

Employee Perspectives on Inter-company Transfers within the Restructuring of Japanese Corporations

**Chapter from book project:
Japanese Workplaces in Transition**

**by
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Foreword and Note of Acknowledgement:

The following paper has been written as part of a larger book project that I am currently working on under the preliminary title *Japanese Workplaces in Transition*. The book looks at changes in Japanese Workplaces from the perspective of Japanese employees. In doing so the book takes a somewhat unusual approach by employing entries from diaries kept by Japanese people on the Internet to illustrate the change that is currently occurring within Japanese workplaces. Japanese diary writers have discovered the Internet early as a venue to write and publish their diaries and in their diaries reflect extensively on what happens in their workplaces. Besides the issue of inter-company transfers that are introduced in the following, the book will look at a variety of other issues such as voluntary early retirement exercises, the introduction of performance-oriented principles of remuneration and advancement, changing jobs, and finally working in contingent types of employment. While not being able to cover every aspect of change in Japanese workplaces, with this project I still hope to give some interesting and stimulating insights into the perceptions and thoughts of Japanese employees during a period of significant change.

Of course, diaries are a highly subjective source, so the images and perceptions conveyed by diary writers need to be further substantiated, supplemented or qualified through a variety of other sources and here especially survey data. Among the various organizations that regularly survey Japanese corporations and employees the Japanese Institute of Labor Policy and Training can be regarded as the premier institution. As such I regard it as a great honor that I was invited to the Japanese Institute of Labor Policy and Training as a Visiting Researcher in December 2004. My time at the institute was a great experience and proved invaluable in regard to the collection of data for my current research project. Even more valuable was the contact with the dedicated team of researchers and I would like to thank especially Mrs. Junko Hirasawa for her extensive help and advice during my stay at JIL.

Introduction

Bright and clear weather

The other day, Nissan that has joined into collaboration with Renault announced a large-scale restructuring exercise. I think that according to this policy 20 to 30,000 employees will be restructured, out of a total of 140,000 employees, including those at affiliated companies. It seems that this is still not viewed very positively overseas (even more employees should have become the target of rationalization), but within Japan this plan is already considered as quite harsh. Inside our company we talk about Nissan being in a serious situation as if we were not involved, but somehow it appears that our company's situation has also worsened. In the future, areas of business that were once cultivated as pillars of business that would compare favorably with our main business will fail entirely and pressures are mounting to scale down operations. In addition, research facilities that have been supporting new fields of business will become useless and there seem to be plans for reorganization.

The department where I am working is no exception; it looks as if over the year end a big purge will be carried out; a plan for large scale reshuffling and transfers to other companies. According to rumors, revitalization will be to the extent of dispatching employees for support to assembly plants of car companies (Being inserted into the assembly-line system, the manufacturing of car parts is very very tough, plain work beyond imagination).¹

The above diary entry under the somewhat paradoxical headline “bright and clear weather” (the writer reports daily on the weather), takes up the ongoing restructuring activities of Japanese corporations from the perspective of an employee. In a period of prolonged stagnation most large Japanese corporations were faced with the need to reduce capacities and personnel and the writer here seems to understand this situation very well. He does not fear for his own job, but he is still concerned that he might have to face a radical change in his working environment by being transferred to another company.

A survey of 1,038 male panelists conducted over two days in November 2001 by Internet survey company Macromill (2003) shows the depth of measures carried out by Japanese corporations from employees' perspectives (Table 1). Most employees either report that so-called restructuring was carried out in their companies, is currently conducted or will be conducted in the future. Only a minority stated that their company has not acted in this direction and will not do so in the future.

¹ 5 October 1998, <http://www.geocities.com/Tokyo/7039/diary9910.htm>

Table 1: Restructuring measures as reported by employees in %

	Total n	Restruct. in past, but currently not	Currently restruct.	Has not, probab. will in future	Has not, will not	Do not know
Total	1038	12.1	31.8	29.9	18.7	7.3
By industry						
Construction	62	14.5	40.	27.4	14.5	3.2
Manufacturing	299	16.7	42.8	27.1	9.0	4.3
Utilities	23	8.7	47.8	30.4	13.0	0.0
Transport	79	1.3	49.4	29.1	16.5	3.8
Retail/Wholesale/Restaurants	101	12.9	28.7	25.7	19.8	12.9
Finance/Insurance	61	9.8	34.4	37.7	11.5	6.6
Real Estate	14	7.1	21.4	28.6	21.4	21.4
Services	274	11.3	18.6	31.8	30.3	8.0
Others	113	8.8	19.5	33.6	23.9	12.4
By number of employees						
Up to 100	321	9.3	15.9	30.8	19.3	14.0
Up to 1000	311	12.5	29.3	33.8	18.6	5.8
Above 1000	399	14.0	46.6	26.3	10.0	3.0

