

Internal Labor Market Structures in Japan

An Honors Thesis (ID 499)

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I. INTRODUCTION

Since World War II, the Japanese have improved their productivity and the quality of their products. It has not been since before the 1960's that "made in Japan" and poor quality were synonymous. Many factors have come into play to bring about this change, such as being able to rebuild and replace outdated plants and equipment with new, modern facilities, the unifying influence and national humiliation that defeat during World War II inspired, and the characteristics and values of the Japanese people. In response to these factors Japanese management created unique internal labor market structures.

The Japanese management system is composed of an internal labor market structure (described later) which provides employees with job security through programs such as life-time employment, and in turn allow firm's to retain valued employees. The combined outcome of the various factors of the Japanese management system is increased productivity and employee satisfaction.

This thesis will attempt to 1) Explain the costs incurred and benefits derived from the internal labor market system; 2) describe the characteristics and values of the Japanese work force and company structures, within the context of the internal labor market, which allow them to operate; and 3) determine whether the Japanese management system, which relies extensively on internal labor markets can be applied to the United States to increase productivity and improve labor relations. The

following section will define the construction of internal labor markets. This is necessary to evaluate the Japanese structure and its dependence on the internal labor markets.

II. INTERNAL LABOR MARKETS: BENEFITS AND COSTS

Two economists, Doeringer and Piore, theorized the dual-market concept that states that the labor market is divided into two essentially distinct sectors, which they termed primary/internal and secondary. They formalized this concept inductively using first-hand knowledge of different labor markets rather than deductively, using theoretical constructs. "The former, primary, offers jobs with relatively high wages, good working conditions, chances of advancement, equity and due process in the administration of work rules and, above all, employment stability. Jobs in the secondary sector tend to be low-paying, with poorer working conditions, little chance of advancement, considerable instability in jobs, and a high turnover." (Reynolds et al., 1987, p. 149)

Internal labor markets are "defined as an administrative unit...within which the pricing and allocation of labor are determined primarily by a set of prescribed rules rather than by impersonal market forces." (Marshall et al., 1984, p. 336) Internal labor markets allow firm's to minimize hiring costs while maximizing employee productivity since most jobs are filled within the ranks of current employees. The outside hiring which is done is heavily concentrated at the lower levels, or "ports of entry". Ports of entry are the principle point of contact

between the firm's internal labor market and the labor market at large. Promotion and upper level positions are filled internally, outsiders are recruited only if no present employee is interested or qualified. A vacancy on a skilled level will result in the hiring of an unskilled worker, since several insiders will have moved up the ladder.

Internal labor markets became more common in the United States during World Wars I and II in response to labor scarcity and government regulations, and during the 1930's, in response to union pressure. "Internal labor markets are also developed from the supply side. When a group of workers remain in the same firm for some time, then a set of expectations, or customs, will develop, which over time tend to be codified into a set of rules. An example are the very structured rules and norms that govern hiring and promotion policies in academia." (Reynolds et al., 1987, p. 147) Development occurred in Japan as a method to retain valued workers, when the labor supply was scarce.

Certain types of firms are more prone to develop internal labor markets than others. Those which engage in job specific training, which is defined as training which gives skills that increase worker productivity only in the firm giving the training, are most likely to develop internal labor markets to ensure a stable, long-term work force, which can learn quickly and perform well later on. The reasons for the attractiveness of internal labor markets to these types of firms is because it "allows the firm to observe workers on the job...to make better

decisions about which workers will be the recipients of later, perhaps very expensive training. It also tends to foster an attachment to the firm by its employees. The employees realize they have an inside track on job vacancies and if they quit they would lose this privileged position. This then motivates them to become long-term employees of the firm." (Ehrenberg et al., 1985, p. 143)

Some additional benefits of using internal labor markets are that the long-term relationship fostered by this system encourages employers to provide better training, workers in turn identify more with the company and therefore are more willing to be rotated into a variety of jobs. The advantage of using current employees to fill vacancies is that the "firm knows a lot about the people working for it. Hiring decisions for upper-level jobs will thus offer few surprises to the firm. Management feels that the firm-specific knowledge and training upper-level workers must have can best be obtained by on-the-job learning over the years." (Reynolds et al., 1987, p. 143) Reduced turnover costs and improved worker motivation, since career ladders are well-defined, are also achieved with the use of an internal labor market.

