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# Changes in Japanese-style Management Considering Gender Perspectives: Focus on the Financial Industry

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## Abstract

This study focuses on the changes occurring in Japanese-style management, especially personnel management in the financial industry, from gender perspectives. The financial industry is a representative industry for Japanese-style management and is infamous for its career achievement gap between men and women, in particular because of its use of gender-based personnel management. The case studies focus on three business categories in the financial industry: megabanks, regional banks, and credit unions and cooperatives.

This study offers two approaches to improve Japanese-style management to better harness women's abilities: "efficient management" and "the instability of the male workforce." Accordingly, this study uses two indicators for analyzing the ability of personnel management to include more women in the workforce: "job enlargement" and "the proportion of women in management positions."

The factors of "efficient management" and "the instability of the male workforce" make it advisable to change Japanese-style management to a gender-neutral one. Megabanks intend to promote Diversity Management as part of their business globalization process, and accordingly aim to achieve numerical targets for women managers. The current labor shortage has motivated credit unions and cooperatives to seek a new business model that focuses on female entrepreneurship. On the other hand, regional banks continue to utilize a career tracking system based on gender because they rely on a strong business foundation in their regional economies.

## Key Words

Japanese-style management, gender-based personnel management,  
career tracking system, exhibiting women's abilities, financial industry

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## 1. INTRODUCTION

This study focuses on the changes occurring in Japanese-style management, especially personnel management in the financial industry, from gender perspectives. The Japanese government, led by Shinzo Abe since 2012, has pursued the revitalization of the Japanese economy. It has stressed that the active participation of women in the labor force, and particularly in managerial positions, is central to economic growth. The financial industry is a representative industry for Japanese-style management and is infamous for its career achievement gap between men and women, in particular because of its use of gender-based personnel management.

This study offers two approaches to improve Japanese-style management to better harness women's abilities. Herein, these are referred to as "efficient management" and "the instability of the male workforce." The "efficient management" approach highlights the fact that if a company recognizes that Japanese-style management has become old-fashioned, it should aim to update its management practices to those which are more efficient in dealing with present circumstances. Second, as Japanese-style management assumes longtime employment exclusively for men, the term "the instability of the male workforce" refers to the need for a company that is facing a lack of stability in such a predominantly male workforce to expand its pool of potential employees. Accordingly, this study uses two indicators for analyzing the ability of personnel management to include more women in the workforce. These indicators are referred to as "job enlargement" and "the proportion of women in management positions."

The case studies focus on three business categories in the financial industry: megabanks, regional banks, and credit unions and cooperatives. Interview-based surveys were conducted at Keidanren (a Japan Business Federation), the Japanese Bankers Association, the Regional Banks of Association of Japan, The Second

Association of Regional Banks, The National Association of Shinkin Banks, and the Community Bank Shinyo Kumiai.

## 2. ISSUES REGARDING JAPANESE-STYLE MANAGEMENT

During the 1970s and 1980s, Japanese-style management, particularly personnel management, was seen as one of the keys to understanding the success of Japanese companies. After the Great Recession of the 1990s, Japanese companies were obliged to change their management system, as its inefficiency made it unsuitable for Japanese society and the global economy.

Japanese-style management is generally known for three main characteristic management practices: lifetime employment, seniority-based wages and promotions, and enterprise-based unions. These three practices were identified by Abegglen in his book (Abegglen 1958).

First, lifetime employment refers to the practice that employees work within one company, or companies within a group, throughout their working lives. Companies make plans for recruitment, training, and transfer that assuming lifetime employment at the company. In this way, companies are less interested in short-term profits and are more concerned with long-term financial health (Vogel 1979). Lifetime employment is limited to male employees in large companies and women are expected to leave their jobs after their marriage and/or pregnancy. Second, seniority-based wages and promotions means that employees must start from the bottom only and step up based largely on seniority. It is assumed that the number of working years is what allows employees to have the experience and knowledge to be good managers. Early in the career, there are no promotion or wage differences. Womack and others have highlighted the differences between Japanese and Western management. In Japan, the focus is on community, whereas in the West there is a focus on careers (Womack etc. 1990). Third, enterprise-based unions are single company unions that both white- and blue-collar employees belong to. The management and employees are closer together in the relative value they place on efficiency, and on up-front investment for later reward. Furthermore, in dealing with matters of safety or the work environment, conflicts are less and efficiency is more (Dore 1973).

