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ON THE DEVELOPMENT OF PERSONNEL MANAGEMENT IN JAPAN

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1. INTRODUCTION

Generally speaking, the following systems are mentioned as the distinctive features of the Japanese personnel management system.

That is: (1) permanent or eternal employment system

(2) seniority order wage system

(3) seniority order promotion system

(4) trade (labor) union organized on a company basis

Concerning these features of Japanese personnel management, there are two kinds of opinions. One of them is being discussed by some marxian scholars. They think that these features are produced by applying the remaining vestiges (or inheritance) of the Japanese feudalistic master and servant relationship or the old paternalistic family system to the industrial world. As modern Japanese industrialization progressed under the leadership of government principle, which was intended for the wealth and military strength of the state, and the leaders were the nationalistic military class (caste), these features were easily produced. Thus they think these features must be removed as soon as possible, because these features are the exhibitions of being underdeveloped (backwardness) of Japan.

The other opinion is as follows: these features are of the traditional system since the period before the industrialization of Japan. Japanese people used wisely these tradition features when they industrialized and this utilization was a point of excellence of Japanese modernization. Therefore we need not try to abandon these features.

I want to analyse why these systems grew and to think about how they will grow in future.

2. THE DEVELOPMENT OF THE PERSONNEL MANAGEMENT SYSTEM IN JAPAN

Japanese modernization began since the Meiji era (1867–1911). Most Japanese factories, in the early Meiji period, were of the public ownership type and the object of their management was to introduce modern industrial techniques, techniques and skills from European or American engineers who were employed by the Japanese Government, and to make them popular in the Japanese industrial world. Therefore, profit-making was not the object of these factory managements. The working hours were less than 10 hours a day and Sunday was a holiday. At the public ownership, the clerk group was mainly composed of the old Samurai group (the warrior group) and the descendants of the Samurai, and the employees whose ranks were over the junior official (an official of hannin rank in Japanese) were of the permanent or eternal employment type. The factory workers were composed of the commoners and their working hours were from 7:30 a.m. to 5:00 p.m. in the summer or from 7:30 a.m. to 4:00 p.m. in the winter. Their system was a day rate plan or a monthly salary plan.

Since about 1890 (Meiji 20) the government's factories were gradually transferred to private ownerships and were managed on a commercial basis. When they were managed by the government, most of their balance sheets were in the red. In order to overcome the deficits in their balance sheets, the working conditions of workers became very bad.

In the heavy industry, the mining industry, especially coalmining industry, the Japanese-boss (Oyakata in Japanese) system—a kind of contract work system—was widely used. The structure of this system was as follows: a large company gives some original contractors—these contractors are usually middle scale companies—the contract works and these original contractors again divide these contract works into several small contracts and give many small scale contractors a contract work. Some times, these small scale contractors may divide their contracts into several smaller contract works. The Japanese boss is usually this small scale contractor. He employs some workers and they work at the workshop with the original contractor or in the large company which employed his original contractor. Workers who were employed by these contractors did not have the permanent employment system and were not on a seniority order wage system. Their working conditions were very difficult. They worked very long hours including midnight labor and also their rest times and holidays were cut short. They worked in the factory Sundays and their holidays were only three or four days at the New Year (in January) and a few days in August (Bon—days when Buddhists visit their ancestral

graves). A piece wage or many kinds of incentive wage plans were employed for their wage systems instead of a daily wage system. In light industry, many child labors (usually just graduated from elementary school) were employed in order to cut labor cost^①.

During this period, many large companies did not employ many workers directly, but some large companies where high skill was needed employed many workers. The spinning industry was this case. In this industry, the contract work system was not employed.

In the Taisho era (1912-1925), many kinds of labor protective policies were initiated; for instance, the enforcement of the Factory Act (1916), the Health Insurance, plan for labor (1922) etc. This was caused by exhausting of the labor force, the necessity of many excellent young men who will be good soldiers and the severe criticism from humanity.

The other reason was the awakening of workers. They realized their miserable state and began to form the organizational labor movement. They frequently went on strike, and they especially felt strong uneasiness about their livelihoods because of business depression^②.

