

A View of The Custom of Lifetime Employment and " Adjustments to Employee Levels."

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Contents

- I. Introduction
- II. The concept of the Custom of Lifetime Employment
 - A. Various Views
 - B. The Author's View
- III. Adjustments to Employee Levels
 - A. The Concept of Adjusting Employee Levels
 - B. The Current Situation
- IV. The Future of Lifetime Employment in Japan

I. Introduction

These days we are often told in the media that "lifetime employment is tottering". Since 1958, when James C. Abegglen's book "The Japanese Factory" was translated into Japanese (Japanese title: *Nihon no Keiei*) by Kuniyosi Urabe, research into Japanese management practices and debate by academic societies has flourished. We have witnessed a boom period in theories extolling the virtues of Japanese management. And now the Japanese economy, after periods of very high growth interspersed with minor recessions, is experiencing its worst recession since the oil crisis of 1973.

One aspect of Japanese managements that has attracted much attention is the unique “management climate” which has supported the development of the Japanese economy. It is therefore now appropriate to ask how this management climate has changed with the onset of recession.

Lifetime employment⁽¹⁾ is seen as being a characteristic feature of Japanese management. Today, in 1993, almost every day in the media there is news of “adjustment of employee levels”, and it has become a popular talking point.

In this paper my objective is to analyse the current situation regarding the custom of lifetime employment and adjustment of employee levels, and then to take a look at the probable future of lifetime employment in Japan.

II. The concept of the Custom of Lifetime Employment

A. Various Views

The concept of the custom of lifetime employment was first recognised by J. C. Abegglen in the second chapter, “The Critical Difference: A Lifetime Commitment” of his book, “The Japanese Factory - aspects of its organization”. In it he wrote⁽²⁾, “Viewing the over-all social organization of the Japanese factory, it is clear that the lasting commitment of employee and employer, by which the employer will not discharge or lay off the worker and the worker will not leave the company’s employ, is the result of and a striking example of a major difference between Western and Japanese job relationships”. Urabe translated “life-time commitment” as “*shushinkankei*”. Later expressions such as *shusinkoyo* (lifetime employment), *shushinkoyosei* (lifetime employment systems),

shogaikoyo (employment for the whole of one's life) also came to be used⁽³⁾. In a later book, "KAISHA" (1985) J. C. Abegglen said the following⁽⁴⁾, "The Japanese system of career-long employment, which applies only to men, has several key elements. First, the employee is hired directly from school, rather than from an open job market. Second, he is hired for his general characteristics and abilities, rather than for a particular skill or a particular job. Third, he is expected to remain with the company for a life-long career, and in turn expects not to be laid-off or discharged." In a joint research projects⁽⁵⁾ Hiroshi Mannari and Robert M. Marsh, citing the opinions of Robert E. Cole⁽⁶⁾ and P. F. Drucker⁽⁷⁾, rejected Abegglen's emphasis on Japanese workers' moral sense of loyalty to the company, saying, "We believe that a re-examination is needed of the view that Japan's custom of lifetime employment emanates from cultural traditions and national characteristics. In our opinion it is not only cultural factors which account for Japanese employees staying with one company; there are structural and functional factors which support lifetime employment systems." From a survey⁽⁸⁾ they carried out during 1969-70, they obtained evidence for their⁽⁹⁾ "hypothesis that an employee stays with a company because he expects that with long service will come increases in pay, bonuses and fringe benefits, promotion, enabling him to stabilise and improve his economic and social status." Mannari asserts that the main reason for the existence of lifetime employment in Japan is that it is advantageous for both management and employees.

Tsuda asserts⁽¹⁰⁾ that lifetime employment is not a norm and it is not the result of *systems* such as labour agreements and work regulations, but that it is a *custom* gradually built up as part of the Japanese management climate over many years [during the

latter part of the Meiji period (1868-1912) and the Taisho period (1912-26)]. He says⁽¹¹⁾, "It is not possible to regard lifetime employment as an employment system, or as an absolute feature of company management in Japan. It is rather a question for management philosophy and management's view of industrial relations, as to whether they should regard the custom of lifetime employment as a characteristic of Japanese management and attempt to establish it in their companies, or whether they should suspend it in order to maintain as far as possible the principle of freedom to dismiss employees."

Urabe talks of, "The lifetime employment system as an overall concept which expresses the unique nature of Japanese management and social systems," and says, "The commitment between the company and the employee is built on the premise that employment is virtually for life; various management control systems reinforce this commitment," and that it is not simply a question of long service by the worker.

He points out that under lifetime employment in Japan, labour turnover is very low. Also the fact that employees have a strong sense of belonging to the company, a strong sense of loyalty to the company, is an element central to the uniqueness of Japanese management and the formation of lifetime employment systems. Other interrelated elements are seniority-based promotion and wages systems, group orientation, and the doctrine of company welfare⁽¹²⁾.

