business Administration, KIMPS, and JAM 2009; hereinafter referred to as the “Kobe University Survey”). The survey report is available on the Kobe University website.4 The survey targeted the HR managers of major firms throughout Japan: a questionnaire was sent to 5,000 firms on February 2, 2009, and phone calls were made to 3,500 firms between February 10 and 19 to urge the firms to return the completed sheet. Responses were collected from 365 firms (response rate: 7.3%). By industry, 192 firms (52.6%) were engaged in manufacturing, 21 firms (5.8%) in construction, 42 firms (11.5%) in wholesale/retail, 29 firms (8.0%) in information and communications, 32 firms (8.8%) in service, and 49 firms in others (including one respondent that did not disclose its business sector). By number of regular employees (excluding part-time employees and other non-regular employees), 227 firms (62.2%) have less than 1,000 employees, 103 firms (28.2%) have from 1,001 to 10,000 employees, and 28 firms (7.7%) have 10,000 or more employees. By corporate structure, 253 firms (70.3%) were independent companies, 33 firms (9.2%) were the headquarters of holding-operating companies (meaning holding companies that operate their own business in addition to owning stocks in other companies), 27 firms (7.5%) were companies controlled by holding-operating companies, 9 firms (2.5%) were the headquarters of purely holding companies (meaning holding companies that only engage in the business of owning stocks in other companies), 23 firms (6.4%) are companies controlled by purely holding companies, and 15 firms (4.2%) fit none of these categories.

2. Incentive System

A factor analysis (principal factor method, promax rotation) was conducted on a five-point scale in relation to questions concerning the standards used by surveyed companies to determine the grades assigned to managerial and non-managerial employees. As shown in Table 1, two factors were extracted and named “job-based ranking policy” (American type) and “ability-based ranking policy” (Japanese type), respectively. Although Cronbach’s alpha coefficient was relatively low, ranging between 0.50 and 0.61, as the questions prepared for the analysis accurately reflected the respective characteristics of the

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job-based and ability-based ranking policies, the simple arithmetic mean of the composite variables for these factors was used in the analysis. As described above, the role-based ranking policy (evolutionary Japanese mode) is defined as a category in which both job-based and ability-based ranking policies score over three points. The ability-based ranking policy is defined as a category in which the ability-based ranking policy scores over three points, while the job-based ranking policy scores less than three points. The job-based ranking policy is defined as a category in which the job-based ranking policy scores over three points, while the ability-based ranking policy scores less than three points. Samples were grouped based on these definitions.

Table 2 is a cross tabulation by category of the incentive system applied to managerial and non-managerial employees. With regard to managerial employees, the role-based ranking policy was adopted by the largest group of firms (139 firms [38.9%]), followed by the ability-based ranking policy adopted by 106 firms (29.7%), and the job-based ranking policy adopted by 84 firms (23.5%). With regard to non-managerial employees, the ability-based ranking policy was adopted by the largest group of firms (142 firms [39.8%]), followed by the role-based ranking policy adopted by 124 firms (34.7%) and the job-based ranking policy adopted by 63 firms (17.6%). As for the combination of policies applied to managerial and non-managerial employees, the number of firms adopting the role-based ranking policy for both types of employees, which is assumed to be the evolutionary Japanese personnel management mode, was the largest, with 108 firms (30.2%). 22 firms (6.1%) adopted a combination of the role-based ranking policy for managerial employees and the ability-based ranking policy for non-managerial employees. At the same time, as many as 101 firms (28.3%) adopted the ability-based ranking policy for both managerial and non-managerial employees—the traditional Japanese personnel management mode. Meanwhile, the American personnel management mode of applying a job-based ranking policy to both managerial and non-managerial employees was adopted by 52 firms (14.5%).
Table 2. Cross Tabulation by Category of the Incentive System Applied to Managerial and Non-Managerial Employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Role-Based (Japanese)</th>
<th>Job-Based (Japanese)</th>
<th>Ability-Based (Japanese)</th>
<th>Job-Based (American)</th>
<th>Ability-Based (American)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role-Based</td>
<td>108</td>
<td>22</td>
<td>7</td>
<td>2</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>Job-Based</td>
<td>3</td>
<td>13</td>
<td>5</td>
<td>1</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Ability-Based</td>
<td>5</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>45</td>
<td>19</td>
<td>4</td>
<td>191</td>
<td></td>
</tr>
<tr>
<td>Non-Managerial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role-Based</td>
<td>17</td>
<td>12</td>
<td>7</td>
<td>2</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Job-Based</td>
<td>10</td>
<td>11</td>
<td>1</td>
<td>3</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Ability-Based</td>
<td>10</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>28</td>
<td>9</td>
<td>6</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>159</td>
<td>91</td>
<td>46</td>
<td>34</td>
<td>357</td>
<td></td>
</tr>
</tbody>
</table>

3. The Organ with the Power to Manage Personnel Issues and Collect and Accumulate Personnel Information

In the Kobe University Survey, the development department (engaged in the development of products, operational modes, business models, etc.) was chosen as the target line department. Respondents were required to provide the method in which decisions on the personnel issues are made, indicated in Table 3, by choosing from among five options: (1) The development department has the power to decide; (2) The development department’s intentions are given more weight; (3) I cannot say either department is superior; (4) The HR department’s intentions are given more weight; (5) The HR department holds the power to decide. The higher the score, the more centralized under the HR department the power to manage personnel issues is considered to be. By conducting a factor analysis (principal factor method, promax rotation) of the survey results, the following three factors were extracted: (i) decisions on the system, framework, standards and rules for personnel management (including personnel transfers, “implementation”), and (iii) decisions on promotion of position (shoshin) or promotion of grade (shokaku) (“promotion”).
Table 3. Decisions on Personnel Issues of the Development Department (Five Point Scale)

<table>
<thead>
<tr>
<th>Standard (framework) setting</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Limits (budgets) on salary increases and bonus payments</td>
<td>Managerial: .77</td>
</tr>
<tr>
<td>• Limits on the number of employees promoted</td>
<td>Non-managerial: .75</td>
</tr>
<tr>
<td>• Labor relations agreements</td>
<td></td>
</tr>
<tr>
<td>• Standards for determining grades</td>
<td></td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td></td>
</tr>
<tr>
<td>• Selection of new recruits</td>
<td>Managerial: .79</td>
</tr>
<tr>
<td>• Scores (ranks) assigned to individual employees during personnel evaluation</td>
<td>Non-managerial: .75</td>
</tr>
<tr>
<td>• On-the-job training programs</td>
<td></td>
</tr>
<tr>
<td>• Off-the-job training programs</td>
<td></td>
</tr>
<tr>
<td>• Staffing plans</td>
<td></td>
</tr>
<tr>
<td>• Personnel transfer and assignment within the same department</td>
<td></td>
</tr>
<tr>
<td>• Personnel transfer and assignment to different departments (jobs)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Promotion of position</td>
<td>Managerial: .94</td>
</tr>
<tr>
<td>• Promotion of grade</td>
<td>Non-managerial: .92</td>
</tr>
</tbody>
</table>

Table 4. Extent of Familiarity of the HR Department with Personnel Information on Individual Employees (Five Point Scale)

<table>
<thead>
<tr>
<th>Categorization</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal personnel information</strong></td>
<td></td>
</tr>
<tr>
<td>• Records of assignment to departments and divisions</td>
<td>Managerial: .77</td>
</tr>
<tr>
<td>• Records of personnel evaluation</td>
<td>Non-managerial: .77</td>
</tr>
<tr>
<td><strong>Sticky personnel information</strong></td>
<td></td>
</tr>
<tr>
<td>• Skills possessed</td>
<td>Managerial: .86</td>
</tr>
<tr>
<td>• Career orientation and goals</td>
<td>Non-managerial: .86</td>
</tr>
<tr>
<td>• Potential to perform new jobs successfully</td>
<td></td>
</tr>
<tr>
<td>• Strengths, weaknesses and other personality traits</td>
<td></td>
</tr>
</tbody>
</table>

familiar; 5. The HR department is more familiar.” The higher the score, the more intensively is such personnel information collected and accumulated by the HR department. By conducting a factor analysis (principal factor method, promax rotation) using the elements of the personnel information indicated in Table 4, two factors were extracted: (i) formal personnel information which can be obtained via the personnel information system; and (ii) sticky personnel information which can be obtained only by interviewing the employee
or investigating how the employee is evaluated by people around him/her. The latter type of information is called qualitative personnel information embedded in the workplace about employees’ characteristics, and that may be sticky. Table 5 shows the comparison between the incentive systems for managerial employees and for non-managerial employees in terms of personnel management characteristics.

