

CRISES AND EMPLOYMENT IN JAPAN:
MAINTAINING STABLE EMPLOYMENT IN A CRISIS CONTEXT

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Japan is said to be the country of reference for the ‘lifetime employment’. Indeed, in sharp contrast to Anglo-American practices, Japanese companies are governed with a rather stakeholder than shareholder orientation. Many commentators state this management system is not sustainable anymore but we have little evidence of ‘real’, dramatic changes: most of the case studies of Japanese companies conclude the old basis is still present in current management practices.

The struggle between stakeholder and shareholder view has been a continuous debate in Japan for decades which may be concluded in the forthcoming years. In this paper we analyze this exciting evolution through the institutional (and evolutionary) theory, the power or dependence school and the ‘fighting generations’ perspective. Through a survey conducted in Tokyo, we were able to evaluate empirically the recent attitude of the society towards old management practices.

Is it possible in Japan to maintain stable employment in a crisis context? The answer is apparently yes but through the details we can predict some more change in the system.

Keywords: Stakeholder, Lifetime employment, Seniority, Japanese management

Introduction

Academic and business literature of the last twenty years on Japan is unclear on how her management system is changing. Authors have different views both on the extent and the direction of these changes. In particular, they disagree whether the so called three pillars of that system are to survive or not. Many argue that old practices are not adapted to a modern, developed economy and are to be changed (Olcott, 2009; Katz, 2003). There is also a general view that young generations have different values from that of their parents, and therefore are not supporting pre-bubble management anymore (Mathews and White, 2004). The recent global crisis has also certainly modified the image of the ‘old economy’.

The author wanted to summarize different views on the changing system and test the supposed generation change in the broader society. What can be today the relevance of lifetime employment? Is it still strictly linked to the seniority system and the enterprise-based unions? Or has a certain sense of crisis erased them from current practices? How are these elements changing? Should old practices really be banned?

Before describing change and the survey having made on it, it might be useful to make a brief point on how the traditional (post-war) management used to work and what are the most important post-bubble trends in the system. As explaining the old system is only a marginal part of this paper, further information can be found in the referenced literature.

1. The Japanese Management system – as it used to be

The first widely noticed Westerner describing how Japanese management used to be in the post-war era was James C. Abegglen in the 1950s. After him, Ronald Dore added some more details, especially on unions, based on his research conducted in Japan (1967, 1973). Ezra Vogel also wrote on Japan already in the 60s but after his best-seller “Japan as number one” (1979), a huge publishing wave started on Japanese management: one of the most widely read books amongst them may be the “Theory Z” from Ouchi (1981). Here is a brief summary of how these authors described Japanese management at that time.

Lifetime commitment or lifetime employment

Lifetime employment is said to be the first ‘pillar’ of the traditional management system in Japan. Abegglen observed that in cases of restructuring of business activities in Japan, or at least during his study, practically no temporary layoff happened in any organization. At that time Japan was extremely poor and being dismissed for any

worker would probably have meant being destined to starve. It became a general practice in management to refrain from dismissals but also being in employment was considered as a must for every able man.

These were favorable conditions for creating a business system where workers, once in employment, did not want to move, and at the same time, management took responsibility while taking care of them in the long term. Abegglen named this phenomenon 'lifetime commitment' which has been transformed with time in literature into 'lifetime employment'.

We must note that lifetime employment means an unwritten practice rather than a formal contract, and so it used to be practiced in every firm according to the local possibilities. In periods of difficulty, the solution could be unpaid overtime or reduced wages. When shrinking markets made firms reduce operations, and companies had to deal with redundant labor, they could encourage 'voluntary' retirements, cut off non-regular workers, or transfer their regulars to subsidiaries, business partners, affiliated companies. Every solution made 'in the name of stakeholder view', considering employees as much as shareholders was certainly more costly to the employer (huge retirement benefits, extra allowances, extra time...) than pure dismissal.

In any case, it is evident that lifetime employment could be ensured rather by large firms than small ones, and so for many remained only a dream. Different statuses were created in companies, and the extra protection of 'regular workers' was made possible by a more flexible group of 'non-regular' employees, also called part-timers or temporary workers.

To sum up, even though it did not concern the total labor force, Japanese management became characterized by 'lifetime employment', being the general managerial attitude. This attitude is clearly much more job-protective than the Anglo-American corporate pattern.

Seniority pay and promotion

The wage structure in Japan has its origins in the beginning of post-war era. Companies could hardly survive or pay their workers before growth began. The first step was to ensure a minimum level of salary and so to fulfill basic needs of employees. Due to rapid inflation, companies needed to update salary levels at least twice per year. As soon as cash-flow permitted, firms could cover their employees' needs on a larger scale through different allowances. From the beginning (as the goal was to ensure survival), compensation became based on needs rather than performance, and had no direct connection with productivity goals. Abegglen makes it quite clear: "individual effort is not a component of wage calculation." (1960, p.68) Dore summarizes wage elements as follows: education; length of service; age; sex; merit as rated by supervisors; family responsibilities; and current function.

If we add to this understanding the importance of hierarchy and age in Confucianism, and the keenness of Japanese society to 'preserve face', it is not so surprising that this 'need-based' concept remained as core in compensation and also in promotion. But we should also note here that neither wage (as Dore indicates it) nor promotion was ever based purely on seniority principles in Japan. Being lifted to the top was never automatic, and younger persons could also exercise some authority without holding high ranks. But as before for lifetime employment, the general attitude was in favor of older people in management positions, as wages also got significantly higher with age and tenure.

Enterprise-based unions

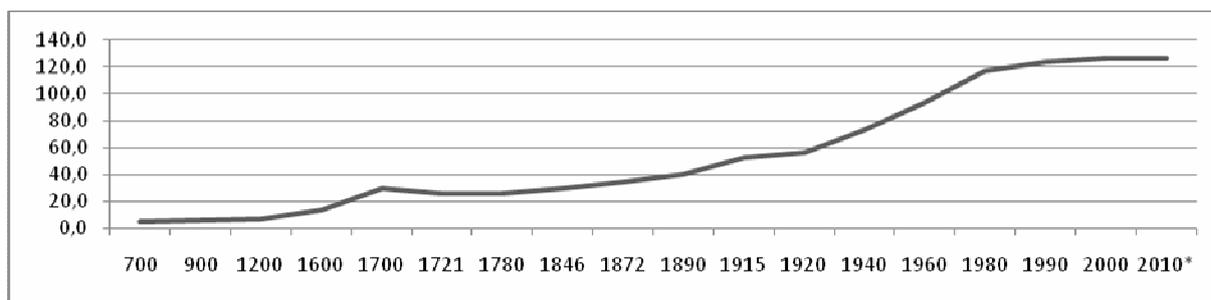
In Japan, unions are typically organized around firms and not industries: there are almost no craft or industry trade unions. It means that the union is made up of the employees of a single company, including not only workers but also any employees up to supervisory rank. Also, employees are identified by their company rather than their skill category.

