Changes in the Management of Organizations in Contemporary Japan

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Introduction

The Japanese management of organizations and personnel affairs have been stereotypically pictured as a composition of three basic elements: lifetime employment practice, seniority system in salary and promotion, and company-based unionism. These elements, inseparably related to the managerial ideology of "company familism" as well as to the workers' attitude of "company-centered value orientation", have been regarded as the "three pillars" of industrial relations and personnel management which have contributed towards the success of the Japanese economy.

This stereotype, however, is not reliable for understanding actual management practices in contemporary Japanese industry. The changing environment of Japanese businesses has transformed the conventional style of organizational and personnel management in the interest of the survival and development of companies.

This paper will give an outline of changes in conventional managerial style and then describe some basic features of management in contemporary Japan.

"Three Pillars" in Conventional Management

Lifetime employment practice is based on the expectation by employees that once hired as regular employees after finishing school they will be kept employed till their retirement age. Newcomers are usually not expected to be skilled nor specialized, but to be fresh and elastic to learn humbly. They will then be trained on the job to acquire multiple skill and knowledge step by step, ie. being simultaneously socialized to obtain recognition as "community members of the company". Therefore, if you would ask a Japanese worker "What is your occupation?", he/she would certainly give you the name of his/her company, but not the name of a job. Such an awareness of being "a company member" is reinforced in accordance with the length of service.
With the seniority system, the salary and the status of individual employees are expected to rise automatically in accordance with the length of service. Thus, the longer they serve the company, the more salary and the higher status they are given. This relationship works as an incentive for employees to stay on in a company and identify themselves with it.

Company-based unionism reinforces lifetime employment practice and seniority system. Most Japanese unions are organized within the company, and almost all of the non-managerial regular employees are unionized where a union exists. One of the most important issues for the union is to secure the employment of union members in a given company, namely of all the non-managerial regular employees. This concern is facilitated by the practice of lifetime employment, for which the survival of a company is indispensable. In this respect, the union can be said to be cooperating with the management. On the other hand, the gradual rise of salary by seniority is designed to cover the increase of living costs in the employee's family as it matures. Therefore, the union's concern to secure and improve their living conditions is compatible with keeping the seniority system.

The "three pillars" explained above were reinstitutionalized at the company level in the first decade after War II, though their prototype emerged around the beginning of this century. At that time a large number of violent labour disputes took place during the bleak period of post-war Japan, and unions had struggled hard to maintain employment within a given company. As for salary, unions negotiated for the cost-of-living linked wage system, according to which the amount of salary should be based on the real cost of living rather than the job or the performance. Management, on the other hand, whose main concern was to stabilize labour-management relations for industrial peace, re-established lifetime employment practice and the seniority system by conceding to union demands in order to re-establish social integration within the company. Thus the "three pillars", organizationally related to each other, were set up in the specific post-war situation of industrial relations as a basic framework of organizational and personnel management in larger enterprises.¹

There are, however, intrinsic dilemmas in this framework. The first stems from the continuous increase of labour costs caused by the steady rise of salaries in life-time employment. Young newcomers start their occupational life with a low level of salary, but as they get older, their salaries will increase. As long as employees are younger, there will not be a serious problem in labour costs. But if most employees stayed long in the same company, there will be a great burden on management in this respect.

The second dilemma derives from the shortage of positions in the organization of a company. Younger employees, including university graduates, are usually treated as rank-and-file workers, with the assumption that they will be given higher positions later in accordance