Table 2 and Table 5 show that the incentive systems currently employed by Japanese firms are divided between role-based ranking systems and ability-based grading systems. In view of the fact that many Japanese firms adopted ability-based grading systems during the stable growth period, it may be possible to say that Japanese firms introduced aspects of job-based ranking policies but did not completely change to the American type, but rather

Table 5. Characteristics of Personnel Management by Personnel Ranking System

<table>
<thead>
<tr>
<th>Category</th>
<th>Role-based (evolutionary Japanese)</th>
<th>Ability-based (Japanese)</th>
<th>Job-based (American)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability-based ranking policy</td>
<td>4.08 (0.47)</td>
<td>4.25 (0.46)</td>
<td>2.27 (0.75)</td>
</tr>
<tr>
<td>Job-based ranking policy</td>
<td>3.99 (0.44)</td>
<td>2.36 (0.66)</td>
<td>4.27 (0.52)</td>
</tr>
<tr>
<td>Power to manage personnel issues: standard (framework) setting</td>
<td>3.76 (0.73)</td>
<td>3.85 (0.75)</td>
<td>4.04 (0.68)</td>
</tr>
<tr>
<td>Power to manage personnel issues: implementation</td>
<td>2.79 (0.66)</td>
<td>2.62 (0.67)</td>
<td>2.63 (0.70)</td>
</tr>
<tr>
<td>Power to manage personnel issues: promotion</td>
<td>3.38 (0.89)</td>
<td>3.41 (1.00)</td>
<td>3.27 (1.05)</td>
</tr>
<tr>
<td>Collection and accumulation of sticky personnel information</td>
<td>2.72 (0.79)</td>
<td>2.48 (0.77)</td>
<td>2.50 (0.88)</td>
</tr>
<tr>
<td>Non-managerial employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability-based ranking policy</td>
<td>3.92 (0.70)</td>
<td>3.92 (0.95)</td>
<td>2.50 (0.88)</td>
</tr>
<tr>
<td>Job-based ranking policy</td>
<td>3.97 (0.54)</td>
<td>2.76 (0.94)</td>
<td>4.17 (0.62)</td>
</tr>
<tr>
<td>Power to manage personnel issues: standard (framework) setting</td>
<td>3.77 (0.75)</td>
<td>3.93 (0.73)</td>
<td>3.84 (0.71)</td>
</tr>
<tr>
<td>Power to manage personnel issues: implementation</td>
<td>2.76 (0.64)</td>
<td>2.64 (0.66)</td>
<td>2.67 (0.71)</td>
</tr>
<tr>
<td>Power to manage personnel issues: promotion</td>
<td>3.35 (0.87)</td>
<td>3.41 (0.99)</td>
<td>3.24 (1.04)</td>
</tr>
<tr>
<td>Collection and accumulation of sticky personnel information</td>
<td>2.69 (0.78)</td>
<td>2.43 (0.80)</td>
<td>2.66 (0.92)</td>
</tr>
</tbody>
</table>
shifted to role-based ranking systems, which are hybrids. With regard to the power to manage personnel issues and the collection and accumulation of personnel information, comparison with the situation during the stable growth period is impossible due to a lack of data, but by reading the mean values relating to the power to manage personnel issues, it can at least be said that HR departments have not totally delegated this power to line departments. Rather, line departments and HR departments seem to be sharing the power to manage personnel issues and to be mutually checking and coordinating with each other in terms of the exercise of the power. Looking more closely, it can be seen that the degree of the centralization of power under HR departments is higher for “standard-setting” and “promotion” than for “implementation.” This suggests that line managers play the major role in exercising the power to manage personnel issues in the domain of “implementation,” and that HR departments intervene when necessary. With regard to sticky personnel information on individual employees, HR departments are familiar with this type of information to a considerable extent. Focusing on differences in personnel management characteristics by type of incentive system, it can be seen that the degree of centralization of the power to manage personnel issues regarding “implementation” and to intensively collect and accumulate personnel information is higher under incentive systems in connection with role-based ranking policies than under other types of incentive systems. It is presumed that HR departments that have shifted to role-based ranking systems are more involved in determining personnel transfer issues.

V. Comparison with Theories for Reform of the Role of HR Departments Advocated in the United States

1. Business Partner Theory

Controversy regarding reform of the role of HR departments has also existed in the United States since around 2000. The key term in this movement is “business partner.” Before 2000, the HR departments of U.S. firms had invested their efforts only on office work and ensuring compliance with rules. They had no vision with regard to linking HR to the strategic creation of value, and went to great lengths to carry out HR programs that did not help achieve business targets and to supervise the progress of such programs (Baill 1999; Ulrich et al. 2008; Boudreau and Ramstad 2007). HR professionals did not have a seat at the table when management decisions were made; they were excluded from this process. To change this situation, HR departments must become business partners. Specifically, HR departments must function as the representatives of HR professionals who play a significant role in developing HR strategies linked to business strategy. They must promote the outsourcing of office work and computerization of administrative tasks, tackle organizational development and change management, hear employees’ opinions, promote HR development, and prepare HR matrices. The main focus of this theory was to enable the ideas originating in HR departments, which had been far weaker than their Japanese counterparts, to be
linked with business management, such as the business strategy. The U.S. business partner theory can be analyzed by two factors: (i) the roles of HR departments; and (ii) competencies of HR professionals. Japanese and American HR departments will be compared in terms of these points.

2. Comparison of the Roles of HR Departments

According to Ulrich (1997), the leading advocate of the business partner theory, HR departments can be divided into four roles from the perspective of deliverables; that is, what an HR department delivers: (i) Strategic Partner; (ii) Change Agent; (iii) Employee Champion; and (iv) Administrative Expert. Ulrich and other advocates of this theory argue that by fulfilling all of these roles in a balanced manner, HR departments can realize their true value as business partners.

However, equal weight should not be given to each role. In concert with trends in the study of strategic human resources management (e.g., Fombrun, Tichy, and Devanna 1984), the role of HR departments was moving in the direction of strategic partnership. For example, Lawler et al. (2006) divided the roles of HR departments into five categories based on periodic surveys of HR managers (National Study by the Center for Effective Organizations; hereinafter referred to as the “CEO Survey”), and traced the changes in terms of the proportion of time allocated by HR departments to activities corresponding to the respective categories.

As shown in Table 6, the time allocated by American HR departments to functioning as strategic business partners remained virtually unchanged between 1995 and 2004. However, HR managers responded in every triennial survey that the time allocated to this role had increased significantly compared to five to seven years previously. This could be interpreted to mean that HR managers considered it desirable for the time allocated to the role of a strategic business partner to increase, and that they responded based on this desire (Lawler et al. 2006, 20). Assuming that this is the case, responses concerning the “current status” are the only reliable data. In the Kobe University Survey, we asked the same questions that were asked in the CEO Survey of Japanese HR managers. Even taking it into account the fact that the translation was imperfect, the results of these surveys may be effective in showing general tendencies in the differences between Japanese and American HR departments.

The percentages of time allocated to the roles of Strategic Business Partner (in the Kobe University Survey, this role was defined as engaging in strategic operations as a business partner; developing strategic personnel plans and organizational designs and carrying out strategic innovation as a member of the top management) and Human Resources Service Provider (in the Kobe University Survey, this role was defined as support for the implementation of HR practices: implementing and carrying out HR practices) were higher among American HR departments. On the other hand, the percentages of time allocated to the roles of Maintaining Records (in the Kobe University Survey, this role was defined as
Table 6. Characteristics of Personnel Management by Personnel Ranking System Category

<table>
<thead>
<tr>
<th>Role</th>
<th>1995 (N=130)</th>
<th>2001 (N=150)</th>
<th>2004 (N=100)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5–7 years ago</td>
<td>Currently</td>
<td>5–7 years ago</td>
</tr>
<tr>
<td>Maintaining Records</td>
<td>22.9</td>
<td>15.4</td>
<td>26.8</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>19.5</td>
<td>12.2</td>
<td>17.1</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>34.3</td>
<td>31.3</td>
<td>33.1</td>
</tr>
<tr>
<td>Development of Human Resources Systems and Practices</td>
<td>14.3</td>
<td>18.6</td>
<td>13.9</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>10.3</td>
<td>21.9</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Kobe University Survey

<table>
<thead>
<tr>
<th>Role</th>
<th>2009 (N=318)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Currently</td>
</tr>
<tr>
<td>Maintaining Records</td>
<td>16.2</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>15.0</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>26.2</td>
</tr>
<tr>
<td>Development of Human Resources Systems and Practices</td>
<td>21.7</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Sources: The data from the CEO Survey was compiled by combining the tables in Lawler et al. (2006, 21–22), except for the 1998 survey. The data from the Kobe University Survey was compiled by re-analyzing data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), V. Q2.

accumulating and organizing personnel information; collecting data on employees and performing maintenance on such data so that it can be retrieved when required), Auditing/Control (in the Kobe University Survey, this role was defined as internal auditing and control; promoting compliance with internal rules, laws and regulations, and union-related provisions), and Development of Human Resources Systems and Practices (in the Kobe University Survey, this role was defined as developing and carrying out HR systems and practices; development of new systems and methods) were higher among Japanese HR de-
Lawler et al. (2006) analyzed the correlations between the five roles of HR departments and the clarity of a “Strategic Focus.” They found a positive correlation between the role of Strategic Business Partner and the clarity of a strategic focus, while finding a negative correlation with the role of Maintaining Records. Based on these findings, Lawler asserted the effectiveness of the role of Strategic Business Partner, while warning that the strategic focus would become blurred if HR departments used a great deal of time to perform the role of Maintaining Records. However, in Japan, the task of accumulating and organizing personnel information is HR departments’ source of power when they are involved in determining personnel transfer issues. This suggests a difference between Japanese and American HR departments in terms of the impact that the centralization of power in HR departments and their collection and accumulation of personnel information could have on business management performance.

