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On the Egalitarian Aspects of the Japanese Economy and Society*

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INTRODUCTION

The focus of my discussion is whether the Japanese economy and society are unique and peculiar or not. And if they are unique and peculiar, in what respects is this so? In other words, are the Japanese economy and society very much different from the economies and societies of other countries or not? And if they are very different, in what ways?

In order to make my discussion as concrete as possible, I will keep my attention very narrow, and I will talk mainly about the Japanese company, and scarcely anything else.

What I am going to say may surprise some of you, because it will be considerably different from what is usually said about Japan in newspapers or magazines or textbooks. However, all I can say about that at this stage is this. Not only about Japan but also about many other topics, we often have incorrect images and are deeply influenced by them.

SOME HISTORICAL BACKGROUND

Let us first of all look back roughly at how people's thinking has changed on this issue over the past, say, twenty years.

Twenty years ago most of the Japanese people believed that Japan was very much unique and peculiar, and they believed that the Japanese economy was backward

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precisely because Japan was unique and peculiar. Perhaps this is an inferiority complex. You will notice that the success of the Japanese economy was not yet very clear at that time.

As the success of the Japanese economy became clearer, however, two changes occurred about ten years ago. On the one hand, some people began to believe that the Japanese economy could succeed precisely because it was unique and peculiar. Clearly, this is a superiority complex and very arrogant. However, it was not the only change and, I hope, not the major one.

I say so because there was another and more important change. Some people began to believe that Japan was not unique or peculiar at all. They believed that Japan was basically similar to other countries. The differences between Japan and other countries—the U. S. for instance—were matters of degree at most.

During the last several years, there was another change. As you very well know, there has been a very big trade imbalance between the U. S. and Japan in recent years. And in this connection, there is a group of people in U. S. who believe that this trade imbalance is due to Japan's uniqueness and peculiarity. They are called "revisionists."

According to the "revisionists," the economic behavior of Japanese people is very much different from the behavior of any other people. It is so different that Japan is totally unfair. In short, Japan is unfair because Japan is unique and peculiar.

Under the influence of the "revisionists," there are some people in Japan, too, who are now changing their minds. They are thinking that Japan may be, after all, more unique and more peculiar than they thought it to be, say, ten years ago.

With that short history of the issue, let us now move to the main argument.

INDUSTRIAL RELATIONS IN JAPAN

When Japan is said to be unique and peculiar, its industrial relations or labor-management relations inside the company are often taken as a typical example. It is said that industrial relations in Japan are characterized by (1) lifetime employment and (2) seniority.

Lifetime employment means that, when a man (or a woman) is employed by a particular company after finishing school, he will usually work there until retirement. Moving to other companies is rather exceptional. Thus, employment is firmly secured.

Seniority means that, according to length of service, pay and position in the company will be higher almost automatically, regardless of whether one works hard or not. Thus, higher pay and promotion are also firmly secured regardless of one's contribution to the company.

It is usual in most countries for people to change their employers on occasion, and for pay and promotion to depend upon their contribution to the company. From this point of view, the Japanese system is no doubt quite unique and peculiar. The question is: how will such practices affect an employee's attitude? There are two possibilities.

One is as follows. If employment is firmly secured, and if, in addition, higher pay

and promotion are also firmly secured, regardless of whether an employee works hard or not, nobody will try to work hard. The atmosphere in the company will be quite dull and lukewarm. And this is how most people argued *twenty* years ago: they believed that Japan was backward precisely because it was unique and peculiar in such a way.

The second possibility is as follows. If employment is firmly secured, and if, in addition, higher pay and promotion are also secured, every employee in the company will be quite happy and satisfied. Everybody will have a strong feeling of loyalty and identification with the company in which they work. Therefore, everybody will work very hard. And this is how some people argued *ten* years ago: they believed that Japan could succeed precisely because it was unique and peculiar in such a way.

These are two possibilities, but they utterly contradict each other: industrial relations in Japan lead us to *either* Hell *or* Utopia. How can we solve this contradiction? The best way seems to be to ask the question: do lifetime employment and seniority as defined and described above really exist in Japan?

In this connection there is one thing to note here. Although the above two possibilities are completely contradictory, they nevertheless have one point in common. And that is the total lack of competition among employees: employees are *either* equally lazy *or* equally diligent, and do not compete with one another for better pay and promotion.

This is clearly very unique and peculiar indeed. It has been called "groupism," because every individual behaves in quite the same manner. It is very far from "individualism."

REALITY

Let us now turn our attention to the reality, as distinct from the popular image described in textbooks.

As a matter of fact, lifetime employment is usually not promised in Japan even when a person concludes an employment contract with a company. Moving to other companies and job has so far been not uncommon either, especially among small-sized and medium-sized companies. Moreover, in recent years labor mobility is increasing gradually even among big enterprises.

It can probably be said, nevertheless, that employees in Japan tend to stay in one and the same company relatively longer than in most other countries, although the difference seems to be a matter of degree at best. In this connection, it can also be pointed out that companies in Japan make a great effort not to discharge employees even when discharging seems unavoidable.