Source: Adapted from Macromill 2003

Concerning the measures carried out most employees mentioned voluntary early retirement exercises (50.2 %) followed by large cuts in salaries and bonuses (31.8 %), internal redeployment (28.3 %), temporary transfers between companies (25.5 %), permanent transfers between companies (21.9 %), forced retirements (19.5 %), dismissals (12.7 %) and finally demotions (10.3 %). The size of companies was a determining factor in regard to the methods adopted by companies. Employees of small companies with less than 100 employees reported of dismissals (30.9 %) and cuts in salary and bonuses (44.4 %) while employees of larger companies with more than 1,000 employees reported of early retirement programs (62.4 %) and transfers between companies (35.1 %) (Macromill 2003). The following paper looks deeper into one of these measures, temporary and permanent inter-company transfers.

The possibility to transfer employees between companies has been described as one of the most interesting features of the Japanese employment system (Dirks 1999). Being able to transfer employees, companies can circumvent some of the rigidities of a system where the relationship between employers and employees is based on the assumption of long-term or even life-long employment. In exchange for employment security employees are expected to readily comply with demands for transfers between different

functions of the company, between different locations in and outside of Japan and finally even to other companies. This can be affiliates or subsidiaries of the company they are employed at but it can also be companies in any other relationship such as suppliers, customers or financial institutions. As such life-long employment is interpreted in a larger loose sense and it might be exactly this flexibility in interpretation that has made this feature of the Japanese employment system keep its importance for so long.

Looking at transfers between companies two types of transfers have to be distinguished. The first type called *shukkō* sees companies delegate employees to another company with the original employment contract remaining intact, thereby providing the employee with a certain security in regard to working conditions, income and job stability. The second type of transfer *tenseki* sees the original employment contract become invalid and employees becoming permanent employees of the company they are transferred to. As will be seen from the diary entries, transfers often happen in sequence. Employees are first delegated to another company under a *shukkō* agreement, before their status is later changed to *tenseki*, employees eventually being formally registered with their new employer.

Transferred to Another Company: Perceptions by Diary Writers

Transfers being significant events people take them up in their online diaries and raise a number of issues. These issues include the way a transfer is decided on and conducted, differences in working conditions between former and new workplaces, perceptions about people who have been transferred and consequences on workplaces after people were transferred. In the following, these points will be introduced by looking at diary entries first. Later perceptions from the diary entries will be contrasted with results from efforts to empirically survey the phenomena of inter-company transfers as well as the academic assessment of the role of transfers within the Japanese employment system.

The existence of employees whose primary employment contract is not with the company where their actual workplace is situated, create questions about the sincerity of such employees in concern to the well-being of the company. In the first diary excerpt a writer complains about a person who he feels does not show sufficient engagement for

the company, a fact the writer links to the employee as having arrived in his current position as a privileged delegated employee.

Today it's a complaint about a superior which I have been thinking about writing for some time. Due to him, I became infected with the wish to quit soon after joining the company. Well it may be that one rarely comes across a good superior, but still. This problematic man will soon be 60. He worked in some company's sales division. His position is head. Now he is working here while being loaned out from another company. After his retirement, this is the second workplace prepared for this lucky guy. In spite of being in such a lucky position, what is it that he has no spirit at all? Being the head of the sales office you would think that he is out all the time, however he does not move at all and always sticks to the office... As things are, there are many who want to work but cannot work...even if they try their best, there are people who get pay cuts or are restructured...Especially in my case, I have experienced my company going bankrupt and becoming jobless! People who have no intention to work should retire properly! (sorry...I was too emotional)²

Another writer who is himself an employee on delegation from his original company describes himself as being secure in a situation where many of his colleagues might lose their jobs.