3. Comparison of the Competencies of HR Professionals

In the United States, HR professionals are taught that they should have a firm theoretical foundation, accept HRM theory as an established decision-making science, and improve their HR professionalism in the same manner as professionals in marketing and finance (Christensen 2006; Boudreau and Ramstad 2007). The key competencies required of HR professionals are: (i) knowledge of the business, covering the traditional HR competencies in relation to administrative operations and the ability to understand strategic issues such as finance, business, competition, and customer demands and to link this understanding with HRM; (ii) delivery of HR practices, which refers to the ability to deliver state-of-the-art and innovative HR practices and change management; and (iii) technology expertise, as is required for outsourcing, use of information technology, and the development and application of measurement scales and HR matrices.

On the other hand, the key competency of Japanese HR professionals is knowledge of the various divisions within the firm and development of a broad network of human connections, as they are expected to be involved in personnel transfer decisions. This tendency can be inferred from the differences between the career development processes of Japanese and American HR managers. By analyzing the results of the Japan Institute of Labour (JIL) joint research project entitled “International Comparison of the Employment Management of University Graduate White-Collar Workers” (Japan Institute of Labour 1998; survey conducted in 1995 in the United States and in 1996 in Japan), Kato (2002b, 305) found that it is relatively rare both in Japan and the United States for HR managers to follow career paths beyond their functional category, with the important exception that more than half of Japanese HR managers had experience in sales, and one out of five had been engaged in sales for a longer period than in HR.

The Kobe University Survey, conducted 13 years after the abovementioned JIL survey, indicated that HR managers had a wide range of work experience outside HR, mainly in
Table 7. Top 5 Previous Positions Held before Assuming the Office of HR Manager (N=310)

| Source | 
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| HR, education | 86 | 27.7 | | | | | | | | |
| Sales | 49 | 15.8 | | | | | | | | |
| Business planning | 41 | 13.2 | | | | | | | | |
| General affairs, secretarial affairs | 31 | 10.0 | | | | | | | | |
| Marketing | 18 | 5.8 | | | | | | | | |

Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7.

Table 8. Top 5 Positions Held by HR Managers within Their Firms (N=337)

| Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7. |
| --- | --- | --- | --- | --- | --- |
| Function | 1st | 2nd | 3rd | 4th | 5th |
| Frequency | | | | | |
| General affairs, secretarial affairs | 150 | 143 | 108 | 80 | 69 |
| Percentage | 44.5 | 42.4 | 32.0 | 23.7 | 20.5 |

Table 7, with regard to the positions held by HR managers prior to becoming HR managers, fewer than 30% were promoted within HR or educational departments, and more than 70% were transferred from other departments, such as sales, business planning, general affairs and secretarial affairs, and sales planning. Table 8 shows that many HR managers have experience in positions other than HR. Furthermore, with regard to the types of positions held for the longest periods of time within a firm by HR managers, more than 60% developed their careers while mainly engaged in functions other than HR, such as sales (Table 9). Thus, one out of five HR managers had more experience in sales than in HR, which coincides with the finding in the JIL survey. Looking at the subsequent career paths of HR managers, many became managers of line departments (18.9%) or managers of other back-office departments (22.8%), or moved to other functions (19.8%), in addition to being promoted to HR executives (38.7%). Thus, most HR managers move beyond HR in their careers. This means that, among managers of line departments, there are quite a few who
have served as an HR manager. Meanwhile, 46.3% of all respondent firms answered that they had HR executives ranked as senior executives or a higher position. With regard to attendance at strategy planning meetings convened by the president, HR managers “attend every meeting” (38.2%) or “attend almost every meeting” (38.7%).

VI. Conclusion

Compared with personnel management during the stable growth period, the current evolutionary Japanese personnel management mode has changed in some aspects and remained the same in others. One significant change relates to the incentive system, in which there has been a shift to role-based ranking systems which measure the importance of a role on the basis of its value on the market and incorporates personal attributes or ability. In other words, role-based ranking systems focus on the degree of each employee’s contribution to the added value given by the market, which can be assessed by the role assigned to each division in the case of a unit manager, or by the increase in the ability of or expertise demonstrated by each employee in the non-managerial position. With this focus on the individual, all employees can be ranked based on their roles (Ishida and Higuchi 2009). In addition, the essence of role-based ranking systems lies in re-evaluating ex post facto the ranks of the roles assigned to employees and enabling them to be promoted in grade without transfer to different divisions or promotion in position, thus motivating employees to “enhance their roles.”

On the other hand, HR departments retain centralized power to manage personnel issues and collect and accumulate personnel information, and HR managers still have promising career paths and high status within firms. In connection with the incentive system, HR departments remain involved in determining personnel transfer issues unless personal factors are eliminated from the ranking standards. In fact, HR departments have greater power than line departments in terms of “standard-setting” and “determination of promotion” (Table 5). However, the centralization of the power to manage personnel issues in HR departments has greater relevance to the departments’ involvement in determining personnel

Table 9. Top 5 Positions Held by HR Managers for the Longest Periods (N=320)

<table>
<thead>
<tr>
<th>Function</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>120</td>
<td>62</td>
<td>30</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Percentage</td>
<td>37.5</td>
<td>19.4</td>
<td>9.4</td>
<td>5.9</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7.
transfer issues than is defined by the incentive system according to the role-based ranking policy. Specifically, American HR departments serve as business partners to top management in implementing the strategies laid down by top management and the finance department, or business management plans deduced, whereas within Japanese firms, human resources exist from the beginning as a given condition and create roles, and a strategy is developed ex post facto using the results achieved by these roles. In short, the intended strategy of Japanese firms is more of an “emergent strategy” (Mintzberg and Waters 1985). Japanese HR departments, while making use of the sticky personnel information as the source of their power, consult and negotiate with line managers about personnel transfer issues, and search for and select the right persons to assign to the right positions as well as flexibly promoting personnel training beyond sectional boundaries, thereby contributing to workplace reform. To fulfill these duties, HR managers are required to have experience in a variety of tasks in multiple divisions, thorough knowledge of various roles within the company, and the imagination to match employees to the right roles. At the same time, they need to develop a broad network of human connections within the company. As a result, the career paths of HR managers extend to different functions and they come to have high status which vests them with bargaining power over line managers.

The conclusion reached by this study coincides with the insights presented by foreign researchers in their recent studies on the Japanese employment system (e.g. Jacoby 2005; Olcott 2009); that is, that a personnel management approach can change only gradually because it is embedded in each country’s institutional mechanisms or social context. The roles of HR departments are incorporated into complementary relationships with various systems beyond the domain of personnel management. For this reason, we cannot find significant changes in the distinguishing features of Japanese HR departments—centralized personnel management power and the collection and accumulation of personnel information—since the stable growth period. This study provides us with the implications that Japanese HR departments must not give up on their efforts to collect and accumulate detailed personnel information on individual employees that is embedded in the workplace, determine transfers of employees through close negotiation with line departments, and thereby contribute to workplace reform. As for non-managerial employees, however, the scope of the human resources subject to concentrated management by HR departments has narrowed due to the costs involved in collecting and accumulating personnel information. A more detailed study on this point needs to be carried out in the future.

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Yashiro, Naohiro. 1998. *Jinjibu ha mo iranai* [Human resources developments are no longer necessary]. Tokyo: Kodansha.
This paper analyzes the development process of labor policy on women in Japan after the Second World War, based on the three policy perspectives of justice, effective use, and welfare. As a result, it was confirmed that from the viewpoint of changes in policy perspectives there are five periods demarcated by four specific milestones, which can be characterized as follows: during the incipient period at the outset, the focus was placed on the perspective of justice, exclusively in the sense of protection, with effective use and welfare being added from the exploratory period that came next. Then, in the revolutionary period that followed, a paradigm shift took place in the perspective of justice, from protection to equality, followed by further strengthening of the perspective of effective use during the development period, and finally the perspective of welfare is being strengthened in the transition period, which is the most recent phase. Moreover, in terms of future policy issues, it will be important to deal with the weakening of the perspective of effective use in labor administration pertaining to women, as well as the fact that the message to the populace concerning the effective use of the female workforce is becoming attenuated, and it will also be vital to be conscious of the mutual relationship between policies on the Equal Employment Opportunity Act and policies on the Child Care and Family Care Leave Act when promoting such policies.

I. Introduction

The Equal Employment Opportunity Act, which is one of the laws that is most closely related to female labor in Japan, entered into force in 1986, while the Childcare Leave Act (subsequently revised and renamed the Child Care and Family Care Leave Act), which is another such law, entered into force in 1992. These laws were structured as legal policy formulated with working women in mind and have been revised several times over the years until the present day. The content of those laws and revisions has had an impact not only on the conditions of employment of working women at the point when each took effect, but also on social perceptions concerning women’s ways of working. Of course, laws and regulations pertaining to female labor existed even before the Equal Employment Opportunity Act, and legislation such as the provisions relating to women in the Labor Standards Act, which entered into force in 1947, soon after the end of the war, and the Working Women’s Welfare Law (which was subsequently revised and became the Equal Employment Opportunity Act), which was created in 1972 after Japan had experienced a high growth period, was legal policy that protected working women, who were at a disadvantage compared to men, as well as supporting improvements in their welfare.