For a long time, despite its disadvantages, Japanese-style management benefited both the company and employees. For the company, it seemed cost efficient because it ensured employee loyalty. In return, employees gained job security, albeit in exchange for mobility.

Furthermore, gender differentiation embedded itself in Japanese-style management.

This management style contains a gender-based personnel management element, i.e., there is a mutually complementary relationship between men and women employees in their careers. Workplaces uphold rigid gender-based job segregation because typical gender roles are embedded within personnel policy (Kimoto 2005). In practice, the workforce in a seniority system needs to be thinned out at the top and expanded at the bottom. Japanese companies consider gender-based job segregation an absolute necessity to achieving this (Kumazawa 1996). Figure1 indicates that men have routes toward higher jobs, wages, and status in the seniority system. Women usually take routine work and are likely to leave their jobs after a short period. Thus, Japanese-style management is considered to be economically rational by advocates of gender-based personnel management.

Large companies, such as banks, have introduced a career tracking system and have reinforced this gender-based differentiation of job and career opportunities. The career track (*sogoshoku*) includes significant investment in human capital with job rotation and offers the chance for promotion. It is filled almost exclusively by men. The non-career track (*ippanshoku*), in contrast, is predominantly filled by women, and usually includes less demanding jobs, with little chance for promotion and less investment in human capital (Komagawa 2007).

Table1 shows some basic data highlighting the differences between male and female employees. It indicates that women occupy 8.3% of managerial positions. Table2 demonstrates that the average income among women is lower and slower to grow in comparison with that of men. Japan's ranking in the Global Gender Gap is 104<sup>th</sup>, as Table3 shows.

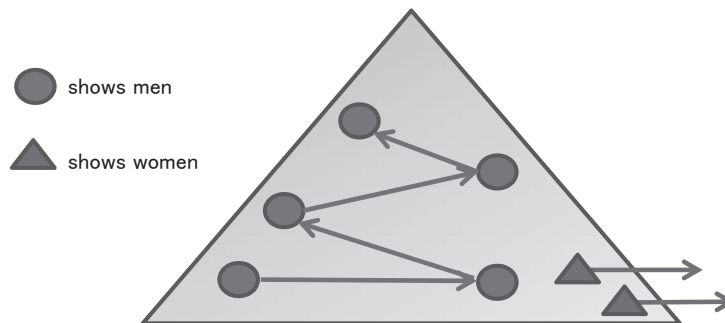


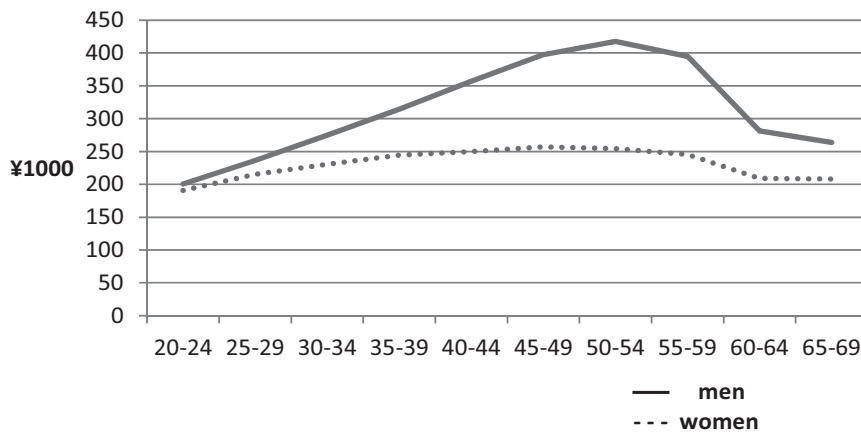
Figure 1 Career route between men and women

**Table 1** Figures of men and women employees

	Men	Women
rate of regular employee	78.2%	43.3%
average of length service	13.5years	9.3years
ratio of managers*	91.7%	8.3%

\* section manager up

Source: Labour Force Survey (2014)

**Table 2** Monthly income by age-group**Table 3** Global Gender Gap Ranking (142 countries)

	Overall	Economic Participation and Opportunity	Education Attainment	Health and Survival	Political Empowerment
Iceland	1	7	1	128	1
Philippines	9	24	1	1	17
Germany	12	34	34	67	11
U.S.A.	20	4	39	62	54
Japan	104	102	93	37	129

Source: The Global Gender Gap Report 2014

### 3. FACTORS AFFECTING JAPANESE-STYLE MANAGEMENT

After the Great Recession of the 1990s, Japanese companies adapted their personnel practices to varying degrees to address the changing economic environment. Some factors that have forced companies to change include increased competition from the global economy, the growth of information technology, rising labor costs for aging employees, and labor shortages due to the declining birthrate, among others.