B. The Author's View

The above views represent only a small part the vast amount written on this subject. Here I will outline my personal view of

lifetime employment. The following are I believe defining elements of the concept of lifetime employment:

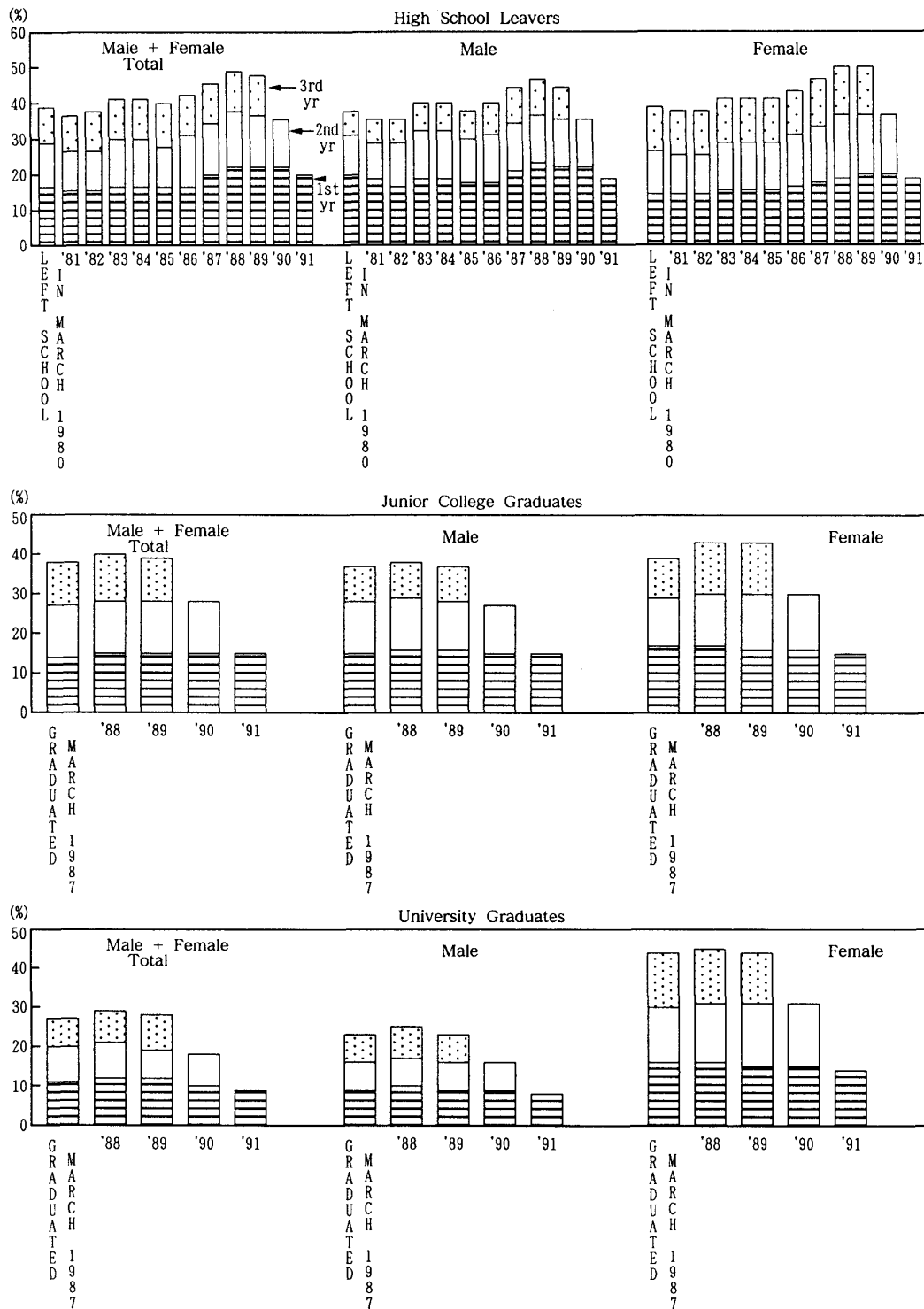
1. "Long service as the result"

Lifetime employment constitutes a state in which employees stay at a particular company for a long time. It is of course a state in which the ratio of staff retained by companies is high, labour turnover is low. In Japan, workers do not relish the idea of moving to another company (horizontal labour movement), as is shown by various statistics that have been published. However, this state is also affected by changing business trends, labour market trends.

Fig.1 shows the proportion of high school leavers, junior college and university graduates who leave companies during their first three years service. By the third year nearly half the high school leavers have moved on; this could hardly be described as a high rate of retention. Even with university graduates, about a third of them leave within 3 years. Such a high ratio leaving companies so soon would not seem to support Abegglen's view of recruitment centred on school/university leavers as being one of the supporting conditions for lifetime employment. It would seem to be more realistic to include, as lifetime employees, workers recruited midway through their careers, who then serve the company for 20 or 30 years.

From the point of view of management it is important to keep the overall capability of the organisation at a high level, so it is an excellent policy to encourage long service in order to build up work skills through experience with the work of the company. By "long service as the result", therefore, I mean a state in which expecting long service from employees is basic personnel policy, and in which employees expect appropriate rewards as a result of

Chart 1 Proportion of School/University Leavers Recruited who Leave Company within Three Years



Source : Ministry of Labour White Paper 1993 p. 158

long service, *with the result* that long service is actually achieved. It is difficult to assert that such policies are peculiar to Japan, they are in fact seen widely in Europe and America. However overall staff turnover is lower in Japan than in other countries.