However, the scope of things included in the term “labor policy on women” differs
The Development of Labor Policy on Women

depending on the person discussing it. The legislation with provisions that directly relate to labor includes the Equal Employment Opportunity Act, the Child Care and Family Care Leave Act, and the Part-Time Workers’ Act, which was enacted in 1991 (in some parts of this paper, the abbreviated term “three Equality Acts” is used to refer to these three laws), but in addition to this, legislation relating to social security and tax also indirectly has a major impact on approaches to female labor. Moreover, it is not the case that these three Equality Acts currently target only working women in their provisions. More specifically, this is because the assumptions that used to exist—namely that only working women are the objects of discrimination and that the harmonization of work life and family life is an issue only for working women—have changed. Eliminating discriminatory treatment of both men and women in all aspects of employment and achieving compatibility between work life and family life have become the objective of legal policy, so the laws have come to target both men and women.

However, looking at the background to the development of policy to date, one can see that ensuring that working women are not discriminated against due to their gender, enabling them to demonstrate their abilities effectively, and promoting compatibility between work life and family life for women (who have, in effect, borne the majority of the burden of childcare) have developed as primary objectives, even in legal policy that has ceased to distinguish between men and women in the provisions of the laws in question. Moreover, looking at various data, it can be seen that such issues for working women have still not been eliminated. It is an undeniable fact that even now, female labor is an important focus for policy, with improving the female employment rate and eliminating the M-shaped curve set as targets in the New Growth Strategy formulated in 2010 by the DPJ (Democratic Party of Japan) government, and economic revitalization through active participation by women being advocated in the Comprehensive Strategy for the Rebirth of Japan, which was published in 2012 as a revised edition of the New Growth Strategy.

Accordingly, this paper describes the development process of labor policy on women since the Second World War, focusing primarily on the three Equality Acts, including the significance of tracing the origins of the policies, while also touching upon closely-related policies. In doing so, as the author’s attempt at interpretation, this paper presents the three policy perspectives of justice, effective use, and welfare, and with these as a working hypothesis, as well as identifying milestones in the development of labor policy on women based on changes in the content of these three perspectives and the relationships between them, this paper examines how these perspectives have been reflected in specific policies. Finally, this paper discusses future challenges relating to policy development.

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1 In Japan, the female labor force participation rate by age describes a so-called M-shaped curve, in which the rate falls during the childbirth and child rearing years and then subsequently recovers.
II. Concerning the Perspectives of Justice, Effective Use, and Welfare

This section explains the definitions of the words justice, effective use, and welfare, as I have termed the three policy perspectives. All of these encompass very broad-ranging concepts in their normal, everyday usage, but it should be borne in mind that, for the sake of convenience, they are perceived as somewhat narrower concepts in this paper.

Firstly, let us look at justice. This term is used as a concept that expresses the values that fall into the category of basic human rights; the equality between men and women that is included in the right to equality, which is one of the basic human rights, can be said to typify this. Moreover, the policy of protection, which was established in the Labor Standards Act (enacted in 1947, soon after the end of the Second World War), supposing that it was difficult for working women to work safely and healthily amid the harsh working environment at that time unless they were subject to more substantial protection than men, related to the right to work as a social right and therefore was a policy based on the perspective of justice.

Next, let us look at effective use. It goes without saying that if one adopts the viewpoint of ensuring the effective functioning of the actual labor market and achieving the development of the economy and society in one’s own country, it becomes necessary to make use of the abilities of working women in an economically rational manner. Labor policy on women can also be implemented as a labor market policy or employment policy that takes into account such benefits for the Japanese economy as a whole. In this sense, the promotion of re-employment and particularly the continued employment of women, as well as policies aimed at skills development for this purpose can be described as policies from the perspective of effective use. The relaxation and elimination of provisions concerning protection that had been constraints on the employment of women can also be said to be based on the perspective of effective use. Professor Ryuichi Yamakawa of Keio University, who is an academic specializing in labor law, points out that “Employment equality legislation generally fulfills the function of translating into reality the requirements of employment policy” (Yamakawa and Kawaguchi 2008, 228).

Finally, there is welfare. Put in simplified terms, this includes those policy perspectives that have the objective of increasing the happiness of female workers that cannot be fully included in the perspectives of justice or effective use alone. In particular, one can detect the perspective of welfare in policies in which the state or local government bodies provide a certain level of support in response to the individual worker’s requests, pursuing more desirable working conditions beyond the minimum standard, and questing for consideration in high-level employment management by companies at a level above that which should be observed as mandatory provisions from the perspective of justice, and requests by individual workers. Measures that give consideration to “the harmonization of work life and family life”, which have been formulated primarily with women in mind, increase the level of happiness of the individual, according to their particular circumstances, so it would be
The Development of Labor Policy on Women

fair to say that the perspective of welfare basically applies to these. The promotion of continued employment, support for re-employment, vocational guidance and skills development, which were referred to above in relation to the perspective of effective use, also have welfare-related implications, in the sense that they satisfy a woman’s own desire for employment and improve her abilities, thereby leading to the achievement of a more advantageous working environment.

Incidentally, it is not the case that the content and strength of the perspectives of justice, effective use and welfare have remained consistently unchanged within postwar legal policy. For example, the perspective of effective use has been strengthened and weakened according to changes in the economic environment, and the level of requirements in relation to the perspective of welfare has also differed depending on the period. Moreover, the perspective of justice, which is closely linked to basic human rights, has changed in response to social perceptions in each period and the trends created by major developed countries and international organizations. Furthermore, while having a value as independent viewpoints, these three perspectives have also been closely related to each other. While there have been cases in which they have all been incorporated into a single labor policy on women during the same period, there have also been cases in which they have taken the form of separate policies. There have also been instances in which changes have occurred, with one of the three perspectives being strengthened while the others have weakened in relative terms, as times have changed.

Taking an overview of labor policy on women since the end of the Second World War, with a focus on the aforementioned three policy perspectives, they can be classified into five periods, marked by four milestones from the standpoint of changes in policy perspectives, which occurred in 1952, 1975, 1986, and 2001. To provide a simple explanation of these milestone years, 1952 was the year in which the Treaty of San Francisco\(^2\) entered into force and the influence over the administration of Japan held by the General Headquarters, Supreme Commander for the Allied Powers\(^3\) (abbreviated to GHQ in Japan) ceased, or, at least, became minimal. 1975 was International Women’s Year and marked the year in which a major step forward was taken in terms of changing public awareness concerning gender equality, both internationally and within Japan. 1986 was the year in which the Equal Employment Opportunity Act entered into force in Japan and, coupled with the previous year’s ratification of the Convention on the Elimination of All Forms of Discrimination against Women, this marked the year in which a substantial start was made on policies relating to gender equality in the field of employment. 2001 was the year in which Japan’s government ministries and agencies were restructured, resulting in the amalgamation of the Ministry of

\(^2\) The peace treaty concluded by Japan, which was the vanquished nation in the Second World War, with the Allies, which were the victors in that war. As a result of the entry into force of this treaty, Japan regained its independence and GHQ ceased its activities.

\(^3\) During the Occupation, until the Treaty of San Francisco entered into force, governance took the form of indirect rule in which the Japanese government carried out the orders of GHQ.
Labour and the Ministry of Welfare, which led to the integration of the Women’s Bureau and the Children’s and Families’ Bureau.

III. The Development of Policy in Each Period

1. Focus on the Perspective of Justice in the Incipient Period (1945–1952)

This is the period from the immediate aftermath of the Second World War until the entry into force of the Treaty of San Francisco. Japan’s labor policy on women commenced with the Labor Standards Act, which was formulated under GHQ supervision from a new, democracy-based viewpoint, namely securing a lifestyle that is adequate for human beings, and the organization called the Ministry of Labour Women’s & Minors’ Bureau, the launch of which in 1947 owed a great deal to the leadership of GHQ. Labor policy on women, to which the Women’s & Minors’ Bureau devoted its energies, was focused on protecting working women, together with young workers. The only legal policy concerning female labor that existed in Japan at that point was found in the provisions relating to women in the Labor Standards Act; as well as the provision concerning equal wages for men and women stipulated in Article 4 of this Act, it regulated overtime work and prohibited late-night work in principle, in order to protect women. In other words, it can be said to have been a policy development from the perspective of justice, with a very strong element of protection to it.

It must be borne in mind that this kind of situation was not peculiar to Japan at this time, and regulations that provided women with special protection, such as in regard to night work, also existed in the conventions of the ILO.

Let us look at the reality facing the female employees targeted by labor policy on women during this period. The number of female employees in 1952 was 3.91 million, accounting for less than a quarter of all working women (a category that, as well as employees, also included self-employed women and women working as domestic servants), and the average age of female employees in 1949 was very young, at just 23.8 years old. In addition, amid the harsh economic environment that prevailed shortly after the war, women were often forced into poor working conditions or turned out of their jobs in order to make room for men who had returned home from battle after being demobilized. In these circumstances, it appears to have been necessary to expend a great deal of effort in order to promote policy from the perspective of protection, so there was no room for devising policies based on the perspectives of effective use or welfare.

