

Article

What Is “Job-based Employment” (*Job-gata koyō*)?

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“Japan is updating the current seniority and ability-based pay on the membership-based employment system into a new job-based employment system.” In September 2022, Prime Minister Fumio Kishida announced at the New York Stock Exchange. Also, in his policy speech to the 210th session of the Diet in October of the same year, he stated that the government would compile guidelines for “transitioning from ability-based pay within a seniority system to job-based pay that is appropriate for Japan.”

The term “job-based employment” (*job-gata koyō*) was first used in the beginning of the year 2020 by Keidanren (Japan Business Federation) in the *2020 Report of the Special Committee on Management and Labor Policy*, and has become a buzzword in the media and on the internet. This term seems to be used in the context of meaning that Japan’s membership-based employment system, which is outdated, rigid, and less productive, should be replaced with a new job-based employment system, which is more flexible and productive. However, “job-based employment” and “membership-based employment” are terms that I invented with the objective of comparing Japan’s employment system with that of Europe and the United States. From the viewpoint of the person who coined these terms, I should say that arguments on “job-based employment” currently going viral are full of misunderstandings of this term.

The first point that I expect you to understand is that job-based employment is not a new but rather an old employment system. The job-based employment system has at least more than 100 years of history. A modern industrial society was born in the United

Kingdom in the 19th century and then gradually spread in European countries, the United States, Japan, and Asian countries. The job-based employment system is the basic structure of the corporate organization in modern society. In this system, a job comes first, and then a person suited to the job is assigned to it.

On the other hand, the membership-based employment is a new employment system established in Japan during the post-war rapid economic growth period. In this system, a person (employee) comes first, and a job is assigned to the person. Basically, employees are expected to do whatever their company orders them to do, without limitation to their work, working hours, or place of work. Such flexibility of the membership-based employment system produces higher efficiency than the rigid job-based employment system. At the same time, however, the membership-based system has had negative effects, as it involves long working hours and *tenkin* (workplace relocation by the order of the company), becoming an obstacle to the use of female workers and non-regular workers. Today, the harmful effects are becoming more noticeable.

From this perspective, I have advocated the introduction of job-based regular employees. However, arguments on the job-based employment system prevailing in recent years seem to be based on the opposite interpretation of this system. What is most problematic among them is the argument that the job-based employment system is a performance-based evaluation system, which is repeatedly covered by the media. So many people believe that, but this is nearly the opposite of the truth.

Job-based employment system

Basic structure of the corporate organization in modern society

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Membership-based employment system

New employment system established in Japan during the post-war rapid economic growth period

A person (employee) comes first, and a job is assigned to the person.

Naturally, in both under the job-based employment and membership-based employment systems, employees with jobs in higher positions are more likely to be evaluated for their job performance, whereas those with jobs in middle and lower positions are less likely to be evaluated. This is common to both systems, but the degree or range for evaluation differs. Completely contrary to “common sense” accepted by many people, under the job-based employment system, employees’ job performance is not subject to evaluation except for those in managerial positions or those with specialized jobs, whereas, under the membership-based employment system, all employees, including entry-level employees, are subject to evaluation. This is the biggest difference between these systems.

Let us go back to the basics and consider what the job-based employment system is. With this system, there is a job first, and then a person who is expected to be able to perform the job is assigned to the job. Metaphorically speaking, a price tag (wage) is already put on the chair before a person is seated there. This can be described as the fixed price system for jobs. A person who has the skills that are required for the job and commensurate to the fixed price is assigned to the job, rather than evaluating the job performance in detail and changing the price after assigning a person to the job. This is the fundamental principle of the job-based employment system. In the first place, the performance-based evaluation system does not fit an ordinary job. As an exception, jobs in

higher positions close to the management cannot be completely evaluated by the dichotomy (i.e., whether or not the person has done the job “good” or “not so good”); but the job performance of them is evaluated in more detail. This appraisal is probably what many in the media and critics perceive as the performance-based evaluation system. However, such a fluctuating price framework represents only the higher echelons of the job-based employment system.

On the other hand, under the membership-based employment system, companies’ strong authority over personnel affairs allows them to assign employees to many different jobs. Thus, the price (wage) would not vary depending on the job. Instead, a uniform price is offered to all new recruits, and then, from the stage of entry-level employees, detailed performance review is conducted to set different prices for them. Nevertheless, employees are not evaluated based on their job skills upon recruitment and after joining the company.

Although often misunderstood, the term “ability” (*nōryoku*), which serves as an evaluation criterion in Japanese companies, does not mean specific job skills, but rather means a person’s potential ability or social skills. Another evaluation criterion frequently used is “aspiration” (*iyoku*). Employees who work hard until late at night are more likely to be valued as having high aspirations than those who voluntarily study to improve their specific job skills. Meanwhile, at the typical workplace in Japan where employees carry out their work by forming a group, it is difficult

to distinguish individual employees' performance, which makes it difficult to evaluate them based on the performance. On the other hand, in the Japanese workplace where work is carried out in groups, distinguishing the performance of each individual is challenging, which makes it difficult to evaluate them on the basis of "results."

As explained above, for ordinary workers who form the majority, the membership-based employment system is overwhelmingly more likely to value workers themselves as being than the job-based employment system. However, it places too much emphasis on their "abilities" and "aspirations," and evaluation based on performance is rare. The problem is that this approach to evaluating middle and lower-level workers is automatically applied to workers in managerial positions who are close to the management as well. As a result, a criticism arises that while workers in managerial or specialized position in the job-based society are subject to strict performance evaluation unlike ordinary workers who are secured as long as they do their assigned work, managers in the Japanese employment system settle in the cosseted situation. That is exactly true. However, such managers are only a handful at the higher echelons of the job-based society. A typical worker in the job-based society is completely different from them.

The major principle of the job-based employment system is that a job comes first. There is a job, with its specific content being clearly indicated in advance, and an almost fixed price (wage) is set for the job. A company recruits personnel to be assigned to the job, people who have the skills to perform the job apply for the job, the operational manager decides to hire a person for the job through an interview and checks whether the hired person can actually perform the job, and the predetermined wage (job wage) is paid to the person. This is a job-based employment system in the vast majority of cases.

I would like to say that such job-based employment system, which is sober and not glamorous, is what is now needed in Japan. The membership-based employment system, in which workers are ordered to do anything at anytime, anywhere, may have been highly efficient in society as a whole at the time when tough, young males who could stand such work accounted for the majority of workers. It cannot use a diverse labor force such as females and older people, resulting in undermining social vitality. If companies earnestly intend to introduce the job-based employment system, they should first prepare to give up their strong authority over personnel affairs that they have taken for granted. How many Japanese companies are ready to do so?

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