As I am an employee that has been loaned out by the parent company to the present company, the company's dissolution has no direct consequences for me. In order to settle the company's debts, once the company is dissolved, the regular employees will be dismissed. Hiring interviews for the new company will begin immediately. In regard to the commotion there will be a surprise. Not everyone will get a job.³

Obviously the employee above does not have to have the same anxieties about the security of his job as his colleagues who are fully dependent on the company and who are fully exposed to the consequences of the restructuring program that sees the company being dissolved and not everyone being reemployed at the new company. The fact that people are reemployed also points to the complexity of movements that people have to accept within the restructuring of Japanese corporations. This is also pointed out by the next diary writer. Here people seem to be called back to what is described as the former parent company after having worked at a company that has been supposedly spun off earlier. While temporary transfers normally do not mean a worsening of employment conditions that seems to be the case here.

² 21 February 2004, male 39 years, http://www.h3.dion.ne.jp/~blue_is/link41.htm

³ 23 August 2004, shukko 32, male 42 years, <http://www10.cds.ne.jp/~fryhsuzk/bywriter.html>

Extremely sad cries by middle-aged men... Frightening restructuring is carried out: Today there seems to be restructuring at the company where I am working. People who are to be restructured are not allowed to go out today.... It is just that restructuring does not mean being axed but being called back to the former parent company. However, the employment conditions seem to worsen drastically. This is how things have become. Pitiful...In the end, 30 regular employees fall to restructuring by being send on so-called temporary transfer to the former parent. Most of them are in their forties. Yet, everyone I normally talk to or get along well with has been restructured. 2 of them are even in their thirties... So said, the cut in people was overdone. In my section, everyone above section chief is gone, how will work be distributed? What will become of things like settling the accounts? Somehow, even being left behind may become hell.⁴

The above writer points to the relatively wide age range of employees send back to the parent company as well as their relatively senior positions. The fact that the company felt confident to engage in this move can be interpreted in several ways. Either the company finally gathered the courage or independence to let people go that the former parent company delegated to relieve its own pay roll. Or, the new company has not much of a future. Anyway it shows the long lasting and complex responsibilities that Japanese companies have for their employees. Whatever reason, the diary writer who remains in the company is left in a situation of anxiety.

Many diary entries highlight the fact that downsizing measures mostly target older employees, such as the following report of a diary writer on her husband's class reunion.

...Yesterday night was the first class reunion in five years. So far at class reunions usually about 30 people have come together. But, yesterday night it was only 15 people, including the teachers who had taught the class...Again and again, those who attended last night talked about gloomy topics such as salary men being loaned out to subsidiaries, self-employed people whose business is in a slump, etc. etc. My husband's generation has been described as "company men" or "men who exist to work", but most of the people are working like mad entirely because of the intense competition. There are some people who have attained positions of some sort doing so. However, they are also the generation who are most likely to be subjected to restructuring. There were many people who were directly affected by the recent prolonged recession. In last night's conversation, the thought was mentioned in a resigned fashion that "Tonight we who are able to attend may be the ones who are still ok."⁵

⁴ 26 December 2002, male, <http://diary.note.ne.jp/28192/>

⁵ 14 April 2002, female in 50s, http://carsalonmori.cool.ne.jp/ranran/nikki_22.htm

As explained, there are two types of transfers between companies, permanent and impermanent ones, with the two often happening in sequence. The change from one type to the other usually goes along with a change in conditions, with salaries being adjusted to the level of the company that employees are delegated to; in the case of the writer below a wage cut of between 20 to 30 %.

The company's "Reform and Renewal Plan" has become quite clear with the publication of the branch committee's report. The status of employees who are currently on temporary transfer will be changed to permanent transfer after paying them a retirement allowance. Of course there will be a salary cut of 20 to 30%. This will be carried out in March next year. The restructuring will bring along much pain. After this, I don't know what will happen to my own workplace.⁶

However, employees have to agree to a change in status and it seems that this is not always achieved without pressures. The following writer describes the case of a friend who refused such a chance of status and afterwards found himself stripped of most of his responsibilities, separated into a different corporate unit and told to find new work by himself.

Is the company bad? Or the people? - This afternoon, there was a phone call from a friend who has been loaned out to an associated company and he asked me to tell him about the recent changes concerning the retirement system. In his company, all employees on temporary transfer above 50 years of age have been pressed to accept permanent transfers. Including him, there are very few who have firmly refused, all the others have chosen to retire or to accept the change in status....