2. The Birth of the Perspectives of Welfare and Effective Use during the Exploratory Period (1952–1975)

This is the period from the entry into force of the Treaty of San Francisco until Inter-

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4 In 2011, the number of female employees in Japan was 22.37 million, more than half of who were aged 40 or above.
national Women’s Year. During this period, the influence of GHQ disappeared and discussions concerning the revision of protective provisions and other matters concerning labor administration intensified, with the objective of making use of female workers to boost the industrial and economic development of Japan. An administrative system was put in place, with Offices for Women and Youth, which were official Local Branch Offices grounded in law, being established in all prefectures, and a unique form of labor administration pertaining to women by Women’s & Minors’ Bureau began to appear. However, the main regulations concerning labor and legal policy on labor as a form of social security were already under the jurisdiction of other bureaus, even within the Ministry of Labour, so that part of the administration focused on women and young people could only bring its unique approach to bear in a realm other than these—namely that of welfare—at that time. Policies from the perspective of welfare were launched, such as Working Women’s Centers and a project focused on training in piecework done from home. However, the quality and quantity of these were not sufficient to form the core of labor policy on women and they were budgetary measures rather than being grounded in law. One could describe this as a period in which the government continued to explore the question of the areas to which it should devote serious efforts in its labor policy on women.

During this process, the tight labor market resulting from high economic growth led to a focus on the effective use of working women, with discussions concerning the use of female workers starting with part-time workers. The policy proposals made by the Minister of Labour’s advisory body, the Women’s and Young Workers’ Problems Council, from “Proposals Concerning the Effective Use of the Middle-Aged and Older Female Workforce” (1966) to “Proposals Concerning Female Part-Time Employment Measures” (1969), symbolized this. However, while these proposals emphasized putting in place the requisite conditions in the form of the thorough implementation of the Labor Standards Act, which formed the basic premise, before actually making use of the abilities of women as part-time workers, they did not expressly set forth anything that could be described as proactive measures to provide guidance in making use of women’s abilities in the labor market.  

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5 In a 1952 revision of the Labor Standards Act, the provision banning late-night work by female workers was relaxed in relation to certain occupations.
6 Facilities that began to be established in 1953, funded by a government subsidy. The objective of operating these centers was to promote improved protection and welfare for female workers in the community by offering women working at small and medium-sized enterprises the support they required for their daily lives, as well as providing them with a means of making good use of their spare time. These centers actually offered lifestyle consultation services, support for recreation, and courses and other projects aimed at improving participants’ general education.
7 A project involving the establishment of public training centers for piecework done from home, along with the provision of services focused on piecework mediation, complaint management, research and in-home training. This began in 1955.
8 This is the period when the Japanese economy achieved dramatic growth, and broadly refers to the 19-year period from the end of 1954 until the end of 1973, with the period of full-scale high growth said to be from 1962 until 1970.
Moreover, in fact, a number of definitions of the term “part-time worker” were in use, with discussion of these by experts failing to generate a consensus. Accordingly, the 1969 proposals gave the definition “in general, this refers to workers whose daily, weekly, or monthly prescribed working hours are shorter than those of full-time workers employed at the same place of business, and whose employment is regular and autonomous,” and stated that “it should be clarified that part-time employment refers specifically to employment for shorter hours and is not a status-related category, and steps should be taken to promote thorough awareness of this fact.” However, the proposals themselves were not legally binding, so the status of part-time workers in Japan under employment contracts continued to differ substantially from that of regular workers. More specifically, their wages and other conditions of employment were inferior, they were not considered for promotion, and most continued to experience an unstable way of working with short employment contract periods.

In the same way as part-time labor, piecework done from home spread during this period as a way for women to work. Minimum wages were set and health and safety measures were implemented as part of labor standards administration based on the Home Work Act, which was enacted in 1970 from the standpoint of labor policy on women, amid a situation in which consultation and mediation was being conducted via the public vocational training centers for piecework done from home, and various studies were being carried out.

In 1972, after policy discussions relating to part-time workers and home workers had settled down due to the proposals and the legislative process, an independent law on the theme of labor policy on women was finally born, in the form of the Working Women’s Welfare Law. This legislation was formulated on the basis of the awareness that not only part-time labor, but also women’s employment as a whole “meets industrial, economic and other social demands . . . and should, in general, be encouraged.” However, as can be inferred from its title, the Working Women’s Welfare Law was a law that put the perspective of welfare at its forefront, while the perspective of effective use was not emphasized. One of the reasons for this was that there were various views among the populace concerning labor by women with a household to run, so it was politically difficult for the government to actively promote the employment of women. Thus, while taking on the characteristics of a basic law, the content of this law stressed “the harmonization of work life and family life” in particular, “from the standpoint of seeking an increase in the welfare of working women, as well as an improvement in their status.” The provisions concerning child care leave, which were a key element in this law, only prescribed the employers’ obligation to make efforts to encourage its introduction, so were deeply tinged with the welfare viewpoint.

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9 This is a way of working that involves carrying out tasks such as processing or making things by hand at home, with contract remuneration being provided according to the number of items finished; it is carried out on the basis of a contract other than an employment contract, such as a subcontracting or outsourcing contract.
At the same time, the Act on Childcare Leave in Specific Occupations,\textsuperscript{10} which was enacted in 1975 as legislation by Diet members, set forth the perspective of effective use, focusing on securing personnel through ensuring continued employment via the introduction of a child care leave system. This law marked the first time that child care leave and continued employment had been linked in the provisions of a law.

In 1973, which marked the final phase of this period, the rapid stagnation of economic activity occurred as a result of the first oil crisis, so the tendency to attach importance to the perspective of effective use did not continue into the next period.

3. The Struggle for a Paradigm Shift in the Perspective of Justice during the Revolutionary Period (1975–1986)

This is the period from International Women’s Year in 1975 until the entry into force of the Equal Employment Opportunity Act. During this period, the content of the perspective of justice in labor policy on women changed considerably in the international community, first of all, amid moves that began in International Women’s Year and led to the adoption in 1979 of the Convention on the Elimination of All Forms of Discrimination against Women. More specifically, the World Plan of Action for the Decade of Women, which was adopted in International Women’s Year, was the catalyst for the clear separation of maternity protection and other forms of protection for women, between which the 1967 Declaration on the Elimination of Discrimination against Women did not differentiate. While it was stated that maternity protection “should not be deemed to be unequal treatment between men and women,” protective legislation that targeted only women, other than maternity protection should be reviewed periodically in the light of scientific and technological knowledge and should be revised, repealed or extended as necessary. Within Japan as well, understanding of such international changes progressed within the government, and it became clear what constituted discriminatory treatment between men and women in the field of employment and should therefore be prohibited.

The Japanese government, which had initially been perceived to be passive toward the ratification of this Convention, responded to lobbying by organizations such as women’s groups and in 1980 it went ahead with providing the signature that was the prerequisite for ratification, after which it developed the necessary conditions for ratification. In this process, a paradigm shift also took place in labor policy on women in Japan as well, with a transition within the perspective of justice from the viewpoint of protection to the viewpoint of equality, following extensive discussions within such forums as the Labor Standards Act Study Group, the Expert Council on Gender Equality Issues, and the Women’s and Young Work-

\textsuperscript{10} Its official name was the Act on Childcare Leave for Female Teachers at Schools Providing Compulsory Education, and Nurses and Nursery Teachers at Medical Facilities and Social Welfare Facilities, and it enabled female workers in the public sector engaged as teachers, nurses, or nursery teachers, many of whom were women, to take child care leave until their child reached the age of one year.
ers’ Problems Council, and progress was made toward the realization of the Equal Employment Opportunity Act and the revision of the provisions protecting women in the Labor Standards Act.

As expected, it is not the case that the change from the viewpoint of protection to one of equality was entirely smooth. Firstly, business proprietors were very hesitant about this change. In Japan, male workers, who could be expected to have a long period of continuous service, were positioned as the core workforce and so-called Japanese-style employment management, which involved cultivating personnel while rotating them regularly through various posts, became firmly established, primarily in large corporations. However, working women were considered to be outside this scope and were positioned as supplementary workers, based on the premise of a short length of service, due to the likelihood that they would only have a short period of continuous service. Concern spread that the Equal Employment Opportunity Act would force businesses to revise this kind of approach to employment management and a major debate developed, with employers asserting that they “opposed a strong equality law” and “could not treat employees equally in a situation in which protection was required.” On the other hand, objections emerged from among working women themselves concerning the either-or choice between protection and equality. In the background to this was the fact that in an environment in which men were expected to work long hours, the development of nurseries had not progressed very far, with women compelled to bear all family responsibilities due to strongly-rooted perceptions of a fixed division of roles, there were many working women who would not be able to work if protections such as regulations concerning overtime work and the prohibition on late-night work were removed.

Ultimately, the laws enacted in 1985 were the Equal Employment Opportunity Act, 11 which imposed an obligation to make efforts in relation to recruitment, hiring, deployment, and promotion, and the revised Labor Standards Act, 12 which left in place many provisions protecting women, so a full-scale instant switch from the viewpoint of protection to that of equality did not take place. This can be said to be the result of having reflected the attitudes of working women, the reality of employment, and the actual situation in employment management among Japanese companies.