There are also costs associated with internal labor markets which need to be mentioned. One cost concerns the "restriction of competition for upper-level jobs to those in the firm. Those in the firm may not be the best employees available, but they are the only ones the firm considers for these jobs." (Reynolds et

al., 1987, p. 143) Other problems occur when a firm faces declining demand and must lay off some of its workers. Workers with the least seniority are laid off first so the highest trained workers are retained, and morale and productivity is maintained to the greatest extent. This causes senior workers to push less senior workers to lower-level positions, which is called bumping. "Extensive bumping is costly to a firm for several reasons. First, the demotion, even if only temporary, can be demoralizing to the workers involved. Second, the workers who shift jobs may have to learn, or at least relearn, skills." (Reynolds et al., 1987, p. 148) Also, if the firm has just recently begun an affirmative action program, the minorities hired to meet the programs requirements will be the ones with the least seniority, and the first to be laid off. This will in effect counteract the goal of the affirmative action program. Yet most firm's feel the benefits of an internal labor market or seniority system far outweigh the costs.

III. INTERNAL LABOR MARKETS IN JAPAN

In the early 20th century "semi-skilled labor was in short supply, and gangs of workers under an oyakata (big boss) hired themselves out at favorable rates where required. As the zaibatsu (Japan's financial combines) grew up, the practice of retaining better educated employees began and by around 1910, both white and blue collar workers were being introduced to the benefits of stable employment. This induced oyakata to become members of one company, and gradually eliminated the mobile

laborer except in the cases of part-time employees brought in at busy seasons. Greater incentives were offered for employees to remain longer, welfare programs were introduced as were work councils." (Journal of Business Ethics, Feb. 87, p. 140) The high turnover and short supply of labor after World War II also made this a very feasible solution to the employment problem.

Japan's current internal labor market structure, a type of modified internal labor market in that their system is extended, evolved and/or was refined from this early concept. "Institutional arrangements allow the management of a parent company to transfer and re-allocate its human resources within a group of related companies. The practices and systems utilized by the Japanese management, based on internal labor market ideology, are all inter-related and employed to achieve specific behavior outcomes." (Human Resource Management, Spring 1986, p. 105) Some of the diverse objectives of Japanese internal markets are to achieve skill development; recruitment of school leavers, sex discrimination, continuous on-the-job training, extensive job rotation, and open promotion from within; Others to strengthen work relationships; Evaluation of total persons, seniority/ability based wage and promotion, employment security, early retirement, systematic overtime work, and low-level vacation; While others are related to better teamwork and organizational commitment; company welfare facilities, information sharing, participation, and the enterprise union.

The behaviors which these systems and practices are supposed

to foster, some successfully, others not so successfully, include such items as skill development, work motivation, teamwork, organizational commitment, flexible job behavior, low turnover, discipline, and labor-management cooperation. The first three items mentioned are "common human resource management goals for companies in any country. The other items are either what Japanese companies eagerly seek to achieve or what any company wants to achieve but non-Japanese companies fail to satisfactorily attain." (Human Resource Management, Spring 1986, p. 106) Each of the items in the previous lists will be explained in greater detail and compared to the United States if applicable in later sections of the paper.

The internal labor market structure in Japan is most prominent in the recruitment of school leavers into port of entry jobs, and open promotion from within up a well defined career ladder. Employees are hired straight from school with no work experience. These new employees enter at the lowest rung of the corporation (i.e. ports of entry) and gradually climb the corporate ladder while gaining experience through on-the-job training. In the open promotion system an employee's social background is basically disregarded. There is little distinction between the classes - blue collar, white collar workers, supervisors, and management - and this allows relatively high mobility between these classes. "The Japanese employee, rather than seeking a better position outside the company, works hard and seeks to upgrade his ability through on-the-job training and

to gain promotion within the company. Thus his orientation remains toward his firm, not outside. The organization and personnel policies reinforce this inward orientation." (Human Resource Management, Spring 1986, p. 108)