The fact that members come from the same company gives unions a biased power. On one hand, membership has very homogenous interest and it is hard to divide them in negotiations, for example. In that sense, unions have a huge bargaining power which they usually exercised every year in springtime negotiations (called also 'spring struggles'). On the other hand, as the union is directly linked to one specific company, their tools are also somehow limited by their self-interest: a huge strike for example can endanger the economic health of the company and therefore its employment system and job security. In spite of this, unions played an important role in securing work conditions and raising wages for their members ('regular employees').

2. Crises in Japan

It is easier to understand better the effects of recent crises if we briefly review some historical ones. Certainly, the bubble burst is not the first crisis in Japan stopping growth. In order to identify different milestones, it is worth taking a look at demographic evolution.

Figure 1: Demographic evolution in Japan from the year 700 (million people)



* Estimated data

Source: Japan Statistics Bureau and Statistics Center; Totman (2006); compiled by the author

The shape of the curve here is slightly biased, due to the imbalances within the timeline, but it does still well reflect the two main breakpoints in history which were obviously harmful to the population.

The first one occurred during the 1710s, after which masses starved, and the other happened in the 1970s which ended the almost exponential growth of the postwar population.

In the 1710s, Japan was under the rule of the Tokugawa dynasty, the *shogun* (military chief) holding the effective power to command above the emperor. In order to better understand what happened in the 1710s, we must take a short look to the starting point of the curve in the 1600s.

In 1603, Tokugawa Ieyasu became supreme military leader (entitled *shogun*) of the freshly united Japan, after centuries of constant war between the feudal lords. In a recent term, we might say that the era of the Warring States was the period of perfect competition, promoting innovation and meritocracy. But at that time, it brought miserable poverty, hopeless struggling for survival and ever-increasing taxes for the commoners.

Also, the unification of the country and the long-lasting peace opened the way among other things to much agricultural and economic development resulting in increasing population. Enhanced irrigation systems and river regulation, increasing size of the rice fields, easier and cheaper transportation... As Tokugawa (2009) emphasizes the achievement: "within a century (once the Tokugawa peace installed), rice output increased 2.5 times." (p.72)

Wealth in the Edo-era was measured by the quantity of rice produced by the village or domain and that became also the basis of the power of landlords (*daimyo*). In years of bad harvest, the whole nation suffered.

The increase in the population stopped first during the famine of the 1710s when the size of the country reached a limit in regard to the natural resources as wood, land, food, or water (Totman, 2006). By that time, Edo, the capital had become the largest city in the world with a population of 1,000,000. The food produced by the irrigation and fertilization technology of the time was simply not enough for a further growing society. The rice tax was increasing but landlords could make less use of it as the relative price of the appearing industrial products like cotton got always higher. (Nakamura, 1990) Also, the production of timber and excessive use of forests while extracting green fertilizers resulted in a serious shortage of woods. Villagers became hostile to any foreigner as there was no more space for new houses or rice fields.

In 1716 an important personage of the Edo-period came into power: Tokugawa Yoshimune, who made it possible even for lower-ranked samurai to rise to higher bureaucratic positions and so made the system more meritocratic. Increasing the quality of the ruling bureaucrats, he also played an important role promoting a modest lifestyle even in high-class society and the richest merchant houses. He became one of the symbolic personages of Japanese culture afterwards, emphasizing self-control, respect, modesty, and economic consciousness. He introduced costless customs as writing *haiku* poems, watching flowers (*hanami*), or eating 'fast-food' (like *tempura*, *soba*, *sushi*) and keep working hard all day long.¹ Extravagant lifestyle has been punished, and entire merchant houses who were disgraced of the *shogun* and thus vanished. (Sakudō, 1990)

Only with severe self-control could the Japanese society survive the returning famines (1780s, 1830s) of the feudal era. It is important to notice in this story that in feudal Japan the famine and crisis did not bring any drastically new system as did the French Revolution for example. An action which 'only' made the existing system more effective as a response became a symbol and marked people's common sense.

Postwar growth and crisis

We can use the example from feudalism as a parallel to the postwar growth and sudden halt. As shown by Figure 1, high growth in population began in the 1930s with the massive industrialization and the strengthening of national identity, and lasted until the 1980s. A zoom on the '40s would show a fall at the end of the war but proportionally to the size of the society, human losses were not as significant as those caused by medieval famine.

¹ The fact has been highlighted by Tokugawa Tsunenari during his lecture in the International House of Japan, on 9 June, 2010

What factors supported that new growth era? Means of mass-production became more and more accessible in Japan, which ensured industrial goods and more food for a hitherto agricultural economy. Agriculture also remained important. Increasing population is for sure a good basis for general development, until they can enter the employment system from the labor market. Japan being still a relatively small country, especially in terms of profitability of mass-production systems, the most powerful factor could be the growing export markets, as Japanese labor was definitely cheaper than other industrialized nations (Hirschmeier and Yui, 1981; Weinstein, 2001).

However, with the high growth, the cost of labor also started to rise. This, together with the 'voluntary export restrictions' requested by the US and the rising energy prices after the Oil Shock, seemed to severely restrain the export industries (Hirschmeier and Yui, 1981; Dore, 2000; Pyle, 1996).

With companies losing their markets, education was no longer a guarantee of employment which resulted in a crisis at school and in families. Did Japan reach her growth limits in the '80s? Now the population is not only decreasing but ageing seriously, transforming the overall needs and capacities of society. Younger people have no or very limited access to wealth accumulation as the proportion of regular (better paid) jobs has been in permanent decrease since the '90s.

