Abstracts

<u>History Precedes Evaluation: The Qualitative Transformation of the Division of Labor and the Turn in Policy Discourse in the Small and Medium-Sized Machinery-and-Metal Manufacturing Cluster of Ota Ward, Tokyo</u>

Kazunori Sunagawa (Chuo University)

This paper examines the long-term decline of small and medium-sized manufacturers in postwar Japan and the recent policy discourse that reads it as evidence of an inefficient "excess" of small firms to be corrected through consolidation. Taking the machinery-and-metal cluster of Ota Ward, Tokyo as a locality where the divergence between evaluation frameworks and historical reality is most sharply exposed, it argues that this diagnosis is the repetition of an evaluation framework that had already lost its historical validity. Dual-structure theory held only until the mid-1960s, when the absorption of rural surplus labor underpinned industrial growth without major wage increases. After the Lewisian turning point, however, Ota's small firms did not remain a "low-productivity sector" but qualitatively upgraded their division of labor from full-set production to a self-organized horizontal network, and further into a local base of the international division of labor. This path-dependent accumulation has been irreversibly dissolving under globalization since the 1990s. Even so, post-1985 policy discourse repeats the same linear, substitutive temporality under the vocabulary of "efficiency" and "selection." Identifying two gaps—temporal and spatial—between evaluation and historical reality, and reasoning from the thesis that history precedes evaluation, this paper demonstrates how the contemporary selectionist argument is anachronistic. Methodologically, it combines the founding-year distribution of extant firms (flow data) with long-term time-series by firm size (stock data) to trace the cluster's historical formation empirically.

<u>Monopsony Power and Firm-Size Wage Differentials: An Empirical Analysis</u>

Sachiko Kazekami (Keio University)

Factors such as differences in worker ability, productivity, and turnover rates have historically been discussed as causes of firm-size wage differentials. While acknowledging these factors, this study focuses on monopsony: a state in which labor supply to individual firms is not perfectly elastic. When firms face an upward-sloping labor supply curve, they cannot hire any quantity of labor at a constant equilibrium wage as in a perfectly competitive market. Instead, they must pay higher wages to expand their scale, which generates wage differentials across firm sizes. Monopsony arises from labor market frictions and the idiosyncratic preferences of workers. Accordingly, this study analyzes whether firms in Japan face upward-sloping labor supply curves and how their slopes vary by firm size. Using data from the 2017 and 2022 Employment Status Survey, this study clarifies monopsony power by estimating separation elasticities through a stratified Cox proportional hazards model, and then empirically verifies whether monopsony power actually depresses wages. The results reveal that smaller firms have lower separation elasticities than larger firms, and thus greater monopsony power. Additionally, monopsony power intensified across all firm sizes in 2022 compared to 2017. The analysis also confirms that higher monopsony power significantly reduces wages. If this greater monopsony power stems from worker attributes or geographical constraints, policies aimed at enhancing skills and expanding employment opportunities that do not require relocation would be effective.

<u>Sustainable Management and Business Succession in Small and Medium-Sized Enterprises: The Case of ROMANLIFE Inc.</u>

Tomohiro Seki (Doshisha University)

This paper focuses on business succession as one strategy for achieving sustainable management in small and medium-sized enterprises (SMEs). Discussions of business succession in SMEs from around the world are reviewed, and key issues such as succession planning, the business succession process, and the process of fostering motivation for succession are identified. These issues are used as a framework for examination and analysis by comparing them with a case study of business succession at ROMANLIFE

Inc. (Kyoto, Japan). Drawing on this case, aspects of succession planning that have been overly abstract in previous research are translated into concrete details such as specific ages, job titles, and even the names of executive candidates. The events of the business succession process at ROMANLIFE can be traced chronologically from the declaration of business succession in 2013 to the change of company president in 2023, and the abolition of job titles following the succession, which makes it possible to develop a chronological understanding of the process. Regarding the process of fostering motivation for business succession, the ROMANLIFE case reveals that in addition to planned tools such as ROMANLIFE's "10-Year Succession Calendar," the successor's motivation was complemented by emotional and interactive processes between the predecessor and the successor. This study also addresses points not covered in previous research by highlighting ROMANLIFE's unique management philosophies, such as its emphasis on extended family values and its vision of being a "company where you can experience youth," which demonstrates that fostering employee well-being, including psychological safety throughout the organization and the pursuit of employee happiness, is crucial for ensuring a smooth business succession process.