2. "The policy of not discharging employees"

Another defining element of the lifetime employment concept is the policy of not discharging employees unless there are exceptional circumstances. The problem here is what constitutes "exceptional circumstances". When economic conditions are favourable it is likely that there will be insufficient labour available, so that staff are only discharged if they commit some offence for which the punishment is dismissal. Unfavourable economic conditions like those prevailing at the current time, however, put companies into a difficult position. If they have excess labour they may have to carry out some adjustment to keep the company out of the red. Hence there are some companies which have been forced to dismiss employees in such "exceptional circumstances" in order to keep the company in business. Thus the interpretation of this principle of not discharging staff depends greatly upon the circumstances facing individual companies.

This policy does not mean that employees will never, provided they behave correctly, be discharged. It is more realistic to see management's basic approach as being that staff will not be discharged unless the company is in an extremely difficult situation.

Hence a definition of lifetime employment based on the above might be;

"Lifetime employment is a commitment in which the basic approach for both management and employees is that the latter, having joined the company, should serve it as long as possible. The commitment incorporates a tacit agreement that unless the company is in an exceptionally difficult situation the question of discharging

employees will not even arise. Lifetime employment is not a system which must be defended at all costs, but rather a custom, the purpose of which is to utilise the human resources of the company to the full.”

III. Adjustments to Employee Levels (Koyo chosei)

Although everyone recognises that lifetime employment is one of the characteristic features of Japanese management, there appears to be no clear universally-accepted definition of the concept of lifetime employment, just a surprisingly vague commonly-held perception of what it is. “Adjustments to employee levels” is an important element in any consideration of lifetime employment customs. This expression is not new to the present “post-bubble” period. It was used during discussions in the recession brought about by the high value of the yen in 1986⁽¹³⁾. This time, however, it is heard much more often during discussions on the state of the economy. In its “*Ashita e no Kaze*” (What tomorrow may bring) column on January 4th 1994, the Asahi newspaper published several articles on redundancies and transfers under the title “Will lifetime employment be discarded?”. Television, newspapers, and magazines are all bringing out frequent reports on the employment situation. This is the first time since the start of the high growth era in 1956 that there has been significant anxiety about employment prospects. It may be that the time has come for a revision of the custom of lifetime employment. Here I will first discuss the concept of adjusting employee levels, and then the current situation.

A. The Concept of Adjusting Employee Levels

Adjustment of employee levels is an expression used to describe

Chart 2 Changes in Circumstances facing Major Companies and Their Measures to Adjust Employment Levels

Sector	Business Conditions for Sector			Feelings on Employment Levels		Status of Adjustment to Employment Levels											
	Present (Aug. 1993)	Compared with last time (April 1993)	Forecast for 6 mths. hence (Feb. 1994)	Feelings on Present Level	Comparison between current feeling and feeling last time	① Restriction of overtime	② Reduction in number of working hours/days	③ Internal Transfers	④ Reduced Recruitment of School/University	⑤ Transfers to other companies	⑥ Stop taking on extra/seasonal workers	⑦ Reduce/Stop recruitment of mid-career workers	⑧ Temporary Leave, Temporary Shutdowns	⑨ Seek voluntary redundancies retirement	⑩ Encourage redundancies, retirement	⑪ Compulsory redundancies	
Construction (17 Cos.)	Slightly gloomy	Virtually unchanged	Virtually unchanged	Appropriate	Virtually unchanged	▲ ▲	△ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲	▲ ▲			
Steel (5 Cos.)	Bad	Worse	Worse	Excessive	Slightly more excessive than before	◎ ◎	◎ ◎	◎ ◎	◎ ◎	◎ ◎	▲	○	▲				
Machine Tools (14 Cos.)	↑	Slightly worse	Virtually unchanged	↑	↑	◎ ◎	○ ○	○ ○	◎ ◎	○ ○	◎ ◎	◎ ◎	○ ○	▲ ▲	▲ ▲		
Electrical (55 Cos.)	Gloomy	↑	↑	↑	↑	◎ ◎	▲ ▲	◎ ◎	◎ ◎	○ ○	○ ○	◎ ◎	▲ ▲	▲ ▲	▲ ▲	▲ ▲	
Automobiles (23 Cos.)	Bad	Worse	↑	Slightly excessive	↑	◎ ◎	△ ▲	○ ○	○ ○	○ ○	◎ ◎	◎ ○					
Dept. Stores (22 Cos.)	↑	Virtually unchanged	↑	Appropriate	Virtually unchanged	◎ ◎		○ ○	○ ○	▲ ▲	○ ○	○ ○					
Clothing (6 Cos.)	↑	Slightly worse	Slightly worse	Slightly excessive	Slightly more excessive than before	○ ○		△ ○	◎ ◎	▲ ▲	▲ ▲	◎ ○					
Information (20 Cos.)	↑	Virtually unchanged	Virtually unchanged	↑	↑	◎ ◎	▲	○ ○	◎ ◎	△ △	△ △	◎ ◎	▲	▲	▲ ▲	▲ ▲	

KEY
 ◎ = Carried out by most of the companies surveyed.
 ○ = " " " about half.
 △ = " " " some.
 ▲ = " " " a small proportion.