As we argued before, the whole Japanese economy and management system has been designed during the postwar years based on high growth. People apparently had the illusion that it would last forever. The already described 'lifetime employment' which was institutionalized in the 1920s, became common practice – especially in larger companies (Nakane, 1972). This practice supposes no marked downturns in operations, except with significant non-regulars being used as 'buffer'. Also, the famous long-term vision of the Japanese managers would have been more difficult in a hectic environment. The seniority based wages and promotions ensure constantly rising allowances for employees which is obviously difficult without growth. The same goes for the enterprise unions whose main activity became the annual negotiation for wage increases for the totality of the regular workers (Dore 1973; Ouchi 1981; Kono and Clegg 2001).

Japan, her export markets taken for granted, could also afford to protect her own industries and markets from excessive import and FDI. But now, twenty years after the bubble burst and the beginning of the 'lost decade', the situation seems to have changed radically – at least concerning economic growth and its image in people's minds.

Three hundred years ago, in the Edo-period, the solution to the crisis was enhanced self-control, recycling, and elimination of waste and extravagant customs. In today's Japan, low consumption seems to be rather problematic as it actually holds back production and prevents the economy from growing again.

3. Crises and changes

We can assume that in the traditional model there is a strong synergy among the above described Lifetime employment, Seniority based pay and promotion, and the Enterprise-based unions. More than this, every subject of that management system gets more and more involved in it, once entered in any company – as pay rises with time. The cost of changing anything gets higher every year which makes the chance less realistic: the system is designed to last, without much consideration to the external environment.

The traditional model based on these three pillars seemed to work well until the bubble burst, although in the second half of the 1980s, due to the 'financial conquest' of the world, Japan had witnessed many changes already. Its power engine used to be the permanent growth of the national economy which finally ended by 1990.

It makes sense here to emphasize this link and the role of crises in a society. Human history has regularly seen systems which were too rigid to evolve with time and adapt in a natural manner to changing external conditions. Those systems were finally destroyed and blown away by external forces and crises – seen as tragedy in a short term, but often as a blessing in the long run, catalyzing a natural human rebirth-and-adapt process. That is how evolution has worked for millions of years. Examples are among many others the Opium Wars in China, the Meiji Restoration in Japan, the French Revolution or the American Civil War. The point here is not the war but the crisis which led to it, opening the way for changes.

There are, then, two important elements facilitating change in any organization: one internal and one external. The internal one is the general sense of crisis of the members, the other is the pressure of the environment.

In the 1990s, statistics on Japan reflected problems which the outside world considered as crisis. A crisis, which is supposed to 'break the china', to destroy existing business practices and take the power from the hitherto dominant elite. The growth supporting the centralist business system of Japan faded away, as the export markets shrunk and the yen continued to skyrocket. Huge bad loans destroyed the financial health of banks, companies and families lost credit-worthiness with the plummeting land prices. On the market, when demand does change, supply needs to adapt. The expensive, centralist system cannot logically be maintained without rising wealth – that is how analysts described the situation.

So in 1990 academic and business literature stopped praising Japan and started to look for change. But reports were controversial as the presence or absence of the internal element (the sense of crisis) was rather difficult to evaluate. Therefore, the reforms and their effects could also be interpreted in different ways. To the present day, there is no common agreement on how far Japan went with changes and whether it is enough or not.

Reading different observers it seems to be controversial to decide whether the country is moving towards the Anglo-American direction or not. An even more difficult question is (which I do not even try to answer on these few pages) whether Japan *should* converge to the Western systems or not.

We are going to sum up recent changes and trends through 3 different perspectives, creating a comparative structure to the past's crises. Then, in the following chapter, the description of a survey and its findings will give up-to-date feedback on these observations.

The "Power school"

Japan's history is certainly not the 'laboratory of revolutions' but still we can find some radical transformations like the Meiji Era, putting an end to feudalism, or the total reconstruction of the country after WW2. In those cases the status quo had been drastically challenged by a new power which was certainly stronger than the previously dominant elite. This type of transformation has been well described by Marie-Laure Djelic (1998), who analyzed the transmission of the American business system to other countries. She summarized three basic conditions for such a transformation: an intensive sense of internal crisis, a geopolitical dependence of the country or the group in question (which gives also a model to copy), and a cross-national network of change-actors. Her theory explains important parts in Japan's modern economic theory in a very convenient way.

As for recent changes, we have more trouble in applying these conditions. The challenge since the 1990s in Japan has been that there are no clear driving forces as in the previous cases. In 1991, with stock and real estate prices sharply diminished, Japan's economy was still going well – according to the official declarations. The minister of state for the Economic Planning Agency wrote in August 1991 on the first page of the 1990-1991 Economic Survey of Japan: "The world economy in FY 1990 was hit by major upheavals... some industrial countries such as the United States entered the economic recession. The Japanese economy, regardless of the above tough conditions, has still been expanding for long period although economic expansion is slowing down."

The mid-90s brought some common sense of crisis already but a major part of the Japanese population still considered that traditional structures of business continue to fulfill their roles. Indeed, it seems still ambiguous whether this structure needs radical change or not. Also, there is no clear (geopolitical) dependence. Until the end of the 1990s the American model seemed to be clearly dominant with healthy indicators while Japan still suffered the deep recession of the bubble-burst. However, the corporate scandals of Enron, WorldCom and the like gave sharp arguments to those defending the Japanese system and the recent global crisis caused even more confusion on dominance and best-practices. Therefore, there is no clear model today which could be easily copied in case of economic transformation and so nor are there any motors for change who could form a cross-national network and drive change in a specific direction.

Sociological school

Among those waiting for the transformation of the old Japanese system, many claim that final change comes only with the changing generations. Why is it important to talk about this aspect especially in the case of Japan? As Hendry writes: "Although young people have a tendency to distinguish themselves from their parents in any society, the growth and change in Japan's place in the global community within living memory has been so extraordinary that it seems legitimate to seek genuine differences between generations in contemporary Japan" (p. 20-21). A demographic explanation seems to be relevant here.

After 1945 the Occupation Forces dismissed one or two thousand men from the business elite but this was not really considered as generation move in demographic terms. However, a young generation certainly aided the implementation of important reforms afterwards. The next 'shift' happened in the late 60s when the 'baby boomers' finished university. Exaggerated maternal expectations, pushing children as high as possible in the education system created much resistance in young people (Sakurai, 2004). However, apart from some student revolts and small-scale conflicts with authorities (ending with forceful removal of those students), this resistance was transformed into a lethargic generation rather than a revolutionary change. This lethargy probably continued in the 1980s with youth rejecting old, hierarchical relations and escaping into long telephone conversations or into the virtual world of the internet from the 1990s. Now, Sakurai claims that this mental isolation of the past is clearly about to change, in part due to foreigners' influence.