Both of us were of the same rank but lately his subordinates have been entrusted to another manager and it seems that he was transferred to a provisional organizational unit together with others who have refused the change in status... I asked him about the actual conditions of his company and was surprised. It seems that lately every other day he has been told in private interviews to find work for himself by himself, or to retire if he can't find it. It seems that management gathered up employees who were to be cut and said grandly: "As we can't find a new workplace for all of you, please look for work by yourself." Since it is a temporary unit and there is no intention to think seriously about a shared future, I felt, isn't this similar to the relationship between a warden and a prisoner.⁷

In an earlier entry the same author talks about his problems in having to force an employee to retire from the company. The possibility of transfers provides superiors

⁶ 25 Monday 2002, male in late 30s, <http://www.d6.dion.ne.jp/~endoums0/diary5-4.htm>

⁷ 4 October 2002, male in 50s, <http://www5e.biglobe.ne.jp/~e-plane/murmur20020524.htm>

with a way to ease the effects of restructuring on their subordinates, but at the same time creates a responsibility for superiors to find suitable positions.

I was reluctant but I made employees retire. According to the company's instruction that only high-performing employees are needed, etc. I took part in a cost reduction program that forcibly drove out elderly people (equals high salary) and so one of my staff members had to retire. There was no reason that would justify firing him who is 55; until now he has completed his work, it was just that it was necessary to reduce employees by one so he was made redundant from July onwards. Had this happened in the past, there would somewhere have been a position for the five years he had left until retirement, but nowadays redundant employees just become targets for elimination.

For nearly two months, of course he himself and also me, both of us searched around for another workplace, but subsidiaries are also reducing the number of older employees and one can only move if one has a great amount of personal connections, so he was finally driven into accepting retirement. Unexpectedly, this Tuesday we found a subsidiary to which it seemed he could transfer on a permanent basis. This was soon negotiated and yesterday (Wed) he had an interview with the president of that company; a permanent transfer was promptly decided, in other words, it was decided that he will retire from the parent company and be re-employed at the subsidiary. Today the retirement paperwork was concluded and tomorrow is his farewell party.

At first glance, this seems to be a happy ending, but why it is not possible for him to be loaned out, in other words, to keep his status as a parent company employee and continue working at the subsidiary without retiring? Since I am powerless, even though I am angry at the company's pitiless system, there is nothing that can be done.⁸

The next excerpt shows the desperation of an employee who after being delegated to another company faces problems in the tasks to be performed by him.

From today I will be loaned out and thrown into another company.... Not only that, my commuting time has increased by 30 minutes and it seems that I need to put together software I don't really understand, and VC++ [visual C] is (extremely) difficult, what to do? (T_T) I thought that I would understand it, if I looked at it a little but I don't understand it at all... What should I do? I have cried already. Perhaps I should make my junior do it and escape (explode). On top of this I have to do the software support for our company, isn't that inconsiderate? I don't know.⁹

The final excerpt shows the complexities involved in employees being affiliated with two different organizations. The author of the diary entry has been promoted but is doubtful about the reasons. Is he promoted based on his performance or on seniority?

⁸ 27 June 2002, male in 50s, <http://www5e.biglobe.ne.jp/~e-plane/murmur20020524.htm>

⁹ 20 April 2000, <http://village.infoweb.ne.jp/~truelove/diary/n0004.html>

Who has evaluated him? The implementation of result-oriented remuneration and advancement systems seems to add an additional degree of complexity to the already complicated issue of personnel transfers between companies.

Granted a promotion for the first time in my life. From ordinary employee to assistant manager. Normally, one should be happy. But, I'm a loaned out employee and my salary comes from the place where I was loaned to, and I am already getting a higher salary than at my original workplace (though this is strange too). So the senior staff's allowance 1500 yen (cheap!!) is not reflected in the present salary. It really is just an appointment on paper. Moreover, who is judging me, a loaned employee? The advancement of a loaned out employee is slower than that of one who is not loaned out. Also, under the same appointment order, I will be promoted to assistant manager together with someone who is a junior by one year and also a subsection chief. What is this, am I considered leftovers?(laughs) Therefore, although they have said that...performance-oriented measures have been introduced, in the end it is still the seniority system. When promoting my junior, I feel that they thought "Ah, we forgot about Endo." I'm not very happy. That's why.¹⁰

Putting Inter-Company Transfers into Perspective

The perceptions of employees in regard to transfers need some further categorization and qualification. Obviously transfers happen in different situations and for different purposes. Suzuki (1996) categorizes the following four types of transfers.