Note
 The upper symbol indicates the situation as of Aug. 1993, the Lower symbol the expected situation in Feb. 1994.

Source : Results of interview survey of 8 major industrial sectors in August 1993, by Employment Security Bureau, Ministry of Labour.

the various methods of adjusting the number of staff actually employed to match the number required. Chart 2 shows the results of a Ministry of Labour survey of how companies felt about their employee level adjustment needs in August 1993. It shows that companies in many sectors believed they had too many employees, and hence were faced with the necessity of reducing their staffing levels.

There are 11 methods of achieving adjustment mentioned in this survey, ranging from 1, restrictions on overtime, to 11, making permanent staff redundant. We can categorise these methods into the following 3 stages:

First Stage - reduction of hours worked by restricting overtime

- reduction in number of hours/days worked
- internal transfers

Intermediate- reducing intake of permanent staff

Stage

- reducing/stop taking on extra/part-time workers
- not renewing contracts of/dismissing extra/part-time staff
- not renewing contracts of employees dispatched by outside employment agencies
- temporary leave/shutdowns

Final Stage - transferring staff to other companies

- early retirement with preferential conditions
- voluntary redundancies
- compulsory redundancies

The first stage methods have often been used in Japan. These are the mildest of the measures available and do not give the employees any strong feeling of anxiety about their jobs. The

intermediate stage group consists of reducing recruitment, or not renewing contracts. This is generally achieved by not filling vacancies that arise, and internal transfers. These measures give the employees a fairly strong feeling of anxiety about their jobs. The final stage involves actually discharging employees from the company. Transferring staff to other companies and early retirement systems have been resorted to by many companies in Japan. Voluntary and compulsory redundancies constitute the last resort, and these create an atmosphere of crisis in terms of fears about jobs.

B. The Current Situation

In August 1993 the Employment Security Bureau's Employment Policy Division (at the Ministry of Labour) carried out a national (interview) survey. All of its Public Employment Security Offices selected about 2 of the major companies under their jurisdiction, making a total of 1,001 companies, and asked them about the measures they had taken/planned to take in future. The results of the survey are summarised in Chart 3. From these results the following points emerge:

1. First stage adjustments

The companies which have already restricted overtime and increased leave are not intending to take these measures any further in the future. Instead they intend to make more use of other methods, such as increasing the number of transfers.

2. Intermediate stage adjustments

The proportion of companies dismissing or not renewing contracts of extra/seasonal, part-time workers will increase from 9.6% to 12.1%. The proportion reducing or stopping recruitment of mid-career staff will hardly change (future 37.1%) from its already

Chart 3 Current Implementation Status of Adjustment to Employee Levels (Already implemented and planned)

①Present

(Unit: %)

SECTOR	Will carry out	Employee Level Adjustment Methods(Multiple Replies)								Will not carry out
		Overtime restriction	Increased leave	Dismissal/ Not renewing contracts of extra/seasonal, part-time workers	Reduce, stop recruitment of mid-career workers	Internal Transfers	Transfers to other companies	Temporary Shutdowns	Voluntary/ Compulsory Redundancy	
Total for all sectors	59.9	44.9	11.3	9.6	37.0	21.6	11.4	7.6	1.5	40.1
Construction	20.0	12.0	12.0	4.0	8.0	12.0	4.0			80.0
Manufacturing Total	62.5	47.4	11.7	9.9	38.1	22.9	12.1	8.5	1.6	37.5
Foodstuffs	23.3	11.7	6.7	3.3	15.0	5.0				76.7
Textiles	72.0	54.0	28.0	18.0	36.0	24.0	20.0	22.0	4.0	28.0
Clothes	45.9	31.1	12.2	5.4	25.7	13.5	2.7	8.1		54.1
Iron & Steel	88.6	74.3	17.1	14.3	34.3	37.1	40.0	22.9		11.4
Metal products	52.6	44.7	26.3	10.5	36.8	13.2	2.6	10.5	2.6	47.4
General machinery	68.5	57.5	5.5	11.0	46.6	26.0	17.8	9.6	1.4	31.5
Electrical machinery	68.8	54.8	8.0	6.5	44.2	28.6	14.6	4.5	2.5	31.2
Transport machinery	76.2	61.4	15.8	20.8	51.5	31.7	13.9	5.9	1.0	23.8
Precision machinery	78.0	65.8	10.5	10.5	52.6	34.2	18.4	10.5	5.3	22.1
Wholesale/Retail										
Restaurants/Pubs	47.9	33.3	10.4	12.5	43.8	12.5	8.3		2.1	52.1
Service Ind.	43.8	18.8	6.3	3.1	21.9	9.4	3.1	3.1		56.3