Maybe so, but until now it is quite clear that the generation effect in Japan's business history is marginal, economists usually ranking Occupation, the oil crises or the bubble burst much higher in importance. But according to several anthropologists, today's new generation could finally change the business society as they apparently don't want to be involved in a corporate life as their fathers did or sacrifice themselves for their family as their mothers (Mathews and White, 2004). If this gap is a relevant one today, a survey questioning youth about their career prospects should confirm this argument on life-quality.

Institutionalist or evolutionary school

Institutionalism has been greatly promoted by the Nobel Prize winner economist Douglas North but beyond that, in the case of Japan, has significant importance in change theories. The origin of Japanese management practices is not quite certain in many cases: some academics argue for origins back to the Edo Period and feudalism and state that today's customs evolved step by step, in an incremental or evolutionary way². Others say that modern management was created after WW2 and has hardly anything to do with the historical past of Japan. There is probably some truth in both opinions. The feudal origins in any case reinforce institutional theories and the idea of continuity in corporate practices.

In the title of this paragraph we combined institutionalism and evolutionism to put focus on incremental change. In this perspective, we accept that the customs, institutions, 'culture' of a nation are a force strong enough to ensure continuity in social or economic evolution but at the same time there is a constant adaptation to new variables in the environment. We can assume that this perspective seems to give the best explanations to changes after the bubble-burst. Therefore, our coming analysis will rather reflect this incremental approach.

Academic commentators and statistical data usually confirm that since the bubble burst, independently of how deep the crisis may be, the management systems in Japan are changing in a slow, incremental, step-by-step way.

4. Changes concerning the traditional employment patterns in Japan

1990 witnessed a pull labor market with labor shortage; although from the 2000s data show evidence of redundant labor. We could conclude from this contrast that long-term employment was maintained by high growth and would be ended once this growth is over. But recent sources on the changing Japanese management do not seem to support this claim.

Lincoln and Gerlach wrote in 2004: "However, amid the fast-pitched drama of change in Japan's industrial adjustment regime, the old ways still resurface" (p. 269). Thus, while mentioning a gradual but irreversible shifting away from old structures, their conclusion is that many of the Japanese practices seem "fading into history and perhaps inevitably so" (p. 377).

Analyzing the current relevance of 'lifetime-employment' in Japan, Inagami and Whittaker (2005) compared different statistical data for job tenure. They conclude that despite international competition and deregulation, average tenure increased in Japan from the 80s to the 90s and then to the 2000s. Abegglen (2006) points to the same conclusion. "In conclusion, tenure statistics show little evidence of drastic change in lifetime employment," write Inagami and Whittaker. "At least until 2000, tenure of young workers was stable, or declined slightly, while that of females and older workers increased, giving an overall increase. Both managers and employees foresaw a weakening of lifetime employment, but internal career progression had not crumbled" (p. 39). The same authors also examined the seniority aspect and stated: "In brief, in practice, as well as in the thinking of managers and employees, age and length of tenure considerations in promotion appear to be weakening" (p. 45). Abegglen's summary in 2006: "The first pillar of Japanese style management, the lifetime commitment, has survived largely intact, with some important embellishments as dispatch workers take the place of seasonal and other temporary employees. The second of the tree pillars, seniority pay and promotion, is undergoing extensive, but still incomplete, redesign." (p.85) And for the union system: "The enterprise union of Japan, the third pillar of Japanese style management, has not disappeared. It remains the entirely dominant form of union organization, and commands still about a fifth of the workforce in membership." (p.89)

Also Jacoby stated in 2007 that changes in Japanese management were so slow that even if they went towards the American system, the gap between Japan and the rapidly changing United States would rather widen with time.

Olcott (2009), examining foreign takeovers in Japan, presumed that those events change definitively old practices of the Japanese system and lead to new, more globalized ways. However, at the end of his book, he concludes: "While my hunch that Japan, at the end of the twentieth century, was about to enter a new age of a more open form of capitalism has so far proved incorrect, it is only a matter of time" (p. 264).

In the Annual Report on the Japanese Economy of 2006, Japan's government officials announced that the seniority system in companies had ended since the bubble burst firms could recruit less, and the old system made the aging workforce too expensive. "This has prompted companies to eliminate a seniority-based automatic wage hike and introduce performance-based wages, leading to changes in the employment system" – states the document. And slightly later, on the same page: "On the other hand, many Japanese companies have apparently maintained lifetime employment for regular employees" (p. 207). The average employment tenure in Japan is still far longer than in the US or Britain, and even longer than in the EU countries. According to the survey result of the Cabinet Office, 90% of the Japanese companies planned in 2006 to maintain long-term (stable) employment. And it is important to note as one of the findings of that survey, that the emphasis put on employees (e.g., long-term employment and other practices) has significantly positive correlations with productivity (ROA).

5. Research hypothesis

² See in recommended readings by chapter 2.

With a strong desire to provide up-to-date feedback to theories and suggested tendencies, a field research was carried out in Tokyo. For that research two main ideas served as hypotheses.

One is that, despite the central communication in the 90s, Japan's society has since developed a general sense of crisis which results in a certain pessimism. The aim of this survey was not to measure to what extent people are willing to tighten their belts and fight together for a better tomorrow. Rather, this survey was to provide a picture of whether people think that yesterday's practices based on growth can survive or they need to change today. Realizing that growth has stopped "forever", developing that certain sense of crisis seems to be the first step to real changes.

Our first hypothesis states that people in Japan are fully aware and conscious of that growth cannot be sustained forever. In the survey we had six questions related to growth. According to this hypothesis, each of those questions must have responses reflecting a good level of awareness of limits. Table 1 shows these questions in chapter 8.

The other idea remains more related to lifetime employment (LTE) and states that in spite of the consciousness of halted growth, as literature describes still prevailing patterns, the stable employment and other elements seem to be supported by important groups in society. According to that hypothesis *people in Japan still think that LTE has its place in Japan and employees do need it*. We should also notice a continuing support for some old elements as many authors claim the system is not changing enough.