- Transfers because of shortages of personnel with necessary skills: personnel are delegated that possess skills that receiving companies need, often these are smaller companies than the delegating firm or businesses that are undergoing reorganization.
- Training type: personnel are delegated to gain experiences they cannot gain in their original workplaces
- Exchange type: personnel are delegated to mix with personnel from other companies.
- Personnel reduction: personnel are delegated because companies have no adequate positions for them, especially middle-aged managers that find the corporate hierarchy too narrow to advance.

Suzuki (1996) states that two types of transfers have gained special importance during the 1990s. The first is downsizing related transfers. In the past mainly older employees

¹⁰ 18 November 2002, male, <http://www2.diary.ne.jp/user/112009/>

would be transferred in such a situation but the 1990s have also seen many younger employees included. These transfers are often just a stepping stone towards permanent transfers and companies often make use of the significantly different working conditions between larger and smaller companies, smaller companies paying lower wages and offering less benefits compared to the larger delegating company. Suzuki labels this form of transfers as “harsh transfers”. The other form of transfer that Suzuki sees having gained popularity is the delegation of young employees with potential into affiliated companies at an early stage in their careers to gain leadership experience. This sort of experience is difficult to gain within the rigid organizational structure of larger companies where employees have first to gain seniority, before it is their turn to take over responsibility.

The importance of inter-company transfers of employees in the restructuring of Japanese corporations has caught the attention of researchers and public policy makers and this has led to the collection of empirical data through large scale company and employee surveys. A survey carried out by the Japanese Ministry of Health, Labor and Welfare (companies with more than 30 employees, response rate 90.1 %, 5,326 companies) found that 37.2 % of companies had transferred employees during the year 2001. However, the use of this practice increased with company size. Only 27.1 % of smaller companies with less than 99 employees have transferred workers in contrast to a much higher figure of 92.5 % for companies with more than 1,000 employees (Kôsei Rôdô Daijin Kanbô Tôkei Jôhôbu 2001). Higher numbers of employees obviously lead to more opportunities and necessities to transfer workers. Transfers are also often initiated by the sending side and here larger companies have more possibilities to find places for their employees since they usually have a larger network of affiliated companies, and also more leverage over customers or suppliers or other affiliated smaller companies. In addition, larger companies as well as their employees are more dedicated to the principles and responsibilities of life-long employment with smaller companies employing high numbers of non-regular employees in the first place.

The most detailed study on the practice of inter-company job transfers was carried out by the Japanese Institute of Labor (now Japanese Institute of Labor Policy and Training) in 1998 (JIL 1999) by surveying sending and receiving companies as well as employees who had undergone transfers. The study was biased in the sense that it

purposely surveyed companies that were part of larger company groupings. Still its results can be used to further substantiate the importance of transfers as well as their objectives and results.

The study again sees the number of employees delegated increasing with company size. The 18 very large companies that employ more than 20,000 employees each and participated in the survey had at the time of the survey an impressive average of 5,324.7 people on temporary transfers (*shukkō*) to an average of 435.8 companies. IN addition, during the year 1997 those companies had seen 296.3 employees accepting a permanent transfer (*tenseki*) to another company (Table 2).

Table 2: Number of receiving companies and number of employees delegated by size of transferring company

Company size sending company	Receiving companies		People on temporary transfer		People permanently transferred in 1997	
	Sample size sending companies	average no. of receiving companies	sample size sending companies	average no. of employees involved	sample size sending companies	average no. of employees involved
Total	184	92.6	176	1006.5	174	49.6
Below 999	33	10.7	32	39.4	32	3.9
1000 to 4999	88	39.1	82	250.4	82	11.6
5000 to 9999	28	100.1	28	753.8	28	14.1
10000 to 19999	17	152.5	16	2,399.6	16	150.0
20000 and above	18	435.8	18	5,324.7	16	296.3

Note: Survey of 1000 large companies with many subsidiaries, listed on first section of Tokyo Stock Exchange, response rate 18.8 %.

