MYTHS OF THE MANAGED SOCIETY

In recent years the phenomena of "Japanese management" and "Japanese education" have become subjects of intense international scrutiny. This debate has generally fit into two categories.

The first, which seeks these "Japanese" forms as something positive, has tended to focus on the putative links between the Japanese economic miracle and its educational system. Advocates of this ideology tend to see these systems as potentially universal models from which other societies seeking