6. Research methodology

The author's intention was to have feedback on these recent trends and analyses from Japanese society itself. To this end, a questionnaire survey was conducted between April 2010 and July 2010 with questions related to the above discussed management practices in Japan. An online questionnaire ('SurveyMonkey' website) and snowball sampling served as data collection tools, the main criteria being to have a 'resident' status in Japan. Our analysis is based on the answers of 181 respondents, Japanese or Foreigners.

We can find a good balance in gender as about 54% of the respondents are male and 46% female. In order to compare Japanese and non-Japanese mindsets, many Americans living there were asked to answer as well as other nations from Asia or Europe. 47% of the total sample is Japanese and altogether 67.5% is from Asia. The education level is generally good: 57% graduated from college (4 year long higher education) and 40% did a master or PhD. More than 60% have already worked in Japan. The status and age proportions are represented by Figures 1 and 2.

Figure 2: Status

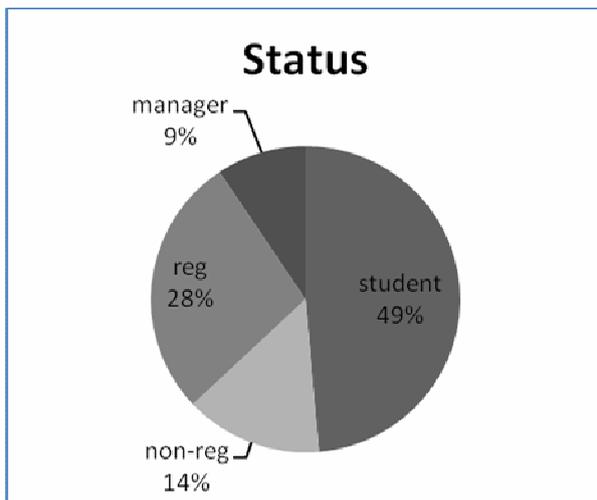
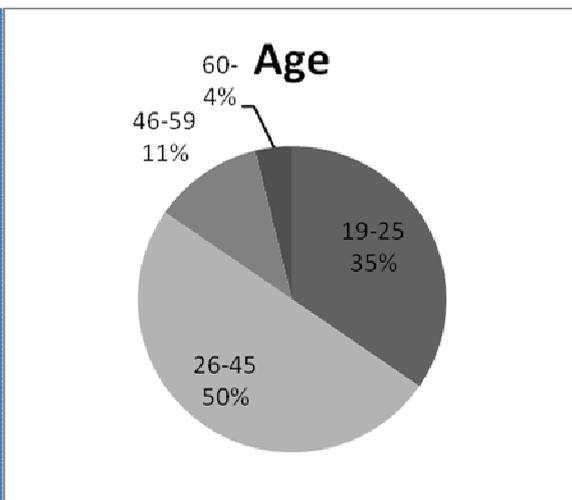


Figure 3: Age groups



There were 2 types of question in the survey: one allowed respondents to say 'I agree' or 'I disagree' to different statements, and the other offered a scale to express a level of agreement as well. Answers show to what extent the respondent shares the core values of 'Japanese management'. In the analysis of the 'Yes or No' type questions, 'Yes' responses have been coded as '1' and 'No' responses as '0'. As for the scales, 'strongly agree' is represented by a value of '7', decreasing by one for each 'mostly agree', 'rather agree', 'neutral', 'rather disagree', 'mostly disagree' and 'strongly disagree' (this last being coded as '1'). As the final sample is rather fragmented by origin, age and other characteristics (each group containing less than 100 data), it seemed to be wiser not to focus on too sophisticated statistical methods. Thus, in order to keep the following chapters easy to understand, mainly basic calculations were used as averages, variances, or sum.

7. Findings and discussion

Table 1: Questions on growth, averages and variances

Item	AV	VAR
It is OK to fall in promotion behind colleagues recruited at the same time as you	0,6	0,24
Would you accept in crisis situation reduced wage / work time in order to keep general job safety?	0,9	0,12
A company should guarantee for its best workers lifelong employment	0,4	0,25
The best way to increase size for a company is to hire more young graduates from top universities	3,1	1,98
Employees recruited at the same time should basically be promoted together: it fosters cooperation between members, limiting harmful competition	2,8	2,01
I would rather work for a large organization than a small one	4,2	2,57

In the first hypothesis, we predicted already some reactions concerning growth. Results are shown in Table 1.

It is OK to fall in promotion behind colleagues recruited at the same time as you.

In total 63% 'voted' with 'yes' which is certainly a majority. 63% of the sample recognized that it is not possible or maybe not good to promote everybody at the same time along a seniority scale and accepted this fact for him- or herself. No wonder, that looking at younger generations the result is weaker: only 54% of the respondents below age 26 marked 'yes' here (against 80% with people over 60).

Would you accept in crisis situation reduced wage / work time in order to keep general job safety?

Here the overall average is an overwhelming 86% which is topped at the age of 46-60 with 95% 'yes' answers. Not only growth cannot last forever but respondents here do accept downturns as well, where individual earnings may be sacrificed for public interest.

A company should guarantee for its best workers lifelong employment.

This sentence refers to a traditional element of the Japanese employment system which is hardly sustainable in a steadily decreasing economy. A minority, 43% think that it is still an affordable privilege for rewarding the best. It is even lower among females (39%, but they have usually been excluded from that advantage) or young people below age 26 (38%). Negative record is reached by respondents originated from Anglo-Saxon countries (US, Britain, Australia, Canada) with only 33% saying 'yes'. Thus, this item has a relative low variance.

The best way to increase size for a company is to hire more young graduates from top universities

Recruiting directly from schools is still a current way in Japan today although it is highly criticized for blocking mid-career options. For long time, seniority wages have been counterbalanced with the lower paid new graduates but in the last two decades companies could not afford recruiting as much as to reach this balance effect. (Abegglen, 2006)

Current attitude seems to be in phase with the critics as in that sample the average score is about 3 for that item, meaning a slight disagreement. No wonder that disagreement is rising with age and reaches already a score of 1.8 with people older than 60. Also, Anglo-Saxons rated it very low (2.56) – presumably because their job markets are dominated by recruitment agencies offering wide-range mid-career openings.

Employees recruited at the same time should basically be promoted together: it fosters cooperation between members, limiting harmful competition

This is a control question to the first one with a wider range of answer possible. As pure logic would suggest, this sentence got little support: the average answer being 2.79 which is between disagreeing 'slightly' and 'mostly'. Here again, the Japanese (with 2.67) are apparently overwriting their old customs according to the new conditions.