Studies have shown that many companies continue to see lifetime employment as useful for maintaining employee loyalty and ensure a stable workforce. The majority of companies have tried to maintain the lifetime employment system by shifting their emphasis from a seniority-based to a merit-based system (Firkola 2006).

However, this trend is insufficient to understand the reasons for the persistence of current personnel management practices in Japanese companies. In seeking to promote change, the International Monetary Fund (IMF) has reported that Japan should (1) increase the number of career track female employees, and (2) provide support for working mothers (IMF 2012). Furthermore, the Japanese government has reported that it is essential for the “power of women” to be fully utilized to stimulate economic growth (The Japanese Government 2013). The Japanese government has announced a set of measures that are designed to (1) support a balance between work and family life, (2) promote women managers and boost women’s ability to demonstrate their abilities in their work. There are many strategies that businesses can employ, for example, transparency (the Cabinet), Diversity Management Selection 100 (Ministry of Economy, Trade and Industry), Nadeshiko brand (Ministry of Economy, Trade and Industry with Tokyo Stock Exchange, Incorporated), and positive action (Ministry of Health, Labour and Welfare). These strategies demonstrate that management can take advantage of many efficient tools to promote active participation by women (Komagawa 2014).

The Japanese government’s policies seek to make companies aware that gender-based personnel management is irrational. Policies promoting active participation by women seem to be an important factor that can lead companies to change from a Japanese-style of management to a more progressive one. Thus, a gender-aware perspective is required to analyze recent changes in Japanese-style management.

### 4. RECENT TRENDS in PERSONNEL MANAGEMENT in THE FINANCIAL INDUSTRY

This study focuses on the financial industry. The financial industry is a

representative industry for Japanese-style management and is infamous for its career gap between men and women due to its use of gender-based personnel management.

The financial industry can be classified into three main categories: megabanks, regional banks, and credit unions and cooperatives. They differ in terms of aim (profit vs. nonprofit), market area (international, regional, or local), and the nature of business as defined by laws. Megabanks have many branches inside and outside of Japan and cover a wide range of business areas including M&As. Regional banks usually operate below the prefecture level and have a role as designated banks by local governments. Credit unions and cooperatives are regional financial institutions that operate within limited geographic areas. They are cooperative organizations for small- and medium-sized enterprises and individual residents. Table 4 presents figures regarding female employees in the financial industry.

**Table 4 Figures of women employees in the financial industry**

	Megabanks	Regional banks**	Credit unions**	average of all industry(2014)
ratio of women employees	43.4~46.2%*	37.5%	33.5%	32.8%
average of length service	10.9~12.9years (men:16.7~18.1yrs)*	11.8years (men:17.7yrs)	NA	9.3years (men:13.5yrs)
average of age	33.3~35.3years old (men:40.3~41.6yrs old)*	NA	31.2years old (men:41.6yrs old)	40.6years old (men:42.9yrs old)
ratio of women among managers	12.1~16.2%	3.5%	1.7%	8.3%

\*Figures are financial group including megabank(2014).

\*\*Figures of Regional banks(2013) and Credit unions(2010) are average of group.

Source: Basic Survey on Wage Structure, Disclosures and internal documents.

Interview-based surveys were conducted at Keidanren (a Japan Business Federation), the Japanese Bankers Association, the Regional Banks of Association of Japan, The Second Association of Regional Banks, The National Association of Shinkin Banks, and the Community Bank Shinyo Kumiai. Data was collected from November 2013 to September 2014.