In the factories, the mechanization had progressed and many skilled workers were needed. Many large companies employed directly many unskilled young workers to train in their own workshops and decreased the use of the old contract work systems. The number of temporary employees other than permanent or regular employees also increased^③. At the same time, the number of clerks and supervisors increased.

Then a new personnel management system was required. The new personnel management system which was created by the Japanese representative managers was called "Keieikazokushugi" (a unique fictitious plan of the Japanese family system).

This plan is based on an expanded interpretation of the concept of the "Japanese family system" which was the foundation of the Japanese social structure before the Second World War.

According to this philosophy, the management system of a Japanese

① At the Hyogo factory of Kanegafuchi Spinning Company, for instance, the labor turnover rate in 1900 was very high. In this year, 6,085 workers were newly employed, and 7,701 workers left their jobs. At the end of this year, only 4,020 workers were employed. This high labor turnover rate suggests a worker's countermeasure toward very bad working conditions.

② During the Meiji Era, particularly in 1907, as many as 57 strikes have taken place, where 9,855 workers have participated. In 1919, the number of strikes was 2,388 and the number of the participated workers was 335,222. Incidentally, in 1972, the number of the strikes increased up to 4,996 and that of the participated workers, 2,656,666.

③ The number of factories in 1909 was 32,228 and the total number of factory workers was 806,000. In 1919, the number of factories increased to 43,949, while the number of factory workers also increased to 1,612,000.

money will be used as capital for his new shop. They will have intimate relations with each other as if a member of the former employer's family.

When he chooses the former course, he will become a clerk and manage his employer's business. He will be paid an annual salary and come to work every day from his house. His deposit and its interest will be returned to him by his employer, whenever he wants. When he fifty-one years old, he will usually retire from his job and is paid an annuity, and sometimes he comes to the store to give some advice to his followers. He is usually called the head clerk ("Ō Banto" in Japanese). Therefore, these people were literally in a permanent or eternal employment.

This traditional commercial house system was the foundation of the businessmen's thought in the Taisho era (1912-1925). The employer-employee relationship in this system was a permanent or eternal relationship just like a father and son relationship in a family and there was not a clash of interests between employer and employee. There was not an idea of opposition between employer and employee in modern industrial relations. The company treated the older persons with longer services favorably just like the younger should give precedence to the elder. Then, the younger and unskilled workers were trained by their seniors in the company. The skills of workers improved with their ages and we can say that the seniority order wage system was proper under such a system. When a worker became old and his efficiency failed, he was treated favorably, because young workers who were more efficient were his former students and would not complain that old workers got more wages than younger workers. They made up a familiar workers group. Their wages were decided by their length of employment, their ages and their sexes (male was more favorably treated) just like in a family.

At that time, as the general wage level was very cheap and workers could not have enough savings for contingencies and old age, large companies established many kinds of employee benefit plans. For instance, company hospital, marriage festivities present (money), a celebration of a birth (money), retirement allowance, company residence, mutual benefit association, etc^④.

④ The labor costs of Japanese industry in 1926 was composed of two parts; the percentage of wage was 84.3 and that of fringe benefits, 15.7. The contents of fringe benefits were as follows; ① 14.6% of it is housing allowance. ② Contribution to the employee service facilities, employee discounts on purchases and restaurant facilities, were 19.4%. ③ Contributions to the health and hospital facilities and paying its operational expensis, 17.4%. ④ Contributions to the mutual benefit association, 3.6%. ⑤ Educational subsidies or tuition or expense payments, 2.9%. ⑥ Contributions to the recreational facilities, the rest room facilities, the vacation facilities or music club expenses, the athletic meeting expenses etc., 4.4%. ⑦ Severance pay, 32.1%. ⑧ Office expenses, 3.0%. ⑨ Others, 2.6%.

The unique personnel management system comes into general use for regular employees in the large scale companies, but for employees in the small companies and for the temporary employees in the large scale companies, we cannot usually find such a system. The worker who worked in the small scale companies and the temporary employees worked under many kinds of incentive wage plans, or rather, lower wage level and unstable employment conditions.