I would rather work for a large organization than a small one

Positive attitude towards large companies rather than towards smaller ones does certainly motivate further increase in firm size and turnover. Small size companies can hardly follow bigger ones concerning the package offered to young recruits including promotion prospects and non-monetary benefits. For that reason, it is hardly possible that opinion to that sentence would turn into negative. Today in Japan, the score seems to be approaching to the neutrality (4.23) which is quite amazing given the classically huge difference between small and big size firms. It is even more amazing that focusing on Japanese only this score remains under 4 with 3.98 and the average is in fact boosted up by Foreigners with 4.45.

We are certainly aware of the fact that these questions are not only about growth and for each there are also other explanatory factors. But the common line remains growth and the majority of the respondents seems to be conscious about limitations and do not dream about unrealistic advantages directly related to constantly growing figures.

Now we can turn to the question whether this awareness is translated into 'anti-lifetime' or 'anti-JSM (Japanese-style management) mindsets or not. In the following part, we are going to focus on differences between Japanese and Foreigners and between different age groups. The aim is to understand better why (in spite of that awareness of limits)

Americans are still unhappy with Japanese reforms and the lack of real changes in management (Katz, 2003). We may also learn what type of population still supports old practices more precisely.

First of all, the average job tenure of the total sample is quite long: 9.69 years³. This is below the average tenure for Japan (12.2) or Europe (10.5), but much higher than in the US (6.6) or Britain (8.1).⁴ Figure 4 (below) highlights further 7-scale differences between Japanese and foreigners living in Japan. Differences between age groups are represented by Figure 5 (only 7-scale). The complete text of some questions shall be detailed below and the total is summarized in Annexes 1 and 2.

In Figure 4, we can differentiate the first part of the diagram, rated higher by Foreigners, from the rest of it where the Japanese curve tops the others. Curiously, the first part does ban traditional Nippon methods, while the second favors them. Compared to Foreigners, it is surprising how many Japanese still support their own ways which are or can be, in another context, evaluated as old-fashioned, or outdated. One interpretation might be that these practices are less directly linked to growth and that Japanese were only ‘voting’ as their national self-esteem suggested.

The performance-system is rated remarkably higher by Foreigners, and similarly for banning the lifetime employment, judging careers for young, or seeking efficiency versus consensus in decision making.

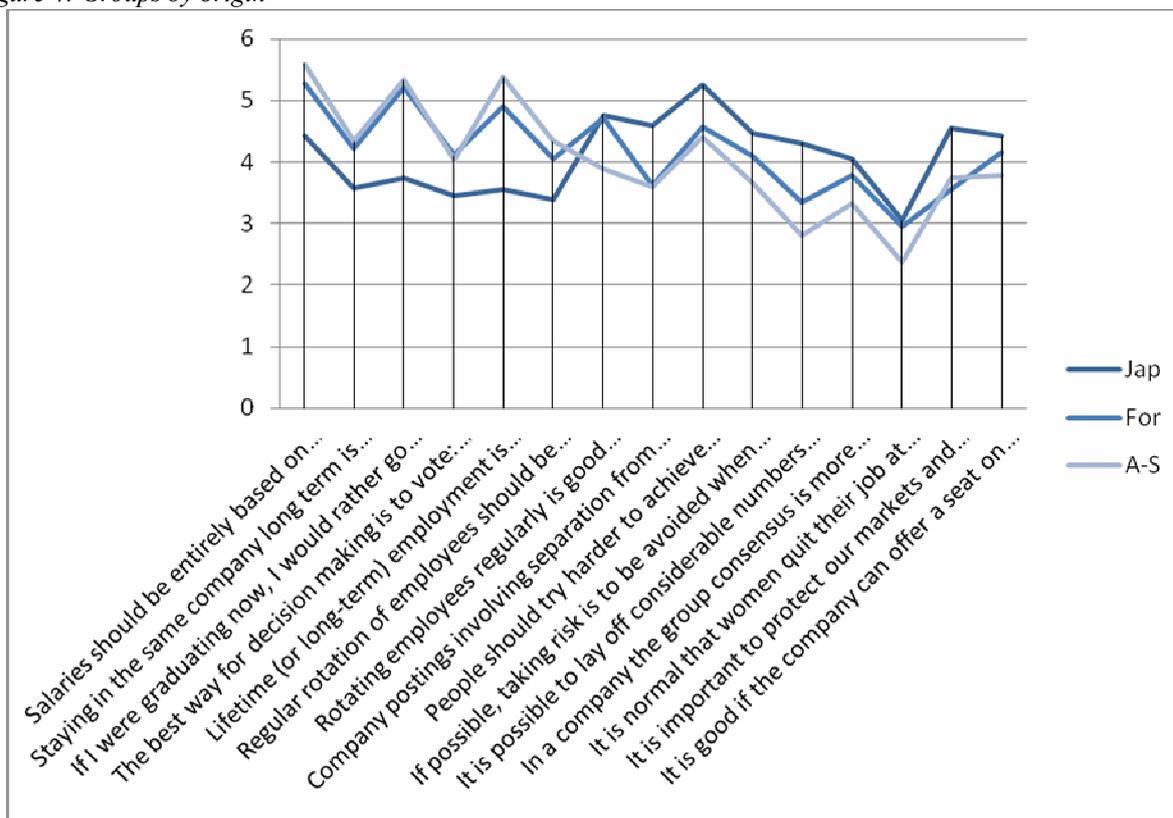
To the sentence “Salaries should be entirely based on performance, no matter the age or seniority of employees”, it is worth noting subgroup differences.

First, there is this marked gap between Japanese (with a hesitant average of 4.44) and Anglo-Saxons (5.59, rather or mostly agree). It is good to know that in Japan some companies moved to performance-based compensation, failed and turned back to seniority or mixed systems. There are no serious academic authors suggesting pure performance settings for the Nippon firms.

Second, this average also decreases with age: while being 5.3 under 26, it becomes 4.75, then 4.45 and finally 3.8 with respondents older than 60. It seems logical that young people support a performance-based system more than their seniors who are benefiting more from the age-based pay.

For lifetime employment, we had several questions. One (already mentioned,) striking example: 94% support on average for the total population to the question: “Would you accept in crisis situation reduced wage / work time in order to keep general job safety?” The ‘Yes’ answers didn’t go below 90% for practically any subgroups. We have to admit that instead of being a pure indicator for long-term employment, this question might also measure general solidarity in the society.