Sex discrimination is still practiced in Japan per se in order for the internal labor market and lifetime employment to function in periods of recession. Women and temporary workers are used as a type of shock absorber for the rest of a firm's employees. "Management uses many contract (women) and temporary workers to absorb unpredictable swings in manpower needs to protect the permanent position." (Personnel Journal, Feb. 1987, p. 32) Women in the labor force rarely enter into a lifetime employment relationship or become regular workers. Most are just temporary employees or part-time workers who can be hired or fired at will. "If women do get the same job in theory, its contents and benefits are somewhat different, and there is also less likelihood of obtaining promotions since they are not fully integrated into the company." (Woronoff p. 116) Japanese female employees also do not get on the same career ladder that leads to future promotions. In fact, "in more than half the companies (52%), women are not given any chance at promotions." (Woronoff p. 119)

Other differences are in the channels used to recruit women as opposed to men. Personnel officers scout the best universities for male employees, while women were often just introduced by contacts or hired through connections. Men are

tested at least partly on ability, while the women have to demonstrate their charms and pleasing personality and are also subject to closer scrutiny as regards their morals. There is also discrimination in the training process. "The training is the same for men and women in 19% of the companies, in 33% the men and women are trained separately, and in 13% of the companies, there is no training whatsoever for females." (Woronoff p. 118) The training female employees do receive is in direct contrast to that of the men's. Their training is "full of strictures on how one behaves, matters like presentation, how to greet customers, even how to bow. Special attention is paid to how to answer phone calls and stress is placed on the use of polite language. The more solid elements, material of a technical nature, or introduction to a profession are limited." (Woronoff p. 118) Thus, their training can be considered more of a "general" rather than "job specific" training which is typical of firm's with internal labor markets.

Recruitment and training also play a major role in supporting the internal labor system. An organization looks for specific employee qualifications when recruiting since, once hired, the employee may very well be with the firm until retirement. "Because of the permanence of employment, the necessity for teamwork and the unyielding dedication to quality, Japanese are very meticulous in hiring decisions and training programs. To ensure the applicant is compatible, the selection process often includes interviews with the applicant's family."

(Personnel Journal, Feb. 87, p. 34) "Candidate screening is not intended solely to identify technical skills but to eliminate personalities that would clash with the cultural norms of the company." (SAM Advanced Management Journal, Summer 1986, p. 25) "Because the selection process is an extremely rigorous one, the selected employee is psychologically uplifted. He knows that the company recognizes him as being the most qualified of all the candidates and therefore he feels some gratitude and loyalty at the outset." (SAM Advanced Management Journal, Autumn 1985, p. 27) Employees also are very selective in choosing a company to work for since "one's status in society is determined to a large extent by the company to which one belongs. In the words of one senior Japanese executive, "To choose a job is almost as important as selecting a woman for his wife. In fact, it is more important." In the event of an inappropriate spouse, the individual can always choose divorce. In the case of one's job, however, it is difficult to quit and seek some position elsewhere unless one sacrifices himself, both financially and status-wise." (Journal of International Business Studies, Fall 84, p. 143) This in turn keeps the new employee focused on their respective firms, wanting to prove that they were worth selecting, so they do not look externally when improvement in position is sought. In this way the internal labor structure is supported.

Emphasis is placed on training since firm's want their employees to be as knowledgeable as possible. If the employees will be retained for long periods of time, organizations will be

more willing to train and develop them. This gives both the employee and employer long-term outlooks concerning employment. The training process itself is continuous and integrated into the life of the firm. This is done through job rotation.

Job rotation is a system in which employees move through a series of jobs gaining experience, learning about the organization's culture and structure, and making contacts within the firm. "Jobs are defined loosely so that employees will learn to do a variety of tasks over an extended period of time. This diversity allow them to assist other workers and fill in when needed. Also, diversity in job tasks may prevent or limit worker stagnation." (SAM Advanced Management Journal, Autumn 1985, p. 28) This helps maintain employee satisfaction, both with his work and the firm itself, which decreases the chances he will look outside the firm for a better position.