At the early time of Showa (1925-1935), Japanese industry was affected by the European and American movement of rationalization of industry, and Japanese government also tried to promote efficiency. The administrative systems and techniques of scientific management were recommended to the Japanese industrial world, but such a kind of system was not introduced into the main industry, because the nature of the scientific management does not fit the Japanese personnel management system. The scientific management relates one's wage or salaries to one's operation efficiency and unnecessary persons must be laid off. But in the Japanese personnel management system, wage is not always related directly to efficiency. Wage must be increased with the length of continued employment and the employment must continue to the compulsory retirement age. The nature of the scientific management comes into collision with such Japanese personnel management.

But in the spinning industry, scientific management was introduced because in this industry mechanization was highly advanced and most workers were young women who worked for rather short periods of time before their marriages.

In the periods of the wartime economy (1936-1945), there was a shortage of labor and materials, therefore, the Japanese government put into force the Wage Control Ordinance in order to prevent inflation. Therefore, the difference of wage rate between regular employees and temporary employees greatly decreased, and the monthly salary plan was widely used instead of the day rate plan.

Before this time, there was a difference in the wage payment plan according to social rank. For factory workers, the wage payment plan was the day rate plan. For the clerks in the office the plan was the monthly salary plan. But this difference disappeared and the difference between the social ranks also broke down.

On the other hand, from the nationalistic point of view, the philosophy of the Japanese family system was more strongly asserted than before, and the opinion that wages must be paid according to the needs of the household, not according to efficiency, was emphasized. Therefore, many fringe items and employee benefit plans were added. Labor unions were pro-

hibited, because the government thought that the labor movement was based on the philosophy of employee—management (capital) antagonism and such a philosophy was not permitted in the philosophy of the Japanese family system. The employees union was created in place of the labor union and this union was composed of factory workers, clerks and executives in the same company.

After the Second World War (1945—), Japanese government approved the labor union and assisted in its growth^⑤. The philosophy of the Japanese family system and the system of social ranks was abandoned. Therefore, the equal principle of labor and management was established. But most labor unions which grew from the basis of employee unions in the Second World War were labor unions organized on a company basis. Under the inflation economy, these unions demanded a rise in wage level and the improvement fringe benefit plans. The financial conditions of Japanese companies at that time usually were very bad and unions' goals were to protect their members from hunger. The unions' wage claims were to relate the wage system according to members' ages. They thought that older employees have to support a larger family and need more money. They, therefore, demanded the adoption of the seniority order wage system and the permanent employment system. They also claimed that every employee (=union member) gets the same increase in wages according to his age once a year without relating to his efficiency.

Thus, the philosophy of the Japanese family system broke down, but the traditional Japanese personnel management system continued to survive.

3. THE CHARACTERS OF PERSONNEL MANAGEMENT IN JAPAN

When we try to compare the developments of the personnel management system in Japan and in Europe and America, we can find the same course of development in their early times. That is, in early times, capitalists exploited the worker severely. Then many kinds of laws for protecting laborers from capitalists' exploitation and the labor movement grew. The personnel management system which was adopted at this stage was one of management of initiatives and incentives or a drifting management system which was composed of incentive wage plans and a contract work system. The personnel management system which was adopted at the next stage in Europe and America was the scientific management system. On the contrary, the personnel management system which was adopted in Japan at that stage was a management system based on the

^⑤ In 1949, the percentage of the number of organized laborers for all job classifications was 55.7, while in 1973, it was 33.2.

philosophy of the Japanese family system, especially on the Japanese traditional commercial house system.

The main reason why such a difference was produced is, I think, the fact that Japanese people are a homogeneous race with the same language and customs. Also one of the characteristics of the Japanese nation is to have a stronger sense of a company (a party) rather than a sense of social rank or social class. This characteristic seems to affect strongly the developmental course of the Japanese personnel management system.