②Future

SECTOR	Will carry out	Employee Level Adjustment Methods(Multiple Replies)								Will not carry out
		Overtime restriction	Increased leave	Dismissal/ Not renewing contracts of extra/seasonal, part-time workers	Reduce, stop recruitment of mid-careers workers	Internal Transfers	Transfers to other companies	Temporary Shutdowns	Voluntary/ Compulsory Redundancy	
Total for all sectors	60.5	44.6	10.6	12.1	37.1	24.2	13.2	8.3	3.1	39.5
Construction	20.0	8.0	4.0	4.0	12.0	8.0	4.0	4.0		80.0
Manufacturing Total	62.7	47.7	11.4	12.1	38.1	25.2	13.7	9.1	3.4	37.3
Foodstuffs	26.7	11.7	8.3	1.7	15.0	6.7	1.7			73.3
Textiles	70.0	52.0	22.0	12.0	38.0	22.0	18.0	24.0	4.0	30.0
Clothes	47.3	33.8	13.5	8.1	27.0	12.2	1.4	12.2	5.4	52.7
Iron & Steel	88.6	65.7	11.4	14.3	34.3	25.7	34.3	22.9		11.4
Metal products	60.5	44.7	10.5	5.3	36.8	21.1	10.5	18.4	2.6	39.5
General machinery	69.9	61.6	6.8	13.7	46.6	42.5	24.7	12.3	2.7	30.1
Electrical machinery	67.8	55.8	7.5	12.1	42.7	31.7	14.1	3.5	2.5	32.2
Transport machinery	79.2	59.4	13.9	26.7	49.5	29.7	17.8	6.9	5.9	20.8
Precision machinery	63.2	60.5	10.5	7.9	52.6	28.9	15.8	15.8		36.8
Wholesale/Retail										
Restaurants/Pubs	62.5	22.9	8.3	12.5	27.1	16.7	8.3			37.5
Service Ind.	46.9	18.8		15.6	37.5	15.6	12.5	6.3	3.1	53.1

Note: The figures (in the middle 8 columns) show the percentage of companies which carried out/will carry out these measures.

Source: Results of (interview) survey carried out in August 1993 by Public Employment Security Offices throughout Japan, on behalf of the Ministry of Labour's Employment Security Bureau.

high level (37.0%). The proportion carrying out temporary shutdowns⁽⁴⁾ is set to increase from 7.6% to 8.3%.

3. Final stage adjustments

Transfers of staff to other companies will increase from 11.4% to

13.2%, a high level. The proportion carrying out the most dire measures, voluntary/compulsory redundancies is still low, 1.5%, but is set to double to 3.1%.

Next I will discuss the nature of some of the methods currently being used.

1. Internal transfers

The usual (ie. not for the purpose of adjusting employment levels) type of internal transfer is job rotation, carried out in order to develop the skills of the staff, or transferring an appropriate member of staff to a vacancy that has arisen. In Japan rotation is carried out about once to twice a year, or more if necessary. In contrast, most transfers for adjusting employee levels consist of transferring staff from indirect divisions to direct divisions with the objective of reducing indirect labour costs. Chart 4 shows some actual examples of transfers announced in recent

Chart 4 Recent Examples of Internal Transfers

	Company Name	No. of staff transferred	From which to which division	Reason	Objective	Adjustments already carried out/planned
May. 24th 1993	Ajinomoto	Aim is 100 this summer	Head Office Indirect → Sales/Production	Fall in consumption	Make decision-making quicker/more efficient, improve productivity	Reduce by 100 to 700
Aug. 6th 1993	Sumitomo Trading	100 to 150 (15%)	Indirect → Sales (under 40 yrs old)	Recession	Slim down indirect division, improve sales set-up	
Aug. 6th 1993	Kanematsu Trading	Nearly 60 by next spring (17%)	→ sales			Transfer staff to related companies
Oct. 6th 1993	Japan IBM	2,500 by Jan.1994 (over 10%)	Production etc. → Service/Software	Worsening company results	Reduce operating costs	Ask for volunteers for early retirement among staff in their fifties. 600 volunteers had come forward by Nov.1992 (extra redundancy pay awarded)
Oct. 11th 1993	Seiko Epson	900(12%) over 6 months	Indirect → Production/Sales	Poor sales of personal computers	Slim down Admin. departments	Transfer staff to other companies
Oct. 15th 1993	Kanebo	122			Rationalisation	340 people retired
Oct. 16th 1993	Amada	100	Head office Technical /Managerial → Provincial Sales	Poor sales. Worsening financial situation	Slim down management division.	Transfer staff to other companies and reduce numbers recruited (from about 80 to 20 people)

Note : The author has produced this chart from articles in the *Nihon Keizai Shinbun*.

months.