Source: JIL 1999:7

The study found that for the majority of companies the importance of transferring employees had increased over the previous 10 years with 61.2 % of companies seeing an increase, 30.3 % no change and only 8.4 % a decrease in the number of employees transferred (JIL 1999: 8). All together transferred employees account for 10.1 % of the total workforce of companies participating in the survey with the figure increasing from 5.1 % for companies with less than 1,000 employees to 16.5 % for companies with 20,000 employees and more, in these large companies every 7th employee being on transfer.

As already pointed out, the older an employee gets the higher his chances of being sent to another company. On average 22.3 % of employees above 55 years of age were on transfer arrangements, the figure reaching an astonishing 40.5 % for companies with 10,000 to 19,999 employees and 32.4 % for companies with more than 20,000 employees (JIL 1999: 9).

Companies not only delegate but also receive employees and looking at receiving companies the survey found that companies on average received employees from 1.5 other companies with the number again increasing by size of the companies. With an average of 37.9 employees on temporary transfer and 14.2 employees on permanent transfer the number of employees received was substantial, again the number increasing with the size of the company (Table 3).

Table 3: Employees received by type and size of receiving companies

Company size receiving company	People temporarily received		People permanently received	
	N receiving companies	average no. of employees involved	N receiving companies	average no. of employees involved
Total	960	37.9	756	14.2
Below 99	29	15.5	21	3.5
100 to 299	562	20.4	429	8.2
300 to 999	310	46.7	252	15.9
Above 1000	59	169.9	54	57.5

Note: Survey of 5000 companies affiliated with large companies, response rate 24.7 %.

Source: JIL 1999: 10

A major issue in the discussion of transfers is whether transfers are initiated by the receiving or the sending side. This fact not only affects the perceptions of transferred employees themselves but also those of employees of receiving companies. Here the survey found again age to be the determining factor. While for younger employees it were normally the needs of the receiving company that initiated transfers, for older employees above 50 it were often demands from the sending company that lead to transfers. Overall a substantial number of transfers seem to be based on demands from the sending company (Table 4).

Table 4: Who initiates transfer of employees? (answers in %)

Type/Age	Many transfers based on needs of receiving company	Many transfers based on demands from sending company	Does not apply
Temporary			
Below 39	52.7	21.0	26.3
40 to 49	56.3	28.0	15.3
50 to 54	44.5	42.6	12.9
Above 55	35.6	48.0	16.2
Permanent	32.1	41.1	26.8

Source: JIL 1999: 15

Taking in employees is not unproblematic for most receiving companies. While 25.6 % of companies responded that transfers caused no problems, others complained about increasing labor costs (50 %), not getting the right people (33.2 %), or new employment and advancement opportunities being taken up (33.1 %). Less frequently mentioned complaints included companies having no more capacities to take in more people (20 %), the evaluation of employees becoming difficult (15.5 %) and a loss of individuality in management (15.5 %) (JIL 1999). As the diary entries show employees seem to be well aware of these issues and this knowledge does lead to anxieties, employees feeling that they might not be welcome in their new workplaces.

The survey also found that the average length of transfers was 3.87 years (standard deviation 2.04 years) with the average length of most extreme cases lasting for 13.43 years (standard deviation 8.45 years). Still, transfers often do not require the consent of the employee him/herself, though employers might still seek it. For employees from the management ranks 61.3 % of companies responded that the consent of the employee was not necessary, for normal employees this number dropped to 47.3 %. Employees of very large companies with more than 20,000 employees have to show a higher level of flexibility, with 78.9 % of these companies regarding the consent of managerial employees as not being a condition for transfer, for regular employees this figure stood at 68.4 %. Permanent transfers seem by definition to require the consent of the employee since at this time the contract with the employee is terminated. Still 10.3 % of companies claimed that consent was not necessary for normal employees (for managerial employees 16.3 %) and especially smaller companies with less than

1,000 employees claimed more liberties in this regard (37.9 % for managerial, 25.9 % for non-managerial staff) (JIL 1999: 26).