Incidentally, amid the major trend toward switching from the viewpoint of protection to that of equality, some progress was seen in relation to the perspectives of effective use and welfare, although this did not become sufficiently apparent in policies. Firstly, the abo-

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11 Implemented through a revision of the Working Women’s Welfare Law. The only things that became mandatory provisions were the prohibition of sexual discrimination in regard to the mandatory retirement age, dismissal, certain welfare programs, and certain education and training.

12 At this time, the regulations concerning overtime work and the prohibition on late-night work were abolished in regard to certain workers in leadership positions and professional occupations, as described below; in addition, in regard to overtime work regulations for other types of workers, the number of hours to which women were restricted was relaxed, while the number of occupations subject to exceptions in relation to the ban on late-night work was increased.
lition or relaxation of protective provisions other than maternity protection were also the conditions for enabling working women to demonstrate their abilities, which was the aim of the Convention on the Elimination of All Forms of Discrimination against Women, so in this sense one can say that this had the perspective of effective use. The elimination of protective provisions that took place as a result of the revision of the Labor Standards Act at that time was limited, but one example was the removal of regulations concerning work outside prescribed working hours and on holidays, as well as late-night work, in the case of workers in subsection chief position or upper and professional occupations. In addition, the industry group representing taxi drivers requested the relaxation of regulations concerning late-night work, on the grounds that working women themselves had requested this, so this restriction was lifted on condition that the worker herself requested it.

Moreover, it is particularly notable that, at the end of this period, consideration began to be given to measures focused on part-time labor, in parallel with deliberations concerning the Equal Employment Opportunity Act. The Equal Employment Opportunity Act aimed to place working women who were regular employees in a position in which they could compete properly with male workers within the company, according to the wishes and abilities of the individual. In contrast, the Guideline on Measures Concerning Part-Time Work, which is an administrative guidance rule prescribed in 1989, aimed to ensure a minimum level of labor standards for workers with short working hours, such as remedying the inconsistent application of the Labor Standards Act, which should have been applied to them, as well as clarifying various other matters concerning application, bearing in mind female workers employed as part-time workers, who typified non-regular employees. Based on the premise that part-time workers were subject to employment management that differed from that of ordinary workers, this Guideline can also be said to have explored measures to increase the welfare of working women and promote effective use of their abilities, by such means as upgrading the employment environment through the clarification of such matters as the conditions of employment, as well as providing support in the form of vocational guidance, career counseling and training courses.

Furthermore, coupled with the work on formulating the Equal Employment Opportunity Act that was being done at that time, the 1984 reorganization of the Women’s & Minors’ Bureau into the Women’s Bureau, which took place as part of the administrative reforms led by the Nakasone Cabinet, was a major catalyst for further development of labor policy on women. While having consistently demonstrated an awareness of the issues in terms of labor administration pertaining to women, it had been difficult for the Bureau to make independent policy concerning measures relating to part-time labor. Therefore, by providing clear grounds in law for bringing coordination of policies on part-time labor under the jurisdiction of the Women’s Bureau, this adjustment can be said to have led to the development of various policies during the period that followed.

This is the period from the entry into force of the Equal Employment Opportunity Act until the birth of the Equal Employment, Children and Families Bureau. With the enactment and entry into force of the Equal Employment Opportunity Act as a catalyst, new legal policies on women’s labor relations were developed.

One was the advance of legal policy concerning the harmonization of work life and family life triggered by the formulation of the Childcare Leave Act, which entered into force in 1992. Unlike the provisions imposing on employers the obligation to make efforts concerning child care leave in relation only to working women, which had been prescribed in the Working Women’s Welfare Law and inherited by the Equal Employment Opportunity Act after the revision of the former, the Childcare Leave Act provided for child care leave as a legal right for both male and female workers, in the form of a single piece of legislation. Moreover, against the background of tight supply and demand in the workforce at the time, by prescribing that the continuation of the employment of a worker through child care leave was perceived not only as a matter of welfare for workers, but also as something that “contributes to the development of the economy and society,” this law caused the perspective of effective use to become apparent. Even looking at surveys of attitudes carried out by the state, the proportion of those expressing the opinion that women “should continue their occupation without interruption even after having children” in regard to their ways of working grew to exceed 20% over the period from 1984 to 1992. In addition, with the custom of long-term continued employment of core workers becoming firmly established as the Japanese-style employment system, one could say that this policy reflected the fact that women wishing to enjoy the same advantages of long-term continued employment as men had come to account for a commensurate proportion of the population. Soon after, revisions were made with the purpose of legislating for the right to family care leave as well, and this legislation entered into force in full in 1999 as the Child Care and Family Care Leave Act. Thus, the perspective of effective use, focused on encouraging workers to continue demonstrating their abilities without interrupting their employment to bring up children or provide long-term nursing care for family members, became clearer.

The second was the enactment of the Part-Time Workers’ Act. Despite the fact that the focus of the policy was not restricted to women, measures concerning part-time labor, which began in earnest at the end of the previous period with the issue of the Guideline on Measures Concerning Part-Time Work, became one of the key pillars of the policies of the Women’s Bureau, which was launched in 1984, due in part to the fact that part-time work had originally been perceived from an early stage as being a form of employment that would enable women to demonstrate their abilities while achieving the harmonization of work life and family life. Legislative efforts ultimately bore fruit with the 1993 entry into force of the Part-Time Workers’ Act, following the 1989 Part-Time Labor Guidelines, which
took the form of a public notice from the Minister of Labour. However, the policy perspective of effective use was not as clearly highlighted in the Part-Time Workers’ Act as it was in the Child Care and Family Care Leave Act. One of the reasons why the legislation ultimately focused on welfare was the fact that it was difficult to coordinate the opinions of workers, who were seeking the deployment of measures from the perspective of justice, such as demanding “equal treatment” for part-time workers, with those of employers, who were bringing the perspective of effective use to the forefront. However, government policy overall at that time, such as the introduction of the special deduction for spouses, was focused on making it easier for women to demonstrate their abilities in the form of part-time work, thereby truly emphasizing the perspective of effective use, so this would seem to have partially worked to increase part-time workers.

Furthermore, there was one more major change during this period. This was the advance of policy on the Equal Employment Opportunity Act, with the aim of completing the switch from protection to equality that had remained incomplete in the Equal Employment Opportunity Act that entered into force in 1986. Policy in this field progressed considerably with the revision of the Equal Employment Opportunity Act, which was enacted in 1997 and entered into force in full in 1999.

The front-line administrative organization for implementing this policy was also strengthened. Based on the Equal Employment Opportunity Act, from 1986, the prefectural Offices for Women and Youth were furnished with a role as an enforcement agency for the law, providing advice, guidance, recommendations and support in dispute resolution, as well as carrying out administrative work concerning conciliation based on the law. These prefectural Offices for Women and Youth also came to play a certain role in the administration of enforcement of the subsequently-enacted Childcare Leave Act and Part-Time Workers’ Act, and the level of recognition of them and trust in them as an administrative body increased. It also became possible for the government to make policies on the assumption that these Offices for Women and Youth could function as a front-line organization. However, as described below, the major political trend toward administrative reform and the decentralization of power that occurred at the end of this period led to the restructuring of the Women’s Bureau and the Offices for Women and Youth, which had been responsible for the implementation of labor policy on women.

13 Established in 1987, in addition to the spousal tax deduction, which was applied in the event that the income of the spouse of a taxable person was below a certain amount, this special deduction involved the application of a phased income tax deduction according to the spouse’s amount of income, which was designed to ensure that there was no adverse change in household income for those with incomes around the line at which the deduction applied. As a result of this, it was anticipated that the tendency of female part-time workers to curb their employment at a level of income around the line at which the deduction applied would be eliminated.
5. The Policy Effects Are Called into Question As the Perspectives of Welfare and Justice Expand during the Transition Period (2001 Onward)

This is the period since the launch of the Equal Employment, Children and Families Bureau. In 2001, the restructuring of central government ministries and agencies was carried out as part of administrative and fiscal reforms, with the 23 ministries and agencies (including the Cabinet Office) hitherto in existence undergoing a process of amalgamation and abolition, after which there were 13 ministries and agencies (including the Cabinet Office). At that time, the Ministry of Labour was amalgamated with the Ministry of Welfare, while the Women’s Bureau, which had been responsible for labor administration pertaining to women, was integrated with the Ministry of Welfare Children’s and Families’ Bureau, which had been responsible for the administration of child welfare, and began to operate as the Ministry of Health, Labour and Welfare, Equal Employment, Children and Families Bureau. It would be fair to say that this period brought about an expansion in the perspective of welfare in labor policy on women.

As a result of a further fall in the birthrate around this time, considerable attention was focused on measures to counter the declining birthrate, and the frequent establishment of inter-ministerial forums for deliberation within the government from the end of the 20th century and resultant formulation of policy packages can be said to have been a factor contributing to this. Amid this situation, the necessity of measures focused on the achievement of a “work-life balance” was highlighted; this term became firmly established as a concept that was broader than that of “achieving compatibility between work life and family life” and was easier to apply equally to men as well. However, it was naturally the Child Care and Family Care Leave Act that most needed to be enhanced as a legal policy to cover measures for the achievement of a work-life balance. Initiatives such as the enhancement of childcare facilities and services and upgrading of economic support, such as child allowance, were implemented as measures to counter the declining birthrate, and it was probably inevitable that the Equal Employment, Children and Families Bureau, which has jurisdiction over labor policy on women as well as such measures relating to child welfare, would focus on enhancing measures to support achieving compatibility between work and family based on the Child Care and Family Care Leave Act.