2. Temporary leave/shutdowns

Temporary leave is, as I explained earlier, somewhat different in nature to lay-offs in Northern America. Its objective is to reduce the level of operations and hence labour costs. Some examples are shown in Chart 5. Many companies have also carried out temporary shutdowns during previous recessions. Also there have been

Chart 5 Recent Examples of Temporary Leave

	Company Name	Nos. of staff involved	Period	Previous case of temporary/Leave	Wage	'Divisions' involved	Other Adjustments
April. 7th 1993	Minolta	6,700 (All Staff)	12 days/ 6 months (April-Sept.)		20% cut		
Sept. 29th 1993	4 large steelmakers	under investigation		1986-7 (Recession caused by high value of yen) 1-3 days/month	¥9040/day	All divisions (planned)	Transfers to other companies Reducing recruitment
Sept. 29th 1993	NKK	Abotu 2,400	1 or 2 days/ month alternating (for at least 6 months)			Managerial staff	
Oct. 7th 1993	OKK		14 days/6 months (until March next year)	12 days/April~Sept.			Transfers to other companies: period was 1 year from Oct 1992, now extended to March next year.
	Shonen Kosaku		29 days/ Sept 21st~Nov.30th	18 days/Jan.~Sept.			
Oct. 12th 1993	Shinnittetsu	All staff	2 days/month (Nov. onwards)	Dec.1986~July 1989, all staff	Allowance paid to 80% of staff.	Includes managerial staff	
Oct. 13th 1993	Yamaha			Feb, May 1993			
	Kawai Musical Instruments		5 days/4months (Oct.18th-Jan. '94)	Feb, May 1993			
Oct. 13th 1993	Iwaki Glass	130 (about 20%)	4days/1month× 3months Nov.21st onwards		95%	Managerial staff, Non-union members	
Oct. 26th 1993	Nissan	2,100	2 days/November	During 1st oil crisis in 1974	90%		
	Mazda	2,500 = nearly all the staff	2 days/November	5 days in 1975	90%		
Oct. 28th 1993	Miyano		4-day working week				
	Tsugami		7~8 days/month	Up till now almost 3 days/month			Increase length of Christmas shutdown from 1 to 2 weeks
Oct. 29th 1993	Nissan Diesel	About 1,400	2 days/December			Large truck assembly line	Reduce by 600 by end of 1995 the number of staff (currently 4,000) in indirect divisions. Methods-transfer to other cos., reduce recruitment.

Note : The author has produced this chart from articles in the *Nihon Keizai Shinbun*

temporary cuts in wages varying from 5% to 20%.

3. *Shukko* - Transferring staff to other companies (subsidiaries etc.)

This option has two forms, *Zaiseki Shukko* - where staff are temporarily transferred staff to other companies but retain their employee status in the company, and *Iseki Shukko* - where staff are actually released by the company to be employed by the other

company.

According to a 1993 survey of employment management, 95.5% of the 5,000-plus employees companies questioned were carrying out Shukko. 95.2% were carrying out *Zaiseki Shukko* and a very high 50.1% were carrying out *Iseki Shukko*. *Iseki Shukko* is a measure which makes the older staff in large companies extremely anxious. It is in reality a combination of discharging staff and passing the buck to other companies, and it tantamount to early retirement. This can be seen from Chart 6 which shows the objectives of carrying out *Shukko*. Three of the reasons or objectives - to get around the shortage of executive positions available 23.2%, to reduce excess staff 23.0%, and to ensure that the staff involved can continue working after they have reached official retirement age 29.4% - are in effect passing the buck to other companies.

Chart 6 Objectives of Transferring Staff to Other Companies

		(Multiple replies)									(%)
Age Groups	Proportion of companies which replied	Because other company has not enough staff	To develop the skills of the people being transferred	To give managerial guidance/introduce new technology to other company	To strengthen relationship with company they are transferred to	To found a new company for purpose of diversification	Because there are insufficient executive positions available	Policy to reduce excess staffing levels	To ensure employment after retirement age	Others	
TEMPORARY TRANSFER	Young. (29 or less)	(55.0) 100.0	48.7	44.2	24.1	28.7	17.6	0.3	6.2	4.8	
	Middle-aged (30 to 49)	(62.8) 100.0	49.2	26.7	43.2	37.5	20.4	3.9	6.3	5.3	
	Older (50 or over)	(32.2) 100.0	38.8	9.7	42.1	35.0	25.6	10.1	15.6	7.6	8.2
PERMANENT TRANSFER	Young. (29 or less)	(22.0) 100.0	60.7	4.9	11.8	3.9	21.1	29.0		7.2	
	Middle-aged (30 to 49)	(27.0) 100.0	44.7	10.2	23.2	18.2	38.6	9.2	10.0	17.1	
	Older (50 or over)	(693.) 100.0	48.8	5.5	41.0	38.8	15.5	23.2	23.0	29.4	4.2

Notes :

1. "To ensure employment after retirement age" - staff are transferred before they reach retirement age, and they can continue working beyond that at the company they move to.
2. The figures in brackets represent the proportion of the companies carrying out temporary/permanent transfers who replied regarding their objectives.

Source :

1993 Survey of Employment Management by Industrial Labour Surveys Dept. in the Labour Policy Bureau at the Ministry of Labour.

4. Voluntary and compulsory redundancies

With the former, volunteers for redundancy are sought among a particular group, so that unlike compulsory dismissal it does not involve coercion, and it is being used widely because in the Japanese company climate this softer approach is much more acceptable. Nevertheless, in the current recession compulsory redundancies are not uncommon, and the dismissal of supervisory staff aged 45 and above has created a social problem. Telephone helplines have been set up by the Nihon Rodo Bengodan (The Labour Defence Council of Japan) and various local public bodies to help these people solve the problems they face.