The study by the Japanese Institute of Labor also looked at perceptions of employees in regard to transfers, though results seem to be biased in the sense that the sample was put together from a database of the Japan Association of Development for the Aged, a government affiliated organization set up with the purpose to create employment opportunities for elderly employees. As such it is not surprising that the majority of respondents (58 % of 1.832 respondents) were already 61 years old and older. Still the survey provides some interesting results. Asked about problems encountered in their new companies after a transfer, 38.4 % responded that nothing special came to their mind. 43.4 % responded, however, that the organizational atmosphere and the personal relationships differed from their previous organization. Other problematic points included a lack of cooperation by other employees (31.1 %), differences in formal and informal decision making (19.0 %), a too broad field of responsibilities (17.7 %), operational difference even though knowledge and technologies were the same (14.2 %) and finally, a too narrow scope of responsibilities (8.5 %) (JIL 1999: 144).

Dirks (1999) in a theoretical review assesses inter-company transfers on three levels. On the individual level he sees transfers as an alternative to the even more undesirable measure of lay-offs and therefore overall regards the effect of transfers as a positive motivational factor for the employee. Another positive effect attributed to transfers is the assuredness of income and pension plans. Interestingly, he does argue that while transfers might at first put employees in a difficult new environment, challenges in regard to personal relationships and tasks might still let employees grow and develop eventually. In regard to organizational development Dirks sees transfers as a transaction cost-efficient way of conveying technical and managerial expertise across companies. Companies do not just have to rely on formalized channels of information but become able to communicate informally. For receiving firms he sees lower costs in regards to searching and hiring of personnel. He also points to the possibility for a continuous revitalization of organizations through the flow of personnel. Finally, he argues for positive aspects in regard to structural change on a macro-economic level. Since Japan does not possess properly developed external labor markets transfers

constitute for many smaller firms the only way to lay hands on the qualified people they need to develop further.

However, based on the perceptions and experiences that were outlined in the online diaries and supported by the surveys, it seems to be questionable whether the above positive effects can still be fully achieved. While some employees still stress the rewarding nature of transfers, the diaries show that in the overall debate about restructuring the punitive aspect seems to have gained a stronghold in the perceptions of employees. Faced with the need to reduce capacities, companies in Japan might have used this instrument too frequently and for too many purposes. Some employees have found themselves in a never-ending cycle of being shifted back and forth between companies, for others it was just a step on the road to permanent transfers with radically changed working conditions or finally even to early retirement.

While the above survey results, diary entries and also academic studies, e.g. Dirks (1999) or Kato (2001), have shown the importance of transfers in the restructuring activities of Japanese corporations during the 1990s, Genda (2002) argues that transfers have already lost in importance and will lose further in the future. He bases his assessment on the fact that the close relationships between companies are weakening, with larger companies losing some control over smaller companies. In addition to Genda's argument it can also be argued that companies have moved functions overseas and are increasingly working with international suppliers and customers.

Genda (2002) also sees the increasing level of inequality in the treatment of employees leading to the eventual loss of importance of this instrument. As outlined in the diary entries, in the past companies were expected to guarantee transfers on the favorable temporary transfer status to most of their employees who could develop no further in their original workplaces. However, this is no longer possible and it is difficult for companies to justify differences in treatment of employees. The diary entries support this view showing how giving the status to some, while others have to retire early or transfer permanently to another company leads to envy and perceptions of being treated unfairly.

Preliminary Conclusions – Need for Further Research

Finally, the discussion of inter-company transfers can shortly be discussed within the larger context of employee-employer relationships in Japan. For employees and employers alike the possibility of inter-company transfers was an important building block within the overall principle of life-long employment. Within the current restructuring measures Japanese corporations have initiated a number of changes to their employment practices, but have largely voiced the determination to continue to adhere to the principle of life-long employment. However, long-term employment is the result of behavior and perceptions on the demand and supply side. While employers might want to keep long-term employment, experiences made by employees during the prolonged period of corporate restructuring, and here experiences with inter-company transfers form an important part, might well lead to a change in employees' attitudes and perceptions in regard to their workplaces.

Capelli (1999) in his work in regard to changes in workplaces in the US has argued that changes in attitudes of employees have occurred, but consequences only became apparent after demand for labor picked up again in an improved economic climate. With the Japanese economy still being in a difficult position it seems to be too early to postulate such a change for Japan, though there are some pointers in this direction.

As has been pointed out discussing inter-company transfers this paper only looked at one element of the Japanese employment system. By extending the discussion to other elements the above argument can and needs to be further examined. My current research project attempts to do so by contrasting perceptions of diary writers with survey results in regard to a number of other elements of the Japanese employment system.

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