

Human Oriented Japanese Employment Practices, Recent Structural Changes and Possibilities to Emulate These in Bangladesh

Mohammad Moniruzzaman*

Abstract : *The Japanese employment system is considered as one of the key factors of good performance of the Japanese economy, since the Japanese unemployment rate is low and stable comparison to other developed and industrialised countries. Japan's well-educated and industrious work force, reservoirs of entrepreneurs and technicians, along with other economic factors have produced a mature and stable industrial economy. Motivation of its workers and the workers' strong devotion and loyalty to and recognition of their employers are considered the factors of corporate prosperity in Japan. Japan's industrial structure has been enduring a fundamental change in orientation, moving from secondary industries towards tertiary industries and the labour market is diversifying in working styles. The traditional Japanese employment practices are now being transformed owing to the changes in economic conditions, the structural change in population and the change in Japanese lifestyle. This article tries to capture and shed light on the sacred treasures of Japanese employment practices; origin of the system and its development. Moreover, demographic change has affected the Japanese employment practices. This article also examines and shed light on the structural change, the recent trend in the Japanese Employment practices and labour market. Finally, the article compares the Japanese labour market and employment practices with labour market and employment practices of Bangladesh.*

Introduction

Labour market is considered as an important determinant of the performance of national economies and individual firms. After achieving one of the highest economic growth rates in the world from the 1960s through the 1980s, the Japanese economy slowed dramatically in the early 1990s, when the "bubble economy" collapsed. As a wealthy nation Japan's current status is in the culmination of the process and economic development continues. Its reservoir of industrial leadership and technicians, well-educated and industrious work force, high savings and investment rates, intensive promotion of industrial development and foreign trade have produced a stable industrial economy. The success of corporations in Japan is attributable to the astounding motivation of its

* Assistant Director, Bangladesh Public Administration Training Centre, Savar, Dhaka.

¹ An economic bubble is trade in high volumes at prices that are considerably at variance from intrinsic values". The intrinsic value is a theoretical calculation that aims at reflecting the fair value by taking into account hypotheses of future returns and risks. The Japanese asset price bubble was a time of skyrocketing land and stock prices in the Japanese economy, lasting from 1986 to 1990. It is one of the most famous economic bubbles in the history of modern economics.

workers as well. The reasons behind this corporate prosperity are the workers' strong sense of loyalty and devotion to and recognition of their employers.

Japan's labour force consists of some 64 million workers, 40% of which are women. Labour union membership is about 12 million. In the first half of 2005, the number of deaths in Japan exceeded the number of births, indicating decline in population, which was initially predicted to be started in 2007 (JILPT, 2005). Over the last two decades different conditions and the surrounding of the Japanese Economy have changed substantially making a significant impact on the Japanese employment practices, industrial relation and its labour market. Japan's labour force continued its rapid aging trend. Moreover, the number of working women in part time jobs, the inflow of foreign labour continued to rise sharply and the employment practices became more diversified.

Overview of Japanese Style Employment Practices

Usually it is said that employment practices in Japan are human oriented. The so-called "Japanese-style employment practices" consist of long-term employment, seniority based wage determination system, promotion in the internal labour market, intra-firm labor unions and long run on the job training (Ihara, 2004). These are considered the sacred treasures of Japanese employment practices. Japanese employment practices and the workings of Japanese industrial relations is described as "welfare corporatism"² (Inagami 1996). The practices of long-term employment and seniority related pay made a major contribution to bringing about full employment and assuring security for workers' livelihoods. These practices provided a partial substitution of a welfare state since these employment practices are unique for job security, training, and the guaranteeing of workers' employment.

In Japan, usually a new employee joins a company after their graduation and work for the same company until they reach their retirement age and people work for the same company for long time. Mobility or changing job is not so popular in Japan (Ihara, 2004). Long term employment system helps the firms in training personnel, sharing information among employees and developing interest in the performance of the firm. But employees make contract with the employers (company) on an individual basis and people are free to leave the company whenever they want to do so. In fact, a large number of employees in the tertiary industry and in small business settings take up different employment more frequently. The lifetime employment is merely a labour practice among the Japanese

² The global emergence of a new form of shareholder-oriented capitalism suggests a shift towards an individualized and market-oriented employment type, lessening the social bonds established by welfare corporatism.

large corporations in the secondary industry. Japanese firm is like a community in which worker are treated as member. Management and workers have a shared goal to make the firm prosper in the long run. The practice of recruiting workers straight from school or university for employment until retirement and invest substantial resources to train them is a unique feature in Japanese model.