Discharging employees is sometimes unavoidable, of course. On such occasions, however, it is not rare that people in top management cut their own remuneration at the same time. It may be that such "humanitarian" or egalitarian approaches help to engender some kind of sentimental attachment to the company on the part of the rank and file, and this sentimental attachment induces them to stay in the same company

longer than otherwise.

In any case, we can conclude that the lifetime employment in the strict sense of the term does not exist in Japan. The popular image is exaggerated.

Similarly, the popular image of seniority is also exaggerated. Increase in pay is not automatic, and promotion is not automatic either: it is impossible almost by definition. As a matter of personnel management, some kind of screening and selection is absolutely necessary. And in that process, some employees win and others lose.

But there is one choice here. Making a very big difference between winners and losers is one way, and keeping the difference as small as possible is another. And it has been the Japanese way to keep the difference as small as possible, especially during the earlier stages of an employee's career. Let me elaborate on this by taking an example.

Suppose that a group of university graduates are employed by a particular company in a particular year. It has been Japan's tradition that after some years all of them are promoted to, say, the chief of a section *almost simultaneously*. It takes some years, and big jump in promotion is quite rare. But this does not mean at all that promotion is automatic, because selection is made in at least two ways.

One is because it is *not exactly* simultaneous but *almost* simultaneous. Some are pomoted to the chief of a section a few years or several years earlier than others.

The other is because some are promoted to "good" sections, and others to "not-so-good" sections. "Good" here means work experience that leads to a promising future career in that company; the distinction between "good" and "not-so-good" is not known to outsiders, and somewhat vague even to insiders. But insiders know it very well in a somewhat vague way.

Therefore, here again we conclude that seniority in the strict sense of the term does not exist in Japan.

If neither lifetime employment nor seniority exists in the strict sense of the term, then we cannot regard Japan as unique and peculiar because of them. What are usually called lifetime employment and seniority are really nothing more than a matter of degree.

However, there is a further question to ask. What is the implication of this "matter of degree"? More specifically, what is the implication of keeping the difference between winners and losers as small as possible in screening and selecting employees?

IMPLICATIONS OF THE SYSTEM

Let us continue the example of a group of university graduates. If a big jump is the rule in screening employees, winners will be quite happy and encouraged, and will therefore continue to work very hard. Losers, on the other hand, will be totally discouraged and so give up trying hard in a very early stage of their career. The point here is that winners are few in number and losers are the majority.

If, however, a small difference is the rule, the reaction of losers will be much

different, because there is an incentive for them in this case. It is quite true that they lost in this particular round of competition, but they still lag behind the winners only a very little. Therefore, they will not give up. They will rather continue to try hard in order to be winners in the next round of competition. In other words, they will try to win "the return match," as it were.

On the other hand, how will winners react in this case? Two different interpretations are possible. According to one interpretation, winners are winners all the same, however small the difference from losers might be. Therefore, they will be as happy and as encouraged as in the case of big jump.

If so, competition among employees will be more active than in the case of big jump, because not only the winners—who are small in number anyway—but also the losers, who are a majority, now continue to participate in the competition by trying very hard. When looked at from this point of view, this system is a well-contrived and efficient one: it can motivate as many people as possible to be diligent for as long a period as possible.

One important point is clear enough by now. The Japanese system is not the system without competition among employees as described in the popular image, in which everybody is *either* lazy *or* diligent. On the contrary, it is just one of the ordinary competitive systems, in which people compete with each other for better pay and promotion.

In other words, it is individualistic rather than "groupist." Moreover, it may be even more competitive than most of the others, because the number of participants in the competition is greater.

However, according to the other interpretation of the reaction of winners, the picture is a little more complicated. Under the system of small differences, a brilliant young man, for example, will not be given a decisive advantage even if he makes an enormous contribution to the company. Therefore, he may be deeply discouraged and resent the situation; he may well despair and leave the company forever. Thus, this is a very bad system when it goes too far.

In addition, the Japanese economy is now becoming rapidly internationalized and interacting more and more with other systems in which winners are more fully rewarded. Therefore, it is natural to expect that the system will be forced to change to some extent. As a matter of fact, this change has already started: the promotion system in recent years is not exactly as is described above.

The question is how far it will change. It will not disappear completely, if it is rooted in a long history and based on a solid value system. But is this really so? I think the answer is "yes" to a considerable degree.

When, for example, a group of university graduates are promoted to section chiefs almost simultaneously, the company seems make the assumption that evaluating any employee's ability accurately takes a long time; making big difference in earlier stages of one's career is not fair because it can make serious mistakes.

And this assumption seems to come from a deeper value judgement that the difference in people's ability is not very great after all, however great it might appear at first sight. In short, it is *egalitarianism*.

This does not, however, mean that in Japan equality prevails perfectly everywhere; of course, there are still many inequalities and injustices that need to be corrected immediately. Nevertheless, I think it is true to say that the Japanese people take **egalitarianism** very seriously; certainly more so than people in most other countries do.

Let me further elaborate on this by taking another example from a little different angle.