Figure 4: Groups by origin



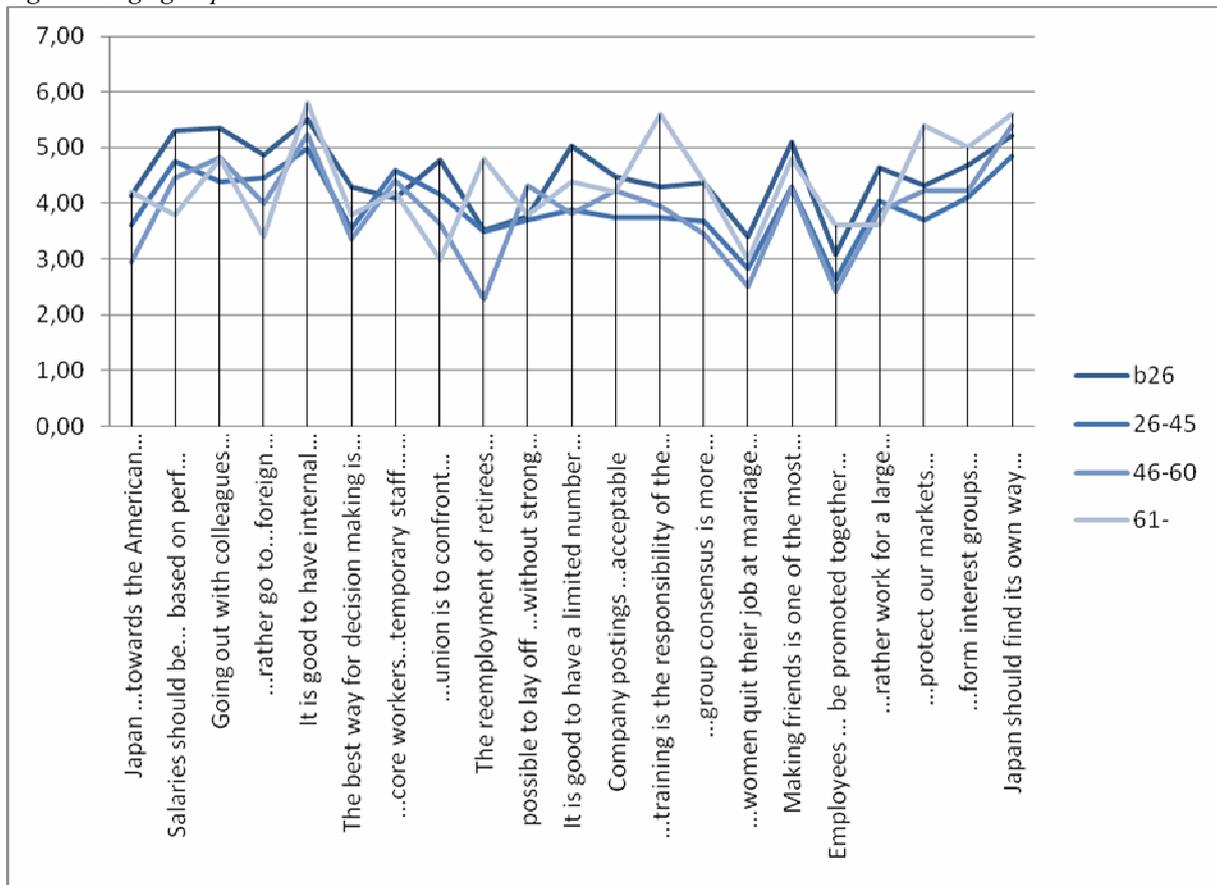
³ Average of the answers to the question: „What has been the longest time until now that you have stayed in the same company? (years)” – BA or MA students have been excluded from the analysis as this data is relevant for the working population only.

⁴ As published for 2002 by ILO on

http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_067238/index.htm; downloaded on the 29th April, 2010

Note: 'strongly agree' is represented by a value of '7', decreasing by one for each 'mostly agree', 'rather agree', 'neutral', 'rather disagree', 'mostly disagree' and 'strongly disagree' (this last being coded as '1')

Figure 5: Age groups



To the statement “Staying in the same company long term is not good because it blocks internal competition and limits career prospects”, there was a slight gap between the rather disagreeing Japanese (3.58) and the more agreeing average non-Japanese (4.21) or Anglo-Saxons (4.33). Strong difference between the same two subgroups was highlighted by the sentence “It is possible to lay off considerable numbers of employees without strong reactions (quarrel) within either the company or in the broader society”, Japanese responding on average 4.31 and Anglo-Saxons 2.81. We must note here two important characteristics of the Japanese society. One is the lack of strikes which we mentioned already in chapter 2 with the unions. The other is that the end of the 90s as the beginning of the 21st century has been marked by the restructuring of firms, in practice meaning massive dismissals which were never seen before in Japan, especially among workers in their 40s or 50s. It is not even surprising that among Japanese the only group agreeing with this statement is the one between age 46 and 60 (4.32) – all the others voted on average under 4 which means a slight disagreement.

Finally, the statement “Lifetime (or long-term) employment is outdated: I don't want to stay in the same company for so long time” generated also much stronger reactions from Japanese (3.55, rather disagree) than from non-Japanese (4.9, rather agree) respondents. The answers here are differentiated also by age groups: especially outstanding are the respondents between 46 and 60 (once again the most endangered population by the restructuring companies) expressing rather agreement while older or younger people seem to be more optimistic on this matter.

Age group characteristics – also represented by Figure 5 – are the best seen in the first table of Annex 1. The first half of the items does express the advantages of an American or Anglo-Saxon management system, the second half (from “It is good to have a limited number of...”) is favorable to the traditional Japanese practices. It is surprising to see how many young respondents – for sure more open towards the USA as well – still support many of their old customs like division between regulars and non-regulars (the basis of LTE), company postings, company friends, consensus vs. ‘one-manager-shows’, large vs. small companies, etc.

For “Japan should move more towards the American economy and its institutions, changing its old, outdated practices”, younger respondents seem much less defensive (4.13) than the ones between age 46 and 60 (2.95) but the same young group rates on average 5.21 the other “way of recovery” as well: “Japan should find its own way to recover from crises, based on its traditions and culture.” The generation shift from Japanese-style towards American-style management can certainly not be approved based on this sample.