Between 2001 and the present day, the Child Care and Family Care Leave Act has been revised three times, with the policy menu being augmented and enhanced considerably. Even if one looks only at the child care leave system, it was augmented in many ways, such as the prohibition of disadvantageous treatment on the grounds of child care leave, the extension of the leave period in the event that it is not possible to enroll the child in a nursery, the Additional Leave for Mum and Dad (Papa-Mama Ikukyu Purasu) system, which extends by two months the period during which leave can be taken if both parents take leave, and the expansion of the application of the leave system to include fixed-term employees. In addition, an even more diverse menu was put in place and assembled so that it enabled workers to make choices. This featured such provisions as limiting work outside prescribed
working hours and on holidays for both male and female workers providing long-term nursing care or bringing up children who are not yet attending elementary school, exempting workers raising a child under the age of three from overtime work and making a system of short-time work obligatory in relation to such workers, establishing and augmenting sick/injured child care leave in the event that a worker’s child is unwell, and instituting short-term nursing leave calculated separately from the three-month allowance of family care leave that focuses on parents and other close family members targeted by this system. Moreover, in particular, it is notable that the content of the most recent revision, in 2009, had the aim of using policy to encourage men to take child care leave, by abolishing the provision that made it possible to provide exceptions in regard to the exercise of the right to child care leave in cases in which a labor-management agreement had been concluded concerning workers with spouses who were full-time homemakers and the aforementioned Additional Leave for Mum and Dad system.

As well as content that was, overall, indispensable in terms of enabling female workers to continue employment while fulfilling family responsibilities, such as child rearing, it would be fair to say that these revisions put in place various support measures aimed at ensuring that workers had bright prospects in terms of having children. In this sense, although the provisions of the Child Care and Family Care Leave Act confer on workers the right to request particular working conditions and impose obligations on employers in this regard, it is quite different from the Labor Standards Act, which comprises minimum standards to protect the lives and health of workers and includes penalties, and one could say that it strengthened the nature of the policy in regard to the welfare perspective, which aimed to increase the welfare of workers by such means as enabling workers bringing up children “to be able to secure time with their children.”

This fact alone constituted glad tidings for most working women, who had struggled for many years to achieve compatibility between work and child rearing. In particular, the fact that legal policies aimed at eliminating the mindset of a fixed division of roles in relation to childcare, such as the Additional Leave for Mum and Dad system, were initiated could reasonably be described as groundbreaking. At the same time, the various augmented menus have increasingly included measures that could not be entirely described as “measures without which (female) workers might be forced to quit their jobs in order to bring up children or provide long-term nursing care,” with a relative decline in the implications pertaining to ensuring continued employment, so it has become harder to perceive the effective use perspective.

Next, looking at the expansion of the justice perspective, it should be noted that, following revisions that entered into force in 2007, the Equal Employment Opportunity Act became legislation that prohibited discrimination against both men and women, which eliminated its previous unilateral character in terms of provisions focused solely on discrimination against women. In addition, the fact that the revised Act included provisions concerning indirect discrimination and that the revisions to the Part-Time Workers’ Act that
entered into force in 2008 established provisions prohibiting discriminatory treatment of part-time workers is also worthy of mention. In particular, the Part-Time Workers’ Act legislated for a mechanism for ensuring balanced and equal treatment between part-time workers and ordinary workers, which had been an outstanding issue for many years, and contained provisions prohibiting discriminatory treatment (compared with ordinary workers) against part-time workers on employment contracts that had no fixed term and were the same as those of ordinary workers in terms of the scope of their duties, responsibilities and personnel use.

Thus, although advances have been made in augmenting the three Equality Acts since 2001, one cannot say that the actual situation in Japan has progressed significantly since these revisions, in terms of achieving such policy goals as a better work-life balance, de facto equality between male and female workers, and remedying the disparity between the treatment of part-time workers and that of regular employees.

For example, even though systems pertaining to support for achieving compatibility between work and family life have been enhanced, the proportion of women continuing in employment after giving birth remains low and government forums for the deliberation of measures to counter the declining birthrate are questioning whether there might still be a situation in which women face an either-or choice between work and childbirth/child rearing. Neither could one describe the progress in appointing women to managerial posts as adequate (the proportion of women among those in managerial posts in a 2011 survey was 5.1% at the divisional director level and 8.1% at the [more junior] departmental director level), while the wage disparity between men and women remains substantial (in a 2011 survey, when the scheduled cash earnings of male general workers were set at 100, those of female general workers were just 70.6). With regard to the provisions prohibiting discriminatory treatment that were established as a result of the 2008 revision of the Part-Time Workers’ Act, some have pointed out that the scope of application is rather narrow, so work has begun on revising the law with a view to achieving more satisfactory treatment.

Thus, while some progress was seen in legal policies during this period, such as the expansion of the perspectives of welfare and justice, it was a period in which verification of their policy effects from a variety of angles began to be sought. In particular, with the challenges in terms of legal policies having become somewhat clearer by this stage, there have been several revisions of policies on the Equal Employment Opportunity Act and policies on the Child Care and Family Care Leave Act, with a view to their achievement, but it would be fair to say that questions are now being asked about whether the efforts to enhance these legal policies have borne sufficient fruit and about the degree to which the upgrading of the legal system can lead to improvements.
IV. Conclusion

1. Broad Overview of Each Period
   Looking at the development of policy in each period, it can be said that the perspective of justice has existed consistently throughout labor policy on women in each period, with the perspectives of welfare and effective use being added in the period from 1952 and increasing in substance from 1986. Moreover, the mutual relationships between these three perspectives have changed in each period: for example, one can see how the balance between the three perspectives has varied, as the period from 1975 to 1986 was the period when attention focused on the perspective of justice, while the period from 1986 to 2001 was one in which the degree of focus on the perspective of effective use increased in relative terms and the period from 2001 onward has been one in which greater emphasis has been placed on the perspective of welfare.

   In terms of the content of these perspectives as well, International Women’s Year in 1975 was the catalyst for the beginning of a paradigm shift in the justice perspective, from protection to equality, which was followed by changes such as convergence with the equality paradigm in areas apart from maternity protection. In addition, changes in the welfare perspective include the shift in emphasis that took place in the 21st century in relation to the content that brings about satisfaction through welfare, from satisfaction in terms of one’s working life toward satisfaction in terms of such lifestyle-related aspects as child rearing and long-term nursing care. Furthermore, the effective use perspective began as a relatively indirect form, starting in the high growth period, but became more apparent in the form of continuing employment in the 1975 Act on Childcare Leave in Specific Occupations and the Childcare Leave Act that entered into force in 1992, but although subsequent revisions have gradually expanded its content, it has been overshadowed by the other perspectives.

2. Elements Other Than Changes in Policy Perspectives: Increasingly Bilateral Nature of the Issue
   Apart from these changes in policy perspectives, a major change has occurred in the development of labor policy on women over the last 65 years or so. This is a phenomenon that could either be described as the dwindling of its unilateral nature, or the growth of its bilateral nature.

   Whether in relation to protection for women, the elimination of discriminatory treatment vis-à-vis men, or achieving compatibility between work life and family life, policies that clearly targeted only women when they were first introduced have progressively come to focus on both men and women as a result of subsequent policy development, and have therefore developed a bilateral nature.

   The catalyst for this was the work done on the Equal Employment Opportunity Act and on revising the Labor Standards Act, which was carried out to put in place the conditions for the ratification of the Convention on the Elimination of All Forms of Discrimina-
tion against Women. Furthermore, ILO Convention No.156 (the Workers with Family Responsibilities Convention), which was adopted in 1981, aspired to the realization of equality of opportunity and practical equality, both between male and female workers with family responsibilities and between workers with family responsibilities and those without. While it included various exceptional measures, the Childcare Leave Act that entered into force in 1992, having been enacted with the ratification of this Convention in mind, conferred on both men and women the right to child care leave. In addition, when family care leave was legislated for in the revision of this Act, discussions focused on both male and female workers, and the subsequent enhancements to mechanisms supporting the achievement of compatibility between work life and family life have always targeted both male and female workers. In particular, with the revision of the Equal Employment Opportunity Act as a catalyst, the support measures included in this Act that were focused on the fact that women bear a heavy burden due to being required to take on more responsibility for childcare and housework, namely provisions taking into consideration support for re-employment, vocational guidance, and improved development of vocational skills, were changed to measures focused on male and female workers with family responsibilities and were transferred to the Child Care and Family Care Leave Act.

In the case of the Equal Employment Opportunity Act as well, even after the revision prohibiting discriminatory treatment of women at every stage of employment entered into force in 1999, there has been an aspiration to legislate for the prohibition of discrimination against both men and women, in light of trends in various other countries, and it was even said that “as long as there is a prohibition solely on discrimination against women, one cannot avoid the perception that there is also a welfare-related tinge to it, in the form of protection for women alone,” which led to the 2007 revision.