Chart 7 Recent Examples of Voluntary Redundancies

	Company Name	No. of staff who have agreed to volunteer	No. of volunteers as a proportion of total no. of staff	Period during which volunteers were sought	Groups of staff approached	Conditions of redundancy
Jan. 21st 1992	Sansui Denki	150 maximum	1/3	Feb.17th~28th Left co. on March 31st		
	Iwasaki Tsushinki	640	27%	Early Feb~end of Feb.		
Feb. 6th 1993	Minolta Camera			Feb.1st~15th	1,700 staff aged over 40, with 20 or more years service	24 months pay→rate = maximum basis they received in their forties
Apr. 27th 1993	Japan Air-Lines			2months-June, July	All types of staff (ground crew) aged 35 to 44 with over 10 yrs service. Preferential retirement conditions system for staff over 45 retiring early ↓ 7,000 staff asked. 150 expected to agree	50% of annual salary. About ¥10 million for 35ys. old ground staff.
Apr. 28th 1993	Alps Denki Tohoku Alps	800 } 500 } 1300	About 12% at both companies	In June	Staff who have more than 1 year's service	4 months maximum basic salary for age group
Sept. 1st 1993	NTT	About 10,000		3 half-month periods-from Oct.1st 1993, Apr.1st 1994, Oct.3rd 1994	General staff aged-between 40 and 57 with at least 10 yrs. service.	Normal retirement pay plus 12 months pay at their 1993 basic salary and 9 months pay at their 1994 basic salary level.

Note : The author produced the above chart from articles in the *Nihon Keizai Shinbun* between Jan.1992 and Sept.1993 about voluntary redundancies in large companies.

IV. The Future of Lifetime Employment in Japan

Here I will discuss how we should see the future of lifetime employment in the light of the increase in adjustments to employee levels.

Earlier I said that the concept of lifetime employment has itself not really been clarified, and put forward two characteristic elements which would be part of my definition of lifetime employment, ① “long service as the result” and ② “the policy of not discharging employees.”

Various theories have been put forward as to where we should look for the foundation upon which lifetime employment was established. One theory is that it was the Japanese national characteristic of group-oriented behaviour and sacrifice of the individual, the strong feelings of belonging to the group (company). However if such cultural characteristics really determined lifetime employment, it would be extremely difficult, if not impossible, to implement adjustment of employee levels in response to the needs of the company.

The wave of restructuring currently being carried out in Japan by means of adjustments to employee levels is already beginning to produce results in the form of management rationalisation. This is evidence that the concept of lifetime employment is based on factors other than cultural factors. Okuda⁽¹⁵⁾ brings the concept of stable employment into the debate on lifetime employment in order to rise above the theories stressing the uniqueness of Japanese management. He divided concepts of employment commitments into 3 types, the first, generally called the North American type, where the relationship is dominated by market principles, the second

where it is supported by Japanese culture and divorced from competition on the labour market, and the third Okuda's stable employment concept, "an intermediate concept midway between market principles and organisational principles". This type of relationship is seen not as a short-term contract, but as a long-term continuing commitment, yet one in which a lifetime commitment to a single company is not a precondition.

The author has put forward a convergence theory of management systems.⁽⁶⁾ I think we say that if secure employment is a system which is effective in Japan and America in improving company results (organisational efficiency), the concept of lifetime employment will change in response to circumstances, long-term/secure employment will become the basic policy in not just one, but most countries.

According to a recent survey, as in the past, respect for lifetime employment (preservation of employment) is still, even in recession, the basic policy of most managers and union leaders in Japan. This survey⁽⁷⁾ was carried out by the Japan Productivity Center. Some of the results are shown in Chart 8 and 9. From Chart 8 it is clear that most managers, even though they may support the approach of long-term employment, feel that there is no alternative but to dismiss "employees who do not have the aptitude for the job". We cannot simply interpret this as being the growth of ability-oriented personnel management practices. We should interpret it rather as meaning that managers do not agree with guaranteeing lifetime employment, their approach is one of long-term employment with appropriate people allocated appropriately.

Chart 9 indicates that both management and unions strongly support preservation of employment. I think we can say that this

Chart 8 Resignation by Employees Who Lack Aptitude

(Question: Do you think that employees who lack aptitude for the work should be encouraged to resign?)

		Managers	Union Leaders
Total		100.0	100.0
Yes		78.1	48.0
No		20.0	50.0
No reply		1.9	2.0
REASONS GIVEN	Total	100.0	100.0
	If they stay on the company will become unprofitable.	8.6	
	If they stay in it will put an extra burden on other employees.	13.6	6.7
	They themselves will only become unhappy if they continue doing work they are not suited to.	53.3	39.3
	Others ①	2.2	2.0
	The company is obliged to keep them on, having recruited them.	6.0	19.3
	It is difficult to force them to resign with the law as it stands at present.	11.0	19.3
	Others ②	3.0	11.3
	No Reply	2.0	2.0

Source: Japan Productivity Center Management Development Dept. Survey 1992

Chart 9 Preservation of Employment

(Question: Do you think companies should preserve employments regardless of fluctuations in business conditions?)