Executives also must pass through the series of jobs, preferably gaining experience in line assignments. This rotation through important positions identifies promising executives rather than ensuring rapid promotion. "The Japanese do not even consider hiring or promoting individual superstars. They opt for those capable of being helpful, supportive and emotional leaders in a team environment. They are evaluated not only on ability and performance, but also on personality and interpersonal relations. During the period of job rotations they are judged on their ability to cooperate - not on how competitive they can be. Executives also do not want to be singled out as different,

better, or special. To be treated differently is an embarrassment and causes the recipient to 'lose face'." (Personnel Journal, Feb. 1987, p. 31) "An executive can also be promoted to a high position without following the elite course of job rotation. This is referred to as "sasen" (removal from the main rotation). For instance, a junior executive may be transferred to a line position as a manager of a minor branch or promoted to head of the information section. Such a move is a sign that the manager will never become a top-level executive. Promotion is often a formality used to maintain harmony in an organization for those who fail to remain on the main rotation." (Harvard Business Review, Nov./Dec. 1984, p. 180)

The success of Japan's extended internal labor market also depends on their practice of basing wages and promotions on seniority/ability, and lifetime employment. "Japanese corporations have built up an elaborate value-system of girininjo, a syndrome of duty eliciting human feeling and human feeling eliciting a sense of duty around the concept of shushin koyo seido (literally: for life-employ-system) which in terms of the manner of practice is best described as a "stable employment system." This was developed directly out of the circumstances of the labor market in the early 20th century (the industrial revolution) from adapting a traditional value achieved through creating a modern industrial concept in a form that resembled a traditional institution." (Journal of Business Ethics, Feb. 1987, p. 139) The practice then became "widespread after World

War II, when the American occupying forces introduced labor laws that encouraged its eventual adoption." (Harvard Business Review, Nov./Dec. 1984, p. 180)

The benefits derived from lifetime employment include increased worker loyalty, better trained employees, lower turnover costs, and a strong sense of worker commitment. The incentive will be greatest where on-the-job training is specific to the company and where transferability of skills is limited. There are also costs associated with lifetime employment that need to be considered. They include such items as higher selection, training, and development costs, profits will decrease initially as managers opt for long instead of short term gains, and the possibility that the prolonged commitment to one work environment may create worker stagnation which in turn results in worker dissatisfaction. (SAM Advanced Management Journal, Autumn 1985, p. 26)

The practice of lifetime employment is applied principally to employees of large corporations and is less prevalent in small and medium-sized companies. It effects "22 to 30 percent of the full-time labor force. Among those not generally covered are lower level and temporary workers. Japanese companies aggressively pursue actions necessary to make lifetime employment successful. Organizational policies and philosophies at all levels of management are tailored to enhance corporate loyalty and a feeling of belonging. Japanese managers outwardly profess that job security is a top level priority." (SAM Advanced Management Journal, Autumn 1985, p. 29) A kind of "social contract exists under which the authority of management was vested in the employee, whose well-being (as he himself progressed to management) was vested in the system he would eventually lead." (Journal of Business Ethics, Feb. 1987, p.

140) In Japan it is socially unacceptable for a company to lay off certain full-time employees and there are also societal pressures involving work and its relationship to an individual's total life. This social stigma has greatly facilitated the successful application of the lifetime employment practice. "Japanese workers view job loss as a personal disaster and a serious social disgrace. Because losing or quitting a job is an admission of inadequacy, any job loss makes it difficult for an individual to find another job of comparable salary, rank, and job security. The Japanese believe that an individual who leaves a job lacks either the knowledge, skills, or ability necessary to perform required job duties, or the required drive and motivation." (SAM Advanced Management Journal, Autumn 1985, p. 27) Therefore employees eagerly accept additional training and development to make themselves more valuable and therefore less apt to be let go. Since job mobility is almost non-existent, this ideology helps enforce the internal labor market structure.

The seniority system, which operates in conjunction with lifetime employment, is critical since if employees do not feel they are rewarded for their commitment to one particular company, their motivation to remain would decrease. Since wages and promotions are based to a large extent on seniority, the incentives are high enough to satisfy the employees' desire for job mobility. Japanese pay systems do not follow the concept of equal pay for equal work, their compensation is based on various factors. "Japanese work tradition considers the whole person:

Schooling, age, family financial needs, years with the company, teamwork, and loyalty." (Business Horizons, May/June 1984, p.82) Two individuals working side by side may be paid rates that vary 50 percent or more if one is older, has more company service and a large family. The system works because all employees agree that the difference is appropriate, so internal equity is maintained. "The intention of the seniority system is to mitigate employees' anxiety and insecurity by providing orderly promotion and pay raises. The system also enhances employee morale and organizational harmony." (Harvard Business Review, Nov./Dec. 1984, p. 180)