This study offers two approaches in favor of changing Japanese-style management to harness women's abilities. As mentioned above, these include "efficient management" and "the instability of the male workforce." "Efficient management" implies that a company should aim to update its management practices to those that are more efficient in dealing with present-circumstances if it recognizes that Japanese-style management has become old fashioned. Above, it was mentioned that gender differentiations are embedded in Japanese-style management and can seem



economically rational. However, innovative companies have proceeded to implement efficient management practices under the governance of stockholders and have treated women as important human resources (Kawaguchi 2008). In this manner, this study finds “efficient management” as one of the changing factors. Second, the term “the instability of the male workforce” refers to the need for a company facing a lack of stability in such a predominantly male workforce to expand its pool of potential employees. Japanese-style management introduces a system of simultaneously recruiting new graduates and assuming longtime employment exclusively for men. Because of the declining birthrate, however, it is becoming difficult to secure sufficient numbers of male employees. Thus, “the instability of the male workforce” is an adequate explanation as a contributing factor to this change.

Accordingly, this study uses two indicators for analyzing the ability of personnel management to include more women in the managerial and skilled workforce. These indicators are titled “job enlargement” and “the proportion of women in management positions.” The Japanese government has set numerical targets for female managers or leaders at 30% by 2020. To be promoted, it is essential to accumulate experience and knowledge of various positions within a company, as Japanese-style management has a practice of internal promotion. The indicators of “job enlargement” and “the proportion of women in management positions” are suitable for analyzing the need to exploit women’s abilities.

#### **4.1 Megabanks**

Megabanks have numerous branches both inside and outside of Japan. They cover a wide range of business areas including three main areas of the banking business: deposits, loans, and exchanges. Recently, this has expanded, in many cases, to include M&As, derivatives, and other areas. After the collapse of Japan’s economic bubble, megabanks proceeded to expand into the investment businesses for individual customers and overseas businesses.

Megabanks make good use of the Japanese government’s policies for promoting active participation by women. Personnel management styles have changed from gender-based to gender-neutral. This is because they intend to promote Diversity Management stemming from business globalization and the need for increased sophistication about investment businesses that started in the mid-2000s.

Megabanks promote increased active participation by women through “job enlargement” and by increasing “the proportion of women in management positions.” “Job enlargement” entails women becoming the main sales staff of investment trusts for elders and working women. The sales staffs of investment trusts have to obtain a financial planner certification. Therefore, an early retirement by these employees means that the firm would incur serious human resource losses. In terms of “the

proportion of women in management positions,” it totaled around 14% in 2014. This is higher than the average of all industries covered (at 8.3%).

The method for enabling women to exhibit their abilities is through “efficient management.” To be truly global banks, they must empower women, who comprise approximately 45% of their workforce. Increasing number of women continue to work after their marriage and/or childbirth. Megabanks have increasingly become aware that female employees are competent human resources.

Megabanks set numerical targets for female managers and introduce support systems to foster a balance between work and family life. For example, the Bank of Tokyo-Mitsubishi UFJ set and achieved numerical targets for promoting female employees. These targets were that 300 women employees should be promoted to line management positions, and that female managers should comprise 15% of the total managers by the end of March 2015. Currently, megabanks are trying to modify the career tracking system, which is gender-based personnel management.

## 4.2 Regional Banks

Regional banks usually operate below the prefecture level. They form a dense branch network in the regions, mainly in the prefectures where their head offices are located. They return public money to circulation as designated banks by local governments. Furthermore, they are primary banks for major companies in their respective regions. Thus, regional banks are central in local economies.

The 64 regional banks in the Regional Banks Association of Japan founded a “group of regional bank presidents who will create ‘A Society in which Women Shine’” in 2014. They announced a “Declaration of Action” stating that they will set goals regarding the promotion of women in their banks and undertake measures to achieve these goals. Claiming that different views create better values in banks, they seek to send a message about the importance of women’s contributions. These actions are responses to the Japanese government’s policies for promoting active participation by women.

However, at least in 2013, regional banks failed either to achieve “job enlargement” or to increase “the proportion of women in management positions.” Initially, 3.5% of management positions were held by women, with only 8.8% of career-track employees (*sogoshoku*) being women. This proportion of female managers is lower than the average of all industries (at 8.3%). Regional banks continue to practice gender-based personnel management under the career tracking system.

Furthermore, gender-based job segregation persists even in the career track. The most relevant job for becoming a branch manager is titled “financing for enterprise.” For example, 29.0% of men in the career track take a “financing for enterprise” job, compared with only 12.9% of women. More women in the career

track (27.8%) take a “teller and clerk” position, which is a less demanding job that is targeted at the non-career track employees (*ippanshoku*).