As a result, looking at current legal policies, the number of provisions relating solely to women have decreased to such an extent that it would seem inappropriate to use the term “labor policy on women.” The aforementioned bureau amalgamation in 2001 and the integration of Local Branch Offices that was carried out in 2000 (the prefectural Offices for Women and Youth were integrated with organizations for labor standards administration and employment security administration, and became prefectural Labour Bureaus) were the catalyst for the disappearance of the word “women” from the names of administrative organizations.

3. The Future of Labor Policy on Women

Finally, I would like to highlight a number of points that I believe to be challenges for the future.

(1) Mapping out the Effective Use of Working Women

The elimination of elements with a unilateral nature from all aspects of policy is, in itself, necessary and appropriate, as it has the aim of avoiding effects and harmful results
that would impede substantial equality, for example, encouraging a mindset based on a fixed division of roles. In particular, in light of the fact that there is what might be described as a global trend, with the countries of Western Europe at the forefront of efforts to make progress with systemic revisions in order to eliminate unilateral elements from their policies, it may be inappropriate for Japan alone to maintain policies specifically for working women. On the other hand, due to the fact that the policies themselves have come to target both men and women, it has become difficult to perceive the perspective of effective use of working women.

For example, despite the fact that official support policies are still targeted at women, taking into account the effective use of working women who carry out childcare or long-term nursing care, policy development is being mapped out with a focus on both men and women, based on the provisions of the Child Care and Family Care Leave Act. Accordingly, it has become difficult for both those involved in employment management and women themselves to perceive the importance of the perspective of effective use of women. Moreover, although Japan’s current Equal Employment Opportunity Act provides for state support when companies develop positive action in regard to working women, the country has prescribed no other measures to directly support female workers, with a view to achieving effective gender equality. Moreover, in effect, almost all of the employment support measures that targeted working women alone have disappeared. This is probably because there is a possibility that failing to target male workers as well runs the risk of being criticized as reverse discrimination. In employment security administration, which does not directly fall within the purview of labor policy on women, centers called Mothers’ Hello Work have been developed as service hubs for job-seekers who face constraints such as child rearing, while offering their services to both men and women, thereby publicizing the importance of employment policy concerning women in a form which could be described as role reversal.

Even under the Convention on the Elimination of All Forms of Discrimination against Women, it is not the case that policy-making bodies such as national and local governments are not permitted to implement any policies aimed at the welfare or effective use of working women alone, rather than being aimed at both men and women. Indeed, Article 4, paragraph (1) of the Convention permits special measures, which include those formulated on the basis of government policy, stating that “Adoption by States Parties of temporary special measures aimed at accelerating de facto equality between men and women shall not be considered discrimination as defined in the present Convention.” In fact, Article 8 of the Basic Act for Gender-Equal Society clearly stipulates that measures to promote the formation of a

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14 The Comprehensive Strategy for the Rebirth of Japan, which was formulated on July 31, 2012, advocated “economic revitalization through the promotion of active participation by women,” and the state redoubled its efforts to urge companies to accelerate their initiatives in regard to positive action, but one would still have to say that the government is still refraining from providing direct support to working women.
gender-equal society include measures to actively promote improvements, and states that
the government will bear the responsibility for their comprehensive formulation and im-
plementation. The “active remedial measures” in the Basic Act for Gender-Equal Society
are deemed to be those measures that actively provide either men or women with opportuni-
ties to participate in activities in all fields of society according to their own wishes, as an
equal member of society, within the scope required to remedy the disparities between men
and women in terms of such opportunities (Article 2 of this Act); accordingly, they can be
considered to be policy measures for so-called positive action.

In Japan, de facto equality between men and women has not yet been achieved, as
demonstrated by the fact that substantial wage disparities still exist between men and wom-
en, while the proportion of women in managerial posts is low, and it is also clear from the
Concluding Observations of the Committee on the Elimination of Discrimination against
Women concerning Japan published in 2009 that active remedial measures are still required
in Japan. In these observations, it is pointed out that “The Committee notes with regret that
no temporary special measures are in place to accelerate de facto equality between men and
women or to improve the enjoyment by women of their rights in the State party, in particu-
lar with regard to women in the workplace and the participation of women in political and
public life.” In other words, this leads to insufficient use of working women, who are essen-
tial to the maintenance and development of Japan’s society and economy in an era in which
we face the aging of the population coupled with a declining birthrate. If this is the case,
one can say that there is scope to enhance public policy focused on effective use, in the
form of active remedial measures, in order to enable working women to demonstrate their
abilities more fully.

(2) Measures to Deal with Disparities between Men and Women in the Use of Systems
for Supporting Compatibility between Work and Life

Another challenge is the fact that although measures relating to achieving compatibil-
ity between work life and family life and achieving a better work-life balance are designed
as systems aimed at both men and women, most of the users are actually women, as can be
seen from such indicators as the child care leave system utilization rate. Of course, needless
to say, augmenting these legal policies concerning support for achieving compatibility be-
tween work and family has brought about many advantages for working women. However,
there are fears that as the policy menus for raising the level of welfare for individual work-
ers are enhanced, in order to “make it easier to give birth to children and bring them up,”
disparities between men and women will widen in terms of the use of such policy menus
with this welfare perspective. Just as the very existence of the former provisions protecting
women and their application provided grounds for the legitimacy of managing the employ-
ment of men and women differently, there is the potential for actual disparities in the use of
policy menus to give rise to disparities between men and women in terms of their treatment.
Among companies that have endeavored to enhance their in-house systems in response to
the augmenting of policies in the Child Care and Family Care Leave Act, some have expressed the view that “We implemented all of the measures to support achieving compatibility between work and family that we could think of, but almost all of those who use the system ended up being women. The more that we enhance measures to support child rearing, the more a gap opens up between men and women in terms of their ways of working. It feels as though measures to benefit women are actually causing disparities to increase.”

Consequently, in policies to support achieving compatibility between work and family, as well as the necessity of further promoting the use of policy menus by men in the future, as symbolized by the “Ikumen Project,” when conducting deliberations about the enhancement of policy menus, consideration should also be given to dealing with the expansion of disparities in treatment resulting from such disparities in use.

(3) Seeking a Synergistic Effect between the Policies of the Equal Employment Opportunity Act and Those of the Child Care and Family Care Leave Act

Furthermore, it is necessary to properly verify the truth of the suggestion that systems such as child care leave, which originally began with the objective of the effective use of women through their continuing employment, might actually have failed to promote their use. In research conducted recently by the Japan Institute for Labour Policy and Training, analysis was carried out that showed that a large proportion of women responsible for the same duties as men and women who have worked for a long time at the same company before being pregnant are taking child care leave and continuing their employment, even if they have long working hours, and that the employment continuation rate is rising, because of an increase in the number of such regular workers (Japan Institute for Labour Policy and Training 2011). Thus, even when a company runs child care leave and other legal systems relating to support for achieving compatibility between work and family in practice, what is important is not only the perspective of welfare, based simply on creating an environment that makes it “easy to raise children” during the childbirth and child rearing period, but also the perspective of effective use, which is focused on promoting active participation by women as the basic premise for this. Consequently, it is necessary to pursue policies that bring about a synergistic effect between the policies of the Equal Employment Opportunity Act and those of the Child Care and Family Care Leave Act, focusing on the mutual relationships between initiatives to support achieving compatibility between work and family, such as child care leave, and positive action initiatives in the form of expanding the scope of duties of women.

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15 Comments by Kimie Iwata, Executive Vice President at a leading Japanese company, at the Labor Policy Forum (organized by the Japan Institute for Labour Policy and Training) held on June 3, 2010 (Business Labor Trend 2010).

16 This initiative led by the Ministry of Health, Labour and Welfare commenced in June 2010, with the aim of building a society in which male workers can become actively involved in child rearing by such means as encouraging them to take child care leave.
References


The findings of research activities undertaken by the Japan Institute for Labour Policy and Training (JILPT) are compiled into Research Reports in Japanese. Below is a list of the reports published from April 2012 onward. The complete Japanese text of these reports can be accessed from the JILPT website (http://www.jil.go.jp/institute/pamphlet/). We are currently working on uploading abstracts of reports in English onto the JILPT website as well (http://www.jil.go.jp/english/reports/jilpt_01.html).

Research Reports
No.151 Comparative Law Study on Work-Life Balance: Final Report (June 2012)
No.150 Childbirth, Childrearing, and Continued Employment: Measures to Cope with the Liquidation of Manpower and a Society with Later Working Hours (April 2012)
No.145 Study on Employment Portfolio Structuring: Case Studies from the IT/Research Departments in Manufacturing Companies and from a Department Store (April 2012)

In addition to the Research Reports, JILPT publishes a Research Material Series and a Research Series, consisting of literature and other materials collected in the course of surveys and research, materials translated from reference materials from overseas, case studies, and other research-related materials whose availability outside JILPT we feel to be beneficial for promoting related research and for use as a reference by related administrative organs in the course of their operations. JILPT also publishes Discussion Papers, which represent the results of research conducted by JILPT researchers on their own initiative. The Research Material Series, Research Series, and Discussion Papers are made available in printed form and on the JILPT website (all in Japanese). Recent publications are shown below.

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