Another practice the Japanese follow in order for internal labor markets to operate is early retirement. The earlier employees involved with lifetime employment retire, the greater flexibility the firm has in times of recession, and the more spots it has open for promoting younger employees. Lifetime employment refers to the span of time from the initial hiring date through retirement. Since "compulsory retirement is at age 55 (which made sense when enacted in 1902 when the average life expectancy was only 42 - it is now over 70) the time of employment is quite short." (Woronoff, 1983, p.83) Many companies are encouraging older workers to retire early since lifetime employment "depends on the discriminating retirement policies. They are being offered bonus packages as an incentive to retire early. Many employees do so because they know the next time the bonus package offer may not be so generous. Some

retirees can continue their employment at subsidiaries while others are simply let go." (Harvard Business Review, Nov./Dec. 1984, p. 182) Many corporations transfer older employees, or those no longer on the elite rotations track, to subsidiaries to make way for younger individuals making their way up the ladder, while "saving face" for the older employee. Another reason for firm's desire for workers early retirement is that "with a young workforce it was financially advantageous to pay seniority-based wages because most of the employees were on the lower levels of management. Now more are earning high salaries and companies are pricing themselves out of the market." (Woronoff, 1983, p.68)

Other factors that contribute to the internal labor market are systematic overtime work and low-level vacation. Many organizations "underman" their facilities in order to avoid or minimize overemployment in a recession, and build in overtime work and much shorter vacations than those given their American and European counterparts." (Human Resource Management, Spring 1986, p. 105) Firm's employ just enough people to allow them to operate so that in the face of a recession, there are fewer "extra" people that will need to be laid off. Building in overtime and shorter vacations allow the firm's to produce the number of items needed with as few workers as possible.

Through the evolution of lifetime employment to the seniority system, various aspects of company welfare came to be administered, in order to hold on to its staff. "Over and above the wages, the company often provides dormitories or housing,

housing loans, medical care, perhaps its own doctor and clinic. It promises retirement payment or pension after the career with the company is over and sometimes also a second job. It subsidizes meals in the company canteen and pays for travel expenses to work. It often goes so far as to provide sports grounds, club rooms, and vacation homes. The frills vary with the size and wealth of the company, but there are always special advantages that make the employee rely more heavily on the employer." (Woronoff, 1983, p. 45) The companies also occasionally take a special interest into employees personal lives by "finding them a suitable wife or husband (ideally in a related company)." (Journal of Business Ethics, Feb. 1987, p. 140) The direct cost of welfare facilities are quite high, "representing as much as 14 percent of earnings plus another 5 percent for retirement payments." (Woronoff, 1983, p. 49) Japanese corporations end up paying quite a high price in exchange for diligent work and loyalty.

Japanese corporations also believe very strongly in maintaining harmony, in enhancing teamwork spirit and organizational commitment. "The harmony that exists between labor and management allow for: 1) greater acceptance of technological change; 2) greater on-the-job diligence ; 3) greater trust in management decisions, such as promotions; 4) internalization of a goal of greater productivity by all employees; and 5) greater acceptance of managements rights and prerogatives." (SAM Advanced Management Journal, Spring 1987,

p.28) They strive to accomplish these through the practices of information sharing and employee participation. These practices work because labor and management have shared goals - what is best for the company is best for all employees. The Japanese rely upon shared goals and responsibilities among employees in developing and implementing policy decisions. What the corporation is "attempting to achieve is the consent of their workers for management actions, to elicit active worker involvement at the shop-floor level. This form of participation does not interfere with management prerogatives in directing the firm." (SAM Advanced Management Journal, Spring 1987, p. 30)

The authority vested in top management is not overwhelming, while the amount of authority distributed to those in the bottom rank is large compared with that in foreign corporations. Top management refrains from exercising autocratic power, and those in other ranks are given a voice appropriate to their standing. (Human Resource Management, Spring 1986, p. 109)

The benefits of this type of worker involvement are innumerable. "It stimulates cooperation and understanding between work groups; improves communications; and allows a systematic, broad-based analysis of what is working well, not so well, and why. The ability to achieve understanding and support of management decisions before the fact reduces time spent in retracing steps and revising decisions. These practices also develop genuine leaders rather than insensitive dictators." (Personnel Journal, Feb. 1987, p. 34)