Corporate Governance and Employment Practices in Small and Medium-Sized Enterprises: A Comparative Analysis of Family and Non-Family Firms

Tsukasa Matsuura (Chuo University)

This paper analyzes industrial relations and employment practices in small and medium-sized enterprises (SMEs), focusing on corporate governance, and particularly family firms. Specifically, four hypotheses are developed and empirically tested. First, that family firms differ from non-family firms in the formation of labor unions and employee representative groups that voice employee opinions. Second, that family and non-family firms differ in managers' perceptions of labor–management communication and the workplace environment, as well as in the extent to which managerial information is shared with employees. Third, that even among SMEs, family and non-family firms face different challenges in labor management. Fourth, that family and non-family firms differ in the parties they consult regarding labor–management relations and labor-related issues. The results reveal the following findings. First, labor unions and employee representative groups are less likely to be established in family firms. Second, family firms tend to share managerial information with employees to a lesser extent; however, no statistically significant differences are observed between family and non-family firms in terms of perceptions of labor–management communication or the workplace environment. Third, although family firms are less likely to perceive workforce aging as a major challenge, they are more likely to face difficulties related to employee retention and wage levels. Fourth, managers of family firms tend to consult employers' associations, private consultants, and professional advisors, such as social insurance and labor consultants and tax accountants, regarding labor–management relations and working conditions.

Human Resource Management Systems in Small and Medium-Sized Enterprises and Employee Wellbeing in Inclusive Workplaces: The Changing Nature of Women's Career Advancement

Haruka Nukada (Japan Women's University)

Small and medium-sized enterprises (SMEs) have often been viewed as having less-formalized human resource management (HRM) systems than large firms. However, previous studies suggest that the lack of formal HRM systems does not necessarily produce negative outcomes and may even facilitate women's career advancement. This study examines how HRM systems contribute to employee wellbeing in inclusive workplaces by distinguishing between medium-sized and small enterprises and focusing on recent changes in women's career advancement. The study is based on a review of the literature and a reanalysis of the author's previous empirical research on women's career advancement in SMEs. The findings indicate that smaller firms often respond flexibly to employees' individual needs even without formal HRM systems. Nevertheless, formal HRM systems improve women's employment continuity, even in small firms. At the same time, when women remain passive recipients of organizational policies, further progress in women's career advancement becomes difficult. This study argues that HRM systems should be understood not only as incentive structures that regulate employee behavior but also as participatory processes through which employees create shared meanings and relationships by engaging in the design and operation of HRM practices. From this perspective, the paper proposes a new paradigm for understanding HRM systems in SMEs and their role in fostering inclusive workplaces that enhance employee wellbeing.

Japanese Small and Medium-Sized Enterprises Are Not Exceptional in International Comparison

Yutaka Harada (NUCB Business School)

Although small and medium-sized enterprises (SMEs) account for more than 99% of all Japanese firms and employ roughly half of the nation's workforce, their labor productivity remains only about 60% that of large enterprises. As a result, the low productivity, weak profitability, and relatively low wages associated with SMEs are often portrayed as structural problems, prompting widespread calls for their protection and development. However, in every country, SMEs are numerically dominant and typically exhibit lower wages and lower productivity per worker. In fact, the wage gap between Japanese SMEs and large enterprises is not particularly large by international standards. Fundamentally, the mere fact that many people work for SMEs does not, in itself, justify the need to protect them or artificially raise their productivity. If workers were to move from SMEs to large enterprises, overall societal productivity and wages would naturally rise. If such mobility does not occur, the real task is to identify the barriers preventing workers from moving into higher-productivity, higher-wage firms. The core issue, therefore, is the high share of Japan's workforce employed in low-productivity sectors. If more workers were employed by high-productivity firms, aggregate productivity would increase. In this sense, the so-called "SME problem" can be understood either as the challenge of raising productivity within low-productivity SMEs or as the challenge of enabling more workers to transition into more productive companies.

The Paradox of Labor Unions in Small and Medium-Sized Enterprises: Essential but Invisible

Akie Nakamura (JTUC Research Institute for Advancement of Living Standards)

Since approximately 70% of workers in Japan are employed by small and medium-sized enterprises (SMEs), improving the working conditions and the quality of life of SME workers is a vital task. However, compared to large enterprises, SMEs tend to provide less favorable working conditions and environments, and are less likely to fully comply with regulations. This study focuses on labor unions as key actors in improving working conditions in SMEs, and examines three aspects of SMEs: first, workers' union membership, second, the influence of labor unions, and third, workers' perceptions of the need for labor unions, based on data from the "Survey on Work and Life of Workers" by Rengo-RIALS and interviews with organizers of industrial unions. The analysis reveals a paradoxical situation: despite labor unions having a greater influence in SMEs than in large enterprises, SMEs exhibit not only lower union membership rates but also a lower proportion of workers who perceive labor unions as necessary. Furthermore, the findings indicate that, apart from directly improving working conditions such as raising wages, labor unions exert an indirect influence by promoting laws and policies such as work style reform in the workplace. At the same time, as government-led and management-led initiatives have expanded, workers' perceptions of the necessity of labor unions have become less clear. Matters that were previously determined through individual labor–management negotiations are increasingly being regulated by laws and policies. Therefore, these findings provide a new perspective on the synergy between laws and policies and labor unions at the workplace level, as well as the resulting "invisibility" of labor unions. They also suggest the need for corresponding policy responses.