When we try to compare personnel management in Japan to that of Europe and America, we can say the following :

(1) In Europe and America, the foreman or supervisor has a right to employ and discharge his subordinates, and the boss — the chief clerk, the chief of a section or the head of a department — has a right to decide his subordinate annual salary. But in Japan, the foreman, supervisor and boss haven't such rights. They have only the right to recommend their subordinates' promotions or increases in salary to the personnel department.

(2) In Europe and America, wage and salary are directly related to workers' outputs or efficiency. This is natural, I think, because in a group including people of various human races, there is only the wage or salary as a common incentive or inducement between its members. The calculation of wage has to become so rigid that wage per minute is calculated.

On the contrary, in a group which is composed of people of one race, the understanding of its members of various inducements (financial inducements and nonfinancial inducements) are alike. Various inducements other than wage are used to motivate its members through the operation of the Japanese personnel management system based on the traditional family system. Recently in Japan, the employment of part-timers has become popular and they are paid by the hour. The traditional wage is a daily wage or a monthly salary system. Furthermore, most of the total wage for a worker is a part of the seniority order wage and payment by results is a rather small part. The performance appraisal system in Japan also takes a serious view of the employees' personalities in addition to their performances.

(3) In Europe and America, the range of the job function for each employee is clear, in Japan the range of a department function or a section function is clear, but the range of the job function for each employee is not clear. The latter range is not so strict and can be moved by an able man who is able to help a co-worker's operation. When workers have some free time, they help each others' operations and try to increase the efficiency of the whole business enterprise. This mutual assistance of

employees can be easily done by people of the same human race who have the same way of thinking and the same customs. People can assist voluntarily without many mistakes, I think. If the group of workers, which is composed of various kinds of human races whose way of thinking is different, would work without clear definition of each job function, and every worker would assist in others' operations voluntarily, some unnecessary confusion or conflict might occur. Therefore, in such a group of workers, the range of job function must be clearly defined.

(4) In Europe and America, when the number of workers was larger than the necessary number needed for the amount of work, the unnecessary workers would be laid off. If the firm is the place of work only, such treatment for workers is natural. Therefore the worker creates the occupationally-classified trade unions or industrial unions.

But in Japan, the firm does not lay off its employees and when the number of workers was larger than the necessary number, the firm would create some jobs for excessive workers. Only when the firm was on the brink of bankruptcy, the firm would dismiss the excessive workers. The Japanese employers consider that they have the responsibility for their employees to guarantee their livelihoods. The workers also regard the firm not only as a place of work, but also as a place of life. And they create a trade union organized on a company basis and the workers have a strong loyalty to their firm. The industrial union or the occupationally-classified trade union has difficulty growing in Japan.

(5) In European and American firms, the daily administrative plans of the firm are planned, in most cases, by supervisors or bosses, therefore the chief communication is communicated from top to bottom. On the contrary, in Japan, the referral and clearance system is very popular, so the most part of the daily administrative plans are created by the bottom members or subordinates and the supervisors or bosses approve them afterwards. Therefore the amount of communication from bottom to top is fairly large.

(6) The European and American supervisors' and bosses' leadership are supported largely by the dismissal right or the wage decision right for their subordinates. But Japanese supervisors or bosses haven't such a right, so their leadership must depend on their personal character (virtue) or their humanity. They always take care of their subordinates and their families and motivate their subordinates by their kindness or humanity.

4. CONCLUSION

I suppose that as Japanese industrialization and internationalization will further progress, the future Japanese personnel management will move

on toward the European and American personnel management system.

On the contrary, the European and American personnel management tend to move on toward the Japanese style owing to the necessity of making the workers continuous employment and to motivate them to work voluntarily. For instance, we can find such a phenomena in the following recent affairs ; the extraordinary increase of fringe benefits or employment ; workers' claims for permanent employment ; recent disorder of the principle of equal pay for equal work because of the popularization of the large wage drift system ; the recent independent movement of shopstewards, that is, they move independently for their members without the instruction of upper organization.

Therefore, the great difference which we can find between the Japanese personnel management system and the European and the American personnel management system will disappear in the future. There will be, of course, some certain differences between them, its degree and character will depend upon the human character which composes the firm.