ANOTHER EXAMPLE

Suppose that there are three boys in a primary school who are classmates. All of them go to middle school because it is compulsory. Then, one of the three finishes his education there and enters a particular company, while the other two boys go on to high school. One of these two finishes school there and happens to enter the same company; the other goes on to university. After graduating, he also happens to be employed by the same company.

Now, if you compare the wages of the three boys who meet again in the same place of work, you will find that they are almost the same. This means that school career has very little effect upon pay, at least while employees are young.

As they get older, of course, their pay will differ more and more because school career does have considerable effect upon promotion. However, the difference in pay seems not to be substantial. Roughly speaking, it is said that in typical large enterprises the president's pay is ten to fifteen times as much as a starting employee's pay *before* taxes. *After* taxes, this comes down to five to seven times.

Clearly this is not much, and it shows that position in the company does not have much effect upon pay either. We find here another example of **egalitarianism.**

There is statistical evidence supporting this observation. According to many surveys which try to make international comparisons of the distribution of personal income, Japan always turns out to be the most equal. How will such a system affect an employee's attitude toward his or her work?

In the above example, of the three classmates who happen to be working in the same company, Mr. A, who has only a compulsory education, will be a blue-collar worker on the production line. Mr. B, who finished high school, will also be a blue-collar worker, or else a white-collar worker of a lower rank. Mr. C, who is a university graduate, may be one of the future members of the board of directors.

In short, Mr. C is one of the elite, while Mr. A and Mr. B belong to the rank and file. They start from almost the same pay and end up with a difference which is not very substantial after all. What are the implications of this system?

Generally speaking, elite employees work for the sake of work itself or for the sake of self-achievement, while the rank and file work for the sake of making a living. More specifically, work is one of the main purposes of life for elites, but not very much so for the rank and file. The rank and file are not much interested in their work or the place of work; their main interest is in pay.

Under these circumstances, the best that can be expected from them will be that they work exactly as their superiors tell them to do. But that cannot be expected often in reality if they are not obedient enough. And if they are not obedient enough, this is perhaps because they are not satisfied with their work and so resent their place of work.

It is particularly important here to note that the rank and file are getting less and less obedient as the economy grows more affluent. When unemployment was commonplace and there was no social security, they were obedient because of the fear of hunger and starvation. When, however, full employment is normal and welfare state benefits are in place, there is nothing to prevent them from expressing their dissatisfaction and resentment openly.

Therefore, there is some evidence in many countries—including Japan—that affluence makes people, the rank and file in particular, less and less obedient and less and less diligent; management-labor relations are worse and the level of work done is downgraded.

In this connection, **egalitarianism** in the wage system can be expected to be highly helpful in reducing their dissatisfaction and resentment. Of course, money is not enough in itself, and there are many other elements of the egalitarian character at the place of work: for instance, the boss and the rank and file eat in the same dining hall and wear the same uniform; consultations between management and the labor union are always given great importance, and so on.

It seems to be for this reason that industrial relations in Japan are relatively peaceful compared with many other countries, which have more conflicts. Japan appears to be abnormally harmonious and "groupist," so there may be people who mistakenly say that there is no individualism at all in Japan.

It is easy to imagine that this system can generate lots of frustration on the part of members of the elite who are forced to sacrifice many privileges which they could otherwise enjoy. As a matter of fact, there has long been an argument among the Japanese people themselves, strongly criticising **the excess of egalitarianism** in their society.

On the other hand, the rank and file are very happy. Perhaps this is a very good system to make full use of the talent and energy of the rank and file at the sacrifice of the elite. It can be regarded as a typical case of industrial democracy.

In particular, it is very good for the manufacturing industry, where the teamwork between the elite and the rank and file is essential. This can explain the strong competitiveness of the manufacturing sector in Japan.

WHAT IS REALLY UNIQUE ?

So far we have limited our attention very narrowly and looked only at the company. Our conclusion will be as follows. What is really unique about the Japanese economy and Japanese society does not reside in the so-called "Japanese system" of lifetime employment and seniority. What is usually said about this is

overly exaggerated, and the difference between Japan and many other countries in this respect is in reality nothing more than a matter of degree.

However, the differences found there, though matters of degree, all point in the direction of egalitarianism. So the next question is: is egalitarianism really unique and peculiar to Japan, or is it also nothing but a matter of degree? I will not give any direct answer, but instead point out that, from the historical point of view, many things are getting more and more egalitarian, whether we like it or not.

In Japan, for example, the wage structure before the Second World War was not as egalitarian as it is now. In other countries as well, many things—including wage structures—are more egalitarian now compared with some years ago.

I will conclude my discussion by pointing out that the egalitarianism so far emphasized is not confined to industrial relations inside the company. Let us take housing as a further example. It is notorious that housing is very poor in Japan; the Japanese home has been called a "rabbit hutch." I am very sorry to say that this is true to a considerable degree—although, again, it is somewhat exaggerated. Housing is by far the worst in Tokyo; if you visit areas outside Tokyo, you will find that it is far better. More importantly, the houses in Japan which foreigners visit will be mostly houses of middle class people. It will be quite rare for foreigners to visit the houses of workers. However, workers' houses are almost as good as—or rather as bad as—the houses of the middle class. Between the two, there is not the kind of difference which many foreigners are likely to expect.