"Most important, perhaps, is that worker involvement

harnesses the energy, enthusiasm, and ingenuity of the company's employees to solve the company's problems. This involvement results in widebased support for decisions made by the company as well as in higher levels of self management and its resultant levels of improved quality. The end result is a loyal and committed workforce, which directly supports the development of internal labor markets, since the Japanese worker sees himself as an integral part of the firm." (SAM Advanced Management Journal, Spring 1987, p. 30)

One particular method of participating management are quality circles, which were implemented in Japan in the 1960's. A quality circle is defined as "...a way of capturing the creative and innovative power that lies within the workforce." (SAM Advanced Management Journal, Spring 1987, p. 9) The circle consists of a small group of employees from the same work area or who do similar work and who voluntarily meet on a regular basis, on company time and in company facilities, to identify and propose solutions to problems in the workplace. Quality circles are based on the concept that suggestions affecting the workplace should come from those who perform the work and who have the greatest knowledge about the job. There are "two types of benefits obtained - tangible, measurable benefits occur in improvements in quality, productivity, and lowered costs; and intangible, consists primarily of improved employee morale and attitude, greater employee involvement, increased levels of job interest and commitment, and increased job satisfaction among

others.

Companies who are considering implementing a quality circle program should also consider the inherent problems. The most frequently mentioned problem is not enough management involvement or support. If management is not 100 percent sold on quality circles, they may "exert too much control on the process, dictate to the member which problems to solve, set deadlines for solutions, and restrict the information available to the circle members. Other problems, although not all inclusive, include: the readiness of the organizations vertical and horizontal communication network (both formal and informal) to share information; ensuring that the company focuses on long-term positive re-enforcement as a motivational tool; and inadequate planning. Japanese circle members receive a high level of recognition and the opportunity to participate in in-house conference and ceremonies. Most Japanese firms also have an annual bonus system, thereby allowing deserving employees to share in any monetary benefits resulting from productivity improvements. Yet not all Japanese quality circles are successful. About one-third of the circles started in Japan were doing well; another third were functioning on the borderline; and one-third were making no contribution to the firm" (SAM Advanced Management Journal, Spring 1987, pp. 10-12)

Enterprise unions in Japan are a main supporter of the internal labor market. The less turnover that occurs in a firm they're representing, the less politicking and public relations

they have to perform to introduce new workers to the benefits of the union. Japanese management is very concerned with the welfare of its employees, and consider their human resources to be their number one priority and asset. The whole structure of Japanese management seems to support this ideology. The cooperation of the enterprise unions are essential to the success of Japanese companies since their management practices depend on union support. Many companies do not have unions though, since "the concept of vertical relationships (internal labor markets) also support lifetime employment and may inhibit the formation of unions on a horizontal basis across different companies. Employees commit themselves emotionally to the well-being of the organization, which in turn looks after their welfare." (Harvard Business Review, Nov./Dec. 1984, p. 174) Japanese employees align themselves more with the company they work for than the particular work they do or profession they're in. All these factors increase an employees orientation towards his firm and the internal labor structure, than to the external "world of work".

IV. CHANGES WHICH AFFECT INTERNAL LABOR MARKETS IN JAPAN

Japanese corporations also elude a sense of paternalism towards their workers. They believe the employee is the company's most valuable asset, and as shown previously, their structure is set-up to take advantage of this belief. The Japanese also possess a Shinto belief that the innate goodness of human nature provides a better basis for a work ethic than one

based on a belief that workers are going to do the least, steal all they can and stay away as much as possible. (Journal of Business Ethics, 1987, p. 141) The employee values and characteristics also maintain this sense of paternalism, which in turn supports Japan's internal labor market. Japanese characteristics include "interdependence, strong familial feelings, respect for 'the face' (and space) of others, and maintenance of harmony. These traits, plus an ethnically homogeneous population with enormous behavioral sameness, characterize Japanese lives. The Japanese strength comes primarily from their homogeneity and willingness to subjugate individuality to the team process. They readily identify themselves as part of a team (family, company) rather than as individuals; Japanese workers do what's best for the company even though they may be unhappy in their jobs." (Personnel Journal, Feb. 1987, p. 28)