Regional banks continue to practice gender-based personnel management because they have not been significantly impacted by globalization pressures and have sufficient numbers of male employees for a strong business foundation in a regional economy. Thus, although regional banks have less “efficient management,” this is compensated by their facing no “instability of the male workforce” in their economic environment.

### 4.3 Credit Unions and Cooperatives

Credit unions and cooperatives are regional financial institutions operating within limited geographic areas. They are distinguished by having a mandate to serve the small- and medium-sized enterprises and the individual residents of their respective areas of operation. Credit unions and cooperatives serve their members as cooperative financial organizations. For this reason, they display a kind of public-service character and contribute to the prosperity of local society.

Credit unions and cooperatives are lagging in terms of the human resource development of women due to the financial crisis that occurred during the late 1990s. In credit unions, despite the weaker career tracking system, 1.7% of management positions are held by women. The positions of “deposit clerk,” including “teller,” are filled mainly by women, whereas the positions of “marketing staff for sales and financing” are filled predominantly by men. Workplaces exhibit rigid gender-based job segregation. Thus, credit unions and cooperatives achieve neither “job enlargement” nor an increased “proportion of women in management positions.”

The prospect of future labor shortages, however, has awoken credit unions and cooperatives to the need to support women’s empowerment. In credit unions, the largest group of employees is men in their 50s, at over 20%. Credit unions stopped recruitment after 2000 because they merged to survive the financial crisis. Thus, they are facing “the instability of the male workforce” as a force for changing from Japanese-style management and are searching for a way to shift from gender-based personnel management.

## 5. CONCLUSION

This study explores the changes in Japanese-style management, especially personnel management in the financial industry, by considering them through gender perspectives. Accordingly, this study supposes two factors that create pressure for a firm to change from Japanese-style management to approaches which

favor promoting and exploiting women's abilities. These include (1) "efficient management" and (2) "the instability of the male workforce." Two indicators which allow for the exhibition of women's abilities were identified and analyzed. These included (1) "job enlargement" and (2) "the proportion of women in management positions."

Megabanks promote the active participation by women through both "job enlargement" and increasing "the proportion of women in management positions." The method used for exhibiting women's abilities is referred to as "efficient management." Megabanks have intended to promote Diversity Management in response to increased business globalization and sophistication since the mid-2000s. Megabanks make good use of the Japanese government's policies in changing from a gender-based to a gender-neutral personnel management style. Recently, megabanks have attempted to curtail long working hours, especially for men. They aspire to utilize merit-based management, not management based on company loyalty.

Regional banks fail to achieve either "job enlargement" or an increased "proportion of women in management positions." Regional banks continue to practice gender-based personnel management under the career tracking system. This reflects the fact that, on one hand, they have not been significantly impacted by business globalization, whereas on the other hand, they have sufficient male employees to form a strong business foundation within their regional economies. Regional banks face less "efficient management," with no "instability of the male workforce" in their economic environment. Regional banks lack the provision for a labor shortage resulting from Japan's declining birthrate.

Credit unions and cooperatives have also failed to achieve "job enlargement" and an increased "proportion of women in management positions" despite the weaker career tracking system. Credit unions and cooperatives are lagging in terms of the human resource development of women because the financial crisis of the late 1990s caused them to undergo a series of mergers and employee consolidation. Consequently, they have largely not needed to hire new employees; thus, there has been little scope for them to expand the number of female employees. Nevertheless, credit unions and cooperatives realize that they must support women's empowerment because they fear a labor shortage in the future. Thus, they have been influenced by the factor of "the instability of the male workforce." Credit unions and cooperatives are seeking a new business model that focuses on female entrepreneurs and consumers living in local communities. Furthermore, this model may offer important jobs to female employees and generate changes in the gender-based personnel management system.

This study has demonstrated that the factors underlying changes to Japanese-style management, in favor of better utilizing women's abilities, are "efficient management" and "the instability of the male workforce." These pressures have

increasingly motivated companies to develop women's abilities, have more efficient management systems, and boosted awareness of women as human resources. Thus, women are a significant contributing factor in reviving Japanese companies.

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# ジェンダー視角から見る日本的経営の変化 ——金融業に着目して

駒川 智子\*\*

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