		Managers	Union Leaders
Total		100.0	100.0
Yes		81.0	98.0
No		16.0	0.7
No reply		3.0	1.3
REASONS GIVEN	Total	100.0	100.0
	Even if it means making things difficult for the company for a short while we don't want to throw away the merits of lifetime employment.	28.3	23.3
	The present recession is an opportunity to reduce working hours and increase exchanges among personnel, so will benefit the employees.	24.2	46.7
	The company has an obligation to find work for excess staff, keep them active.	23.4	26.0
	Others ①	5.0	2.0
	This cannot be solved by internal transfers/transfers to other companies, getting rid of some personnel is unavoidable if the company is to survive.	4.6	
	This would invite reduced profits/increasing product prices, so it would not benefit shareholders or consumers.	2.2	
	Companies have an obligation(to society) to run the company efficiently, keep staffing levels to the minimum necessary.	8.6	0.7
	Others ②	0.6	
	No Reply	3.0	1.3

Source: Japan Productivity Center Management Development Dept. Survey 1992

represents a basic understanding that employment security is essential to the management of a company. I think that the results of the above survey also indicate that companies do not have the inflexible approach of "long service/no dismissal", but that the overriding priority is the survival of the company, with "desirable employment customs based on secure employment".

However with the increase in adjustments to employee levels, particularly the dire measures - transfers to other companies, early retirement schemes, voluntary and compulsory redundancies - it will be interesting to see how the concept of secure employment and lifetime employment changes in the future.

The author believes and hopes that already rigid lifetime employment systems do not exist in Japan, and that lifetime employments/secure employment will continue to be employment policies within a wide, flexible framework appropriate to the circumstances of individual companies, and that the basic concepts of these excellent employment policies will be established not only in Japan, but in other countries as well.

Sources of Reference

1. Other expressions used instead of *shushinkoyokanko* (the custom of lifetime employment) are *shushinkoyo* (lifetime employment), *shushinkoyosei* (lifetime employment systems), and *shogaikoyo* (employment for life). An expression that has come into popular usage recently is *hanshinkoyo* (half-life employment). In this paper I use the term *shushinkoyokanko*. For details see "*Nihon no Romu Kanri 2nd ed.*" by the author, pub. Hakuto Shobo 1983, p. 88.
2. J. C. Abegglen, "The Japanese Factory" pub. Massachusetts Institute of Technology 1958, p. 14.
3. On the issue of whether to use the expression *shushinkoyo* or *shogaikoyo* see 1. above.
4. J. C. Abegglen, translated by Shuichiro Ueyama, "*Kaisha*" pub. Kodansya 1986, pp. 270, 271.

Abegglen says "... which applies only to men" It is doubtful, given the power of female workers in Japan today that this is still the case. I would point out that some female workers in Japan already have the same perceptions regarding work as their male counterparts and that many female workers have been with the same company for a very long time.
5. Hiroshi Mannari, "*Atarashii Rodosha no Kenkyu - Sangyokozo no Henkaku to Rodomondai*" pub. Hakuto Shobo 1973.
6. Robert E. Cole, "Permanent Employment in Japan: Facts and Fantasies" in 1971 *Daigaku Hokoku*, pub. Amerika/Ajia Gakkai.
7. Peter F. Drucker, "What We Can Learn From Japanese Management" in *Harvard Business Review* March-April 1971.
8. Hiroshi Mannari, "*Atarashii Rodosha no Kenkyu - Sangyokozo no Henkaku to Rodomondai*" pub. Hakuto Shobo 1973, p. 100.

9. Ibid. p. 113.
10. Masumi Tsuda, "*Nihonteki Keiei no Yogo*" pub. Toyokeizai Shinposha 1978, p. 61.
11. Ibid. p. 71.
12. Kuniyoshi Urabe, "*Nihonteki Keiei o Kangaeru*" pub. Chuokeizaisha 1978, pp. 8-10.
13. T. Mroczkowski and M. Hanaoka, "Continuity and Change in Japanese Management" in *California Management Review* Vol. 31 No. 2, Winter 1989, pp. 43-46.
14. Shutdown (temporary leave) in Japan is very different from layoffs in North America. In North America, staff are actually laid off, and the right to be recalled is based on seniority. In Japan, where shutdown is used because of recession or when a company's results are poor, employees retain their position within the company, but are sent on leave temporarily.
15. Kenji Okuda, "*Chukan Gainen to shite no [Anteikoyo]*" in *Nihon Rodo Kyokai Zasshi* No.349 September 1988, p. 5.
16. Regarding the author's convergency theory see "*Nihon no Romu Kanri 2nd ed.*" by the author, pub. Hakuto Shobo 1983, pp. 65-86.
17. Survey entitled "*Nihonteki Keiei Saikochiku o Saguru*" by Japan Productivity Center, August 1992. The survey covered ① 31 stock marketlisted companies throughout Japan (replies from 636 employees) ② Powerful union leaders (replies from 150 people).