Many of these characteristics and the economy, are changing which will have an effect on Japan's internal labor market structure. Japan's new-valued yen has driven up the price of Japan's products in foreign markets and angry trade partners are causing "government officials to encourage the Japanese to become more voracious consumers. Sacrifice is out, self-indulgence is in. The Japanese are being encouraged to work less, play more, save less, spend more, and, while they're at it, buy foreign. This phenomenon is called Kokusai-Ka, or internationalization. Japanese companies are restructuring in response to leaner,

meaner times. Thus many firms have folded the safety nets that gave workers a guaranteed job for life. The values between the generations is also undergoing change - evolving from a We generation to a Me generation." (Time, April 1987, p. 40) The younger generation is no longer as willing to "follow orders blindly. There is an upsurge of individualism, preference to work for palpable (rather than moral) rewards, and no desire to sacrifice one's life for work." (Woronoff, 1983, p. 21)

Future changes that will have an impact on lifetime employment practices can be summarized as follows: 1) As a result of demographic changes companies will offer increasingly more attractive early retirement programs to entice the long tenured employee; 2) the ratio of temporary to lifetime employees will increase to offset escalating payroll costs; 3) companies will rely more heavily on temporary and part-time employees as economic growth abates and economic fluctuations occur; 4) a formal lifetime employment commitment will be offered to fewer and fewer employees; 5) the informal lifetime employment pact between employer and employee will significantly erode over the next ten years; and 6) the average term of employment with a company will decrease; however, due to cultural factors impeding drastic changes, lifetime employment will not cease to exist." (SAM Advanced Management Journal, Autumn 1985, p. 29) Job-hopping, if the work is not challenging enough or if it demands too much time, once a rare phenomenon, is therefore gaining acceptance. Japan's workforce is aging, which causes payroll

costs to escalate and steady career advancement to become almost impossible, as mentioned previously. Reliance on temporary workers allow these costs to be kept to a minimum and helps reduce the organizational tendency to be top-heavy. The major component of temporary workers, women, have begun to work their way into corporate boardrooms, and the salary gap between male and female college graduates just starting out was only about \$500 annually. This is a drastic change compared to the treatment of female employees mentioned earlier.

Another component of change affecting Japan's internal labor market is the effect of stress on employees. "Most Japanese often put in twelve hours a day, six days a week. Technological advances in office automation have also occurred much more rapidly than in the United States. Employees are often expected to spend evenings and weekends learning to run the new machines, and many feel crushed when they fail to master them. Most employees do not even take their allocated vacation time for fear of losing favor with their bosses. This pressure can, and does, cause a lot of stress to employees. A uniquely Japanese disease is called "the holiday syndrome." A description is when employees feel ill when away from the office, but feel completely well when back at work. Most major Japanese companies now have psychiatrists on staff to counsel employees with mental problems. Some companies are seeking to reduce stress before it gets too serious. Some advise employees to take aerobic lessons, others have built meditation rooms for workers, while others are sending

employees to Zen temples. The main reason for the increase in stress is the lower growth rate, which means fewer promotions and rewards, causing employees to feel threatened. (Business Week, April 1986, p. 53) This also threatens Japan's internal labor market since if employees feel they are not being adequately compensated for their loyalty, they will no longer stay with just one company for life as is the current practice.

V. LABOR MARKETS IN THE UNITED STATES

Japan's internal labor market, compared to the labor market in the United States, is quite different. Japan's labor market is oriented inward. The United States labor market on the other hand, is basically externally oriented. Employees in the United States feel no loyalty towards their employer, and identify more with their profession than with the company they are employed by, which is the opposite of the Japanese employees. Job-hopping is also a common practice, used to maximize an employees career opportunities. "Japanese management is characterized as management-initiated worker participation. The emphasis is on quality achieved through the efforts of the entire workforce, not just quality control inspectors. At the heart of this emphasis is the assumption that Japanese employees are both capable and willing to strive for quality. Emphasis is also placed on the importance of work groups opposed to individuals." (SAM Advanced Management Journal, Spring 1987, p. 28)

American strength, in contrast, comes from diversity and enlightened self-interest. Americans are not adverse to

teamwork, but they have to be convinced that what's best for the team is also best for themselves." (Personnel Journal, Feb. 1987, p. 28) "American managers also believe that the American worker is not able or willing to contribute to the overall effectiveness of the organization. This down-grading of the workers role is evidenced by an emphasis on capital growth and technical solutions to productivity problems. They are not convinced that more involved and highly satisfied employees are more productive. American managers are also more concerned with short-term instead of long-term results as Japanese managers are." (SAM Advanced Management Journal, Spring 1987, p. 28) The Japanese strive to create a corporate culture of mutual involvement, holistic concern, and employee security that integrates the social and economic needs of the employee and employer alike. Japanese employers are interested in their workers' feelings and personal lives, not merely work-related achievements and capabilities as American managers are. Japanese management has a philosophy of "friendship, trust, and working together" almost in direct contrast to American management philosophy of individual initiative." (SAM Advanced Management Journal, Summer 1986, p. 23)

