

# THE JAPANESE EMPLOYMENT SYSTEM : AN ANALYSIS OF CHANGE IN A DYNAMIC SETTING

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*The Japanese Employment System (JES) has been acclaimed as a major contributing factor to the remarkable economic achievements of Japan, especially since the Second World War. Various aspects of the JES, like lifetime employment, seniority wage system and enterprise unionism, are highlighted as major characteristics of this system.*

The purpose of this thesis is to assess some of the generalizations regarding various aspects of the JES, for example, that the practice of lifetime employment is applicable to all Japanese employees, that this practice is on the stage of change, etc.

With an emphasis on the practice of lifetime employment, I have also discussed several other subsystems of the JES, i.e. seniority wage system and enterprise unionism. The role of education and training, a vital sub-system, is assessed to provide a total picture of the JES.



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A primary reason for the often over-generalized views of the JES is the disregard for the dualistic structure of the Japanese economy, with large and small enterprises co-existing side by side. Supportive evidence has been collected mainly from large firms (with over 1000 employees). Small firms play an important role in relation to the large enterprises, often as subcontractors and as a cushion for the larger enterprises in times of business fluctuations.

In this thesis, enterprises of various sizes in three industries, namely electronics, textiles and the retail business, are analysed with an emphasis on the practice of lifetime employment. This would enable some industry-specific generalizations to be made, in addition to assessing some of the generalizations of Japanese labour practices.

#### **THE LIFETIME EMPLOYMENT SYSTEM**

1. This practice is applicable to those who remain in an enterprise from the time of their initial recruitment after graduation until their retirement from that enterprise at the age of 55 or 60 depending on the rules of their respective enterprises.

2. The Japanese labour force is divided into "regular" and "nonregular" workers. This practice is applicable only to the regular workers.

3. Traditional as well as economic factors contributed to the establishment of this practice

4. My estimations of the extent of this practice for all industries is close to 30%, while for the three particular industries, it varies within a range of between 18% - 28%.

5. The accumulation of employees under this practice is increasing.

6. A higher proportion of males than females are encompassed by this practice.

7. The majority of enterprises yet do not maintain large numbers of regular employees.

8. While reflecting rigidity on the one hand, this practice also possesses much flexibility.

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#### **THE SENIORITY WAGE SYSTEM**

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1. Explains the role of service and, hence age, as the determinant of wages. This practice closely relates to the practice of lifetime employment.

2. Wage differences by age and sex of full-time employees in the private sector is marked, especially in the "above 30" age group. The wage curve for males is gradually increasing until the "50 - 54" age group while that for females has upswings and downswings, reflective of the practices of lifetime employment and seniority wage.

3. Although there are several shortfalls, this practice appears to be rational and functional, serving the needs of both employers and employees.

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#### **ENTERPRISE UNIONISM**

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1. The history, rationale, prevalence, functionality and dysfunctionality, features, etc. are discussed.

2. The predominant form of union organization in Japan is the enterprise union, organizing white - and blue-collar workers of the same enterprise into a single union along company rather than trade, or industry criteria.



3. The dysfunctional aspects of enterprise unions are outweighed by the functional aspects: a balancing of needs, expectations and demands of both parties (employers and union members) ensures healthy growth of the enterprise.

4. Although there is an increasing affiliation with, and dependence on, the higher unions (like national centres), enterprise unionism appears to be the most preferred form of union organization for Japanese workers.

## **HUMAN RESOURCE DEVELOPMENT**

1. Human resource development, made up of vocational training and trade skill testing, plays an important supportive role in Japan. The volume of both publicly and privately conducted vocational training is high.

2. Various kinds of training methods are adopted by enterprises, the most popular and frequently adopted being collective training within the enterprise. Trends of employee training methods in six industries (construction, manufacturing, wholesale and retail, finance, insurance and real estate, transport and communication, and services) are assessed.

3. Trends by size of establishment also show that collective training within the enterprise is the most preferred kind of training.

4. The larger the size of the establishment, the higher the percentage of enterprises offering training to their employees.

5. 83.9% of all establishments surveyed conducted training of their employees by five most popular kinds of training.

## **A CASE STUDY OF THREE INDUSTRIES : ELECTRONICS, TEXTILES & THE RETAIL BUSINESS.**

1. In all industries (especially since 1967 for small industries with 10 - 99 employees), lower educated employees record a higher average age.

2. The average duration of service decreases with an increase in educational level for each category of worker (blue-and white-collar : in all industries, the lower the educational level, the longer the average duration of service).

3. The smaller the size of the enterprise, the higher the average age and average duration of service of the employee. Reflects a more stable labour force in smaller enterprise. (Example : blue - collar textile workers.)

4. There are more older male than female workers (as in the electronics industry), reflective of the lifetime employment practice and the transient nature of female labour.

5. Wage differentials by educational level, industry and sex are generally narrow, gradually declining since 1959.

6. Though generally narrow, wage differentials by educational level are more pronounced in the larger enterprises. (Example : male blue-collar workers in the textile industry.)

7. Wage differentials, both starting and ending, between blue and white-collar employees are wide.

8. Changes in management requirements regarding female employees is seen in the preference for higher educated females.

9. Although wages in monetary terms have increased markedly, the real increases have been small.

## **CONCLUSIONS**

1. The lifetime employment practice appears to be a stable feature of Japanese employment practices.

2. Work-related criteria can be expected to gain more significance in the future.

3. Although the unionisation rate is decreasing, enterprise unions will continue to play important roles.

4. The three pillars of the JES, supported by continuous human resource development, remain significant for Japan.