As much as young people, the group between age 46 and 60 is also surprising. In most of the cases they are the strongest and most powerful supporters of the old system, ensuring its survival. At the same time however, this group has been also touched by the restructuring and the resulting pessimism. They fiercely protect their positions and jobs even after retirement but on seniority promotions for example they turn to be mostly against it.

Conclusion

We examined changes in three different perspectives to understand better the present state of the Japanese employment system. Post-bubble adaptations could be the best described in an incremental context.

Recent books claim the survival of lifetime employment but they are much more hesitant concerning the seniority system and talk about the decreasing role of the (once important) unions as well. The aim of this paper has been to describe the general level of support towards these traditional practices in today's society in Japan.

Our research data analysis found that the younger the respondents were, the weaker their support for cooperative union and seniority has been. Even in general, Japanese management apparently has less good image among youth but still they turned out to be rather in favor of it. Thus, we cannot be sure what happens when they got older (whether they become more accommodating to 'traditions' or not) as until now new generations rarely brought a new era: changes happened in a slow, step-by-step pace.

Thus, in spite of external pressure for change, the Japanese are still rather supportive towards their traditional practices – especially compared to Anglo-Saxons or even other foreign citizens. Although divided by age groups, the average Japanese does still give a favorable or at least optimistic-looking opinion, especially concerning stable employment. Japanese respondents on average favored a longer stay in the same company, consensus-based decisions, board positions for retiring managers, and regular rotation of employees. They accepted much more company postings far from family or home-making mothers, and proved to be hesitant taking risk which might endanger job safety. In short, they expressed significant support for 'Japanese management'.

Massive layoff in Japan is still not easy to do. Youth expressed neutral or hesitant opinion for willingness to work long term at the same place, but at the same time, lifelong employment for the best workers is acknowledged not only by general public, but especially by younger respondents. In general terms, stable employment is not only supported in Japan but even recommended as government research has proved it enhances profitability.

In social terms this debate is about whether or not companies can afford to finance stable employment and other employee-favoring practices. Economically, these terms with some simplification are translated into stakeholder and shareholder views. In the struggle between the stakeholder and the shareholder model, both views must have relevance and even humans, the subjects of management are hesitating between the two extremes. Each situation has its optimal solution on the scale between them and better knowledge about the different options could probably help companies to give appropriate answers to their employment challenges.

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Annex 1: Age groups averages

Age groups	-26	26-45	46-60	61-
Japan should move more towards the American economy and its institutions, changing its old, outdated practices	4,13	3,60	2,95	4,20
Salaries should be entirely based on performance, no matter the age or seniority of employees	5,30	4,75	4,45	3,80
If I were graduating now, I would rather go to a company with foreign management: they understand better what a young employee needs	4,87	4,46	4,00	3,40
It is good to have internal competition in a company among employees as it enhances performance	5,52	4,99	5,23	5,80
The best way for decision making is to vote: it is clear and efficient	4,30	3,55	3,36	3,80
Differences between "core workers" and temporary staff or part-timers are nonsense: they are doing the same job anyway	4,10	4,60	4,41	4,20
The job of the union is to confront the management in order to represent purely the workers' interests	4,78	4,16	3,64	3,00
The reemployment of retirees should be banned because it takes jobs from the youth	3,51	3,48	2,27	4,80
It is possible to lay off considerable numbers of employees without strong reactions (quarrel) within either the company or in the broader society	3,76	3,70	4,32	3,80
It is good to have a limited number of "core workers" with some privileges in a company: achieving this status will motivate every employee	5,03	3,88	3,82	4,40

Company postings involving separation from family are acceptable / unavoidable	4,48	3,75	4,23	4,20
Skill development (training) is the responsibility of the company, not the individual worker's	4,29	3,75	3,95	5,60
In a company the group consensus is more important than any leader or manager: group cohesiveness is the best tool to ensure common vision and good performance	4,37	3,67	3,45	4,40
It is normal that women quit their job at marriage or childbirth	3,41	2,82	2,50	3,00
Going out with colleagues after work is important	5,35	4,40	4,82	4,80
Making friends is one of the most important things in a company	5,11	4,29	4,27	4,80
Employees recruited at the same time should basically be promoted together: it fosters cooperation between members, limiting harmful competition	3,08	2,62	2,41	3,60
I would rather work for a large organization than a small one	4,65	4,05	3,86	3,60
It is important to protect our markets and jobs from foreign competition	4,32	3,70	4,23	5,40
Companies should always form interest groups so they can be much stronger	4,70	4,12	4,23	5,00
Japan should find its own way to recover from crises, based on its traditions and culture	5,21	4,86	5,41	5,60

Annex 2: Groups of different origins – averages

	Jap	For	A-S
Salaries should be entirely based on performance, no matter the age or seniority of employees	4,44	5,27	5,59
Staying in the same company long term is not good because it blocks internal competition and limits career prospects	3,58	4,21	4,33
If I were graduating now, I would rather go to a company with foreign management: they understand better what a young employee needs	3,74	5,21	5,33
The best way for decision making is to vote: it is clear and efficient	3,45	4,1	4,04
Lifetime (or long-term) employment is outdated: I don't want to stay in the same company for so long time	3,55	4,9	5,37
Regular rotation of employees should be avoided: it is confusing and they cannot specialize in their jobs	3,39	4,05	4,33
Rotating employees regularly is good because they can get better knowledge and vision about the company as a whole, so probably they can become better 4s	4,76	4,71	3,89
Company postings involving separation from family are acceptable / unavoidable	4,59	3,61	3,59
People should try harder to achieve consensus in decision making: group harmony is worth the time invested in that process	5,25	4,57	4,41
If possible, taking risk is to be avoided when it can endanger job security	4,47	4,09	3,67
It is possible to lay off considerable numbers of employees without strong reactions (quarrel) within either the company or in the broader society	4,31	3,35	2,81
In a company the group consensus is more important than any leader or manager: group cohesiveness is the best tool to ensure common vision and good performance	4,05	3,78	3,33
It is normal that women quit their job at marriage or childbirth	3,05	2,95	2,37
It is important to protect our markets and jobs from foreign competition	4,55	3,56	3,74
It is good if the company can offer a seat on the board of directors to its senior 4s at the end of their career	4,42	4,16	3,78

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