VI. COMPARISON/TRANSFER POSSIBILITIES OF JAPANESE PROGRAMS TO THE UNITED STATES

If American managers were to implement various aspects of the Japanese management structure, they would need to modify them to fit their own labor market as described above. One base

to follow would be to emulate the Japanese multinationals and the manner in which they've modified their own structure to fit the ideology of their American employees. The following characteristics the Japanese multinationals attempt to install include "community orientation, class egalitarianism, employment security, and employee participation, all of which are considered to be transferable. If the Japanese subsidiaries do offer employment security, they should endeavor to not adopt Japanese practices such as built-in overtime work, sex discrimination, early retirement, and personnel reallocations in the extended internalized labor market. They should, though, recruit part-time workers, train redundant workers in slack periods, and reallocate workers to certain product lines facing surging demands, as well as overtime work and transfers on a moderate scale, these will all be feasible and necessary." (Human Resource Management, Spring 1986, p. 114)

In order for American managers to implement the above practices, they have to be more willing to consult employees when dealing with problems. The workforce must feel that it is an important force within the company. Japanese managers are able to accomplish this without giving up their "prerogatives for decision making by carefully controlling and guiding the activities of the workers toward the attainment of organization goals. U.S. managers also need to learn the art of subtle communication, such as reprimanding a subordinate without that individual losing face. Team building is another process that

can result in better interpersonal relationships and, in the longer term, improved productivity. Employee job freedom must be given before the employees will commit to improving their productivity and the quality of their work. Without some control over their jobs, employees are likely to continue resisting any management effort to improve. American management must also gain the trust of their employees through the active involvement of the union in the planning and implementation of changes in management systems. Most importantly, the involvement program must be tied into an appropriate incentive system. A reward system must reinforce behaviors, such as better performance, cooperation, and a long-run orientation towards work. The Japanese accomplish this through guaranteed employment and security. In short, their incentive system rewards loyalty." (SAM Advanced Management Journal, Spring 1987, pp.31-32) While lifetime employment would probably not work in the United States because it does not have an internal labor market, a more "functional equivalent would be to avoid layoffs as much as possible by providing employment under nearly all economic conditions, laying off workers only when no other solution is feasible." (SAM Advanced Management Journal, Summer 1986, p.25)

VII. CONCLUSION

The Japanese internal labor market has both benefits and costs to take into consideration. Benefits such as low turnover, employee motivation, and improved training; and costs such as restriction of competition and employee stress. The programs

they utilize within the context of their internal labor market structure work together to enhance productivity and employee satisfaction. The Japanese consider the human resource to be their best asset, so it follows that it is also their number one priority when decisions are made. Employee input is valued and many steps are taken to ensure that employees feel they are an integral part of the firm. This assists in the operation of the internal labor market by maintaining an employees loyalty and/or willingness to stay with one firm and work their way to top management.

Various aspects of the Japanese management structure could be implemented in the United States, but a prerequisite for this is that management needs to change their philosophy so that employees are considered the firm's most valuable resource. Otherwise the necessary time and effort will not be put into basic elements such as participatory management and more extensive training. Without management support the programs previously mentioned which could be implemented in American firms will never be successful. American firms need to realize this before even considering the implementation of a "Japanese" program, or it will be a waste of time and money from the beginning.

The Japanese have developed a management structure that is uniquely designed to mold into the values, traditions, and culture of the people. They experimented with different programs and ideas until they found the combination that worked the best.

That is exactly what the managers in the United States must do. It is not feasible to think that just because a program worked in Japan, that it will produce the same results when implemented in the United States. The programs will need to be modified and adapted to best match the goals and culture of each individual organization. "Good management systems are not imported, but evolve, and long-term success takes patience and determination and hard work. Adapting the management philosophies and techniques used in Japan may lead to a new recognition of America's most underutilized resource: its people." (SAM Advanced Management Journal, Summer 1986, p. 27)

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