Japanese firms raise wages as their employees acquire more skills with longer service. Seniority system is composed of seniority promotion system, and seniority wage system. The seniority promotion system is a practice in which people are promoted according to the length of service. Most new recruits are treated in the same manner. Managers are gradually promoted from the lowest ranks to the next higher ones and they need many years of experience before reaching senior managerial positions. In a pyramidal organizational structure, the scope of promotion to the higher positions is very limited. Therefore, the seniority wage system works as a substitute for promotion practices. Pay and promotion system in Japan is based on the 'Nenko'³ principle. It is argued that 'Nenko' is not just about seniority but also about merit.

Japanese labor unions are not organized by occupation or industry, but by enterprise. Enterprise is the basic unit for organizing workers in the enterprises. Though there are no legal restrictions on having more than one union at a workplace, there is only one union for each company. All the employees belong to the same enterprise union until they are promoted to managers. Managers leave the union to join the management side. As each company has a single union, the relationship between the company and the union is relatively close and enterprise union takes full responsibility of collective bargaining within each company. Japanese employment practices are admired for its outcomes one of which is the low incidence of industrial conflict. Stability in employment relationships, flexible work practices and enterprise based training lead to high productivity growth.

The Japanese company appoints a new graduate as general employee rather than as specialists. Afterward, the company gives a variety of internal education programs to train the new graduates. These diversified education programmes can be divided into on- the-job training (OJT) and off-the-job training. On-the-job training is carried out at the working station on a daily basis. New employees become skilled on the job through experience. What employees learn from their experience is a key to success in their promotion. The company takes time to appraise them in the context of their aptitude, qualities, distinctiveness and entire

³ The Nenko system or Nenko Joretsu as it is called in Japan, is the Japanese system of promoting an employee in order of his or her proximity to retirement.

contribution to the company. Off-the-job training includes new employee education, special skill education and management education. The new employee education is designed for the new graduates to get basic knowledge and to become a member of business world. Moreover a variety of lifelong education programs are available within a company in Japan.

Origin of the System and Its Development

Anthropologist James Abegglen, who conducted a study at manufacturing plants in Japan in 1955 and 1956, first documented the sacred treasures of Japanese employment practices. Afterwards others recognized Abegglen's findings and referred his 'characterization' as "Japanese Style Employment Practices". Abegglen's book was translated into Japanese and it became a best seller (Flath, 2005). Actually Japanese employment practices became widespread in Japan only in the immediate post war shortly before Abegglen undertook the study. Statistics shows that a much lower percentage of workers had lengthy tenures with Japanese industrial firms in the 1900-39 than in 1957. Moreover hiring rates and separation rates in the years 1900-36 were about two times greater than those of the years 1949-66 (Flath, 2005). With his study and extensive interviews of personnel officers and workers in different factories, during 1955-56, Abegglen came to a conclusion on lifelong employment practices on Japanese firm and depicted :

"At whatever level of organization in the Japanese factory, the worker commits himself on entrance to the company for the remainder of his working career. The company will not discharge him even temporarily except in the most extreme circumstances. He will not quit the company for industrial employment elsewhere....The rule of a lifetime commitment is truly proved by its rare exceptions" (Abegglen, 1958, The Japanese Factory, cited in Flath, 2005).

After conducting his study Abegglen argued that the Japanese employment system is paternalistic, feudalistic and first identified lifetime employment as a different employment practice than those of other western employment systems. Abegglen's findings were right on some points and wrong on some interpretation. During 1853 to 1900 the Japanese company hired workers on a spot market basis through labour bosses and brokers (Inagami, 1998). This practice encountered many problems in imposing workplace discipline, rewarding the employees for their good performance and encouraging the loyalty, devotion and commitment to the employer. Afterwards, when new industries developed employers faced different challenges with the gang-boss system and tried to put into practice and replaced the old system with the direct employment of young, male primary school graduates who were then trained. The present lifetime employment system came into sight after the World War II. Afterwards, gradually the Japanese firms adopted

practicing the long-term employment system to get maximum output from the skilled workers for better productivity and prosperity of the firms. It is argued that seniority based pay developed through trial and error attempts to retain skilled and experienced workers who are trained at company expenses and to ensure diligent and meticulous efforts by workers as well.

Japanese employment practices were supported after World War II because of the people's anxiousness about unemployment caused by utterly disordered economy of Japanese at that time. Since it was important to obtain a job right after World War II, Japanese welcomed lifetime employment. During the post war time the Japanese lifetime employment developed gradually (Endo, 1976, in Inagami, 1998). During 1950s, lifetime employment achieved its present dominance and it is argued that employers used it as a strategy for discouraging militant, left-wing trade unionism and for re-establishing managerial control over employees (Inagami 1998). Furthermore, the traditional employment practices of pre-war Japan provided little job security during the period of economic disorder and high inflation. Therefore, life long employment system was established and became popular. The lifetime employment system also used by the employer to strengthen their power over worker and consequently provided their employees' financial incentives, medical and housing facilities. Gradually lifetime employment provided the large Japanese corporations with a cooperative and compliant work force which ensured the high performance and remarkable output.

Structural Change of Traditional System and Recent Trends in Japanese Labour Market

Japan is facing socio-economic transformations represented by the ageing of the population, global competition and diversification among workers. All these structural changes have a significant impact on Japanese labour market and employment practices. Japanese workers economic lives have improved owing to economic development and income distribution throughout the twentieth century and more stable lifestyle has been attained through social security at the time of unemployment, sickness and old age. In response to new economic surroundings the labour market is undergoing several changes. Traditional Japanese employment practices are now being transformed owing to the changes in economic conditions, the structural change in population and the change in Japanese lifestyle. Moreover, demographic structural change has affected the Japanese employment practices. The average age of total employees is rising and the company has more difficulty in hiring new employees. Young people become more interested in changing their jobs. The ratio of changing jobs is increasing and multinational enterprises are likely to

seek more internationally viable employment and human resource system to attract talented professionals and enhance productivity. Japanese firms have been responsible for providing employees with on the job training to raise their skill levels and their productivity.

Recently this practice is declining, as there is no strong motivation for firms to commit themselves to train their employees, partly because there is a fear that trained employees may leave their firms in future (Fujiki, Nakada and Tachibanaki, 2002). Japanese firms reduced training expenditures during the 1990s to reduce the labour cost. The share of direct expenditures on training as percentage of labour cost decreased significantly (METI, 2003). The shift from seniority-based to merit based treatment is another significant change that is taking place in the traditional employment practices. Traditional treatment is now reshuffling and undergoing changes and the remuneration and career systems are increasingly incorporated with job responsibilities and performance appraisal especially for managerial and professional employees. It is argued that Japan's unique employment system *nenko* promotion, *nenko* wages, and "lifetime" employment were common in Japan throughout high growth years in large firms and smaller firms tried to follow these practices. These practices are becoming less common, even in larger firms, as employment practices are shifting towards merit and performance based wages and employment.

Diversification in working style is also occurring and the full time worker is no longer a significant and worth mentioning form of work in Japan. New working styles such as various types of part time, dispatched, contractual and temporary works have increased which have further diversified the workforce. In 1990 the percentage of part time worker was 18.8%, which increased to 25.5% in 2002 (Hashimoto and Higuchi, 2005). Large employers, those with 1000 or more employees, have been relying heavily on part time workers. Moreover, the percentage of labour force employed in agriculture and forestry is declining whereas the numbers of workers are increasing in the service industries. Furthermore, the unemployment rate has remained high among the young generation and various mismatches are existing in the labour market.

Different studies found that Japanese firms responses to the diverse and negative economic shocks with some strategies such as reduction in working hours and overtime payment for full time worker, less employment to the new graduates and increase in temporary transfers between firms and transfer to other companies (Tachibanaki, 1987, 1998, cited in Fujiki, Nakada and Tachibanaki, 2001). These adjustment processes are used and are successful to some extent to prevent unemployment of workers in large firms. Consequently, these practices

effectively relocate worker in the internal labour market. Following the recent drop in the birth rate in Japan, it is estimated that the young population will dramatically decrease from now onwards, consequently it will reduce the labour supply. There is a growing proportion of older workers in the labour market since Japanese society is aging and birth ratio is decreasing. Japan's population is projected to become the world's oldest by 2025 (The Economist, September 27, 2003). Moreover, the structure and the nature of the industries have been changing to accommodate the globalised and service-oriented economy.

Japanese labour market was continually downsized for more than 10 years and if the decline accelerates, the labor force participation ratio will follow a fairly consistent downward trend (Higashino, 2005). To remove barriers to immigration would be a countermeasure to tackle the problems of labour supply. Though the Japanese government has been reluctant to remove the immigration barriers, it is an increasingly important feature in a globalising world. Globalisation along with other local factors has made it inevitable, complex and difficult. In Japan, the 1989 Immigration Control Law recognized visa categories, granting more recognition of the need to the permit entry of highly skilled professionals, while reaffirming the need to discourage unskilled worker entry (Lucas, 2005).

The influx of foreign workers is an important recent phenomenon in Japanese labour market as the number of registered labourers has been increasing steadily. It reached to an all-time high of 1.852 million persons in 2003, which was 1.45% of total population (Japan Immigration Association, 2003). North and South Koreans accounted the majority of Japan's foreign workers previously, which has been decreasing recently. According to the statistics of 2002 they accounted for 33.8% of foreign population. On the other hand, the percentage of population from China and from other Asian countries has been increasing and the percentage of Chinese population has made up more than 20% of the foreign population since 2001 (JILPT, 2005).

Comparison between Japanese and Bangladeshi Employment Practices and Labour Market

Labour market in Bangladesh is characterized by high rate of labour force growth, low rate of employment, predominance of employment in agriculture followed by service sector, existence of under employment and low wage rate etc. Regarding labour mobility, Japanese workers tend to stay with one employer and change employers less frequently than that of Bangladeshi worker. Average job tenure in Bangladesh is less longer than that of Japan. It varies in public and private sector. In Bangladesh, job tenure in one particular employment in public sector is longer than that of the private sector. The expression 'lifelong employment', which

signifies that employees stay in one company until retirement, is used to characterize the Japanese employment system, is not common in the private sector in Bangladesh. Regarding wages and promotion, employers in Japan pay wages and determine the promotion possibilities of employees largely by workers' seniority, job tenures and ages, while the wages and promotions for Bangladeshi employees in private sector are determined by on the basis of their productivity and performance. But in the public sector in Bangladesh there are some similarities with Japanese promotion system to some extent followed by some guided service rules and policies. In the public sector promotion and the tenure of the job is based on seniority not on productivity and performance. Regarding unionism, in Bangladesh the organizations of unions are based on workers' occupation, but unions in Japan are organized at the enterprise level.

In Bangladesh, the majority of the economically active population is male. The average number of economically active people per household is 1.5, of these, on an average, 1.2 is male and 0.3 is female. The overall rate of underemployment is 16.6%, where the female underemployment rate is very high, which is 52.8% and male underemployment rate is only 7.4% (BBS, 2002) Females are busy with household work and they have less opportunity to search for jobs. But in Japan women constitute almost 40% of the total labour force (JILPT, 2005). Traditionally, females are responsible for household work and they are paid less for their labour in Bangladesh. The wage gap between males and females is high. The average daily wage for males is 65 Tk whereas it is only 38 Tk for females (BBS, 2002). The wage gap is more severe in rural areas than in urban areas. The large wage gap contributes to the high underemployment rate for females. With high population growth continuing to expand the economically active population and the simultaneous employment cuts in privatized industries, the labour market situation in Bangladesh is fragile. Relatively high rate of inflation combined with high level of unemployment has lowered down the real wages. This has accelerated the fall of aggregate demand for labour. Minimum wages of the workers in the private sector are not protected. Trade liberalization and privatization has accelerated social insecurity and has aggravated unemployment and underemployment situation.

Another important feature of the Japanese labour market is the friendly policies for the benefit of the "double-income households". There are many different forms of supporting policies for double-income households. But in Bangladesh still supporting policies for double income households are very limited, which discourages women to take part in the labour force.

⁴ "Double-income households" means the households with both working husbands and wives, which currently exceed 13 million (JILPT,2005).

Japan has no law to govern labour-management consultation processes, but this practice has taken root in many Japanese companies. Usually unions resolve labour disputes at individual company level. They resort to collective bargaining to discuss employment practices, personnel affairs and wage as well. On the other hand, they use the labour management consultation process for discussing employment practices and other issues. There are many possibilities to emulate and adopt the collective bargaining and joint labour-management consultation process of Japan in Bangladesh as these processes are weak, feeble and unions in the big corporations in Bangladesh faces the challenges of unrest and conflict among labor unions.

Conclusion

It is argued that the long term employment practices promote efficient acquisition and utilization of company specific skills and it provide incentives for worker as agent of their employer to be diligent and loyal to their effort of the employer behalf. These are the unique economic rationales of the Japanese employment practices. Thus Japanese employment practices and industrial relations are a continued source of great interest and wonder. Policy makers in other countries have paid great attention to Japanese practices and often sought to imitate and emulate them. Bangladesh can emulate and imitate some of them considering the socio economic and cultural perspective. Over the last two decades, the environmental conditions surrounding the Japanese economy have changed substantially, making a significant impact both on the country's industrial relations and its labour market. Economic, social and cultural changes have affected the Japanese labour market. But still the human-oriented aspect of the Japanese employment practices is not negligible. By securing the long-term commitment, the company provides a variety of services and the employees contribute to their companies from a long-term perspective. Since long-term customer relation is vital for the success of the tertiary industries, the Japanese employment practices will effectively work in such industries. The Japanese economy achieved remarkable growth especially in the labor-intensive secondary industry since the so-called Japanese employment practices worked most effectively in such industry. These practices are also considered as significant to emulate in the tertiary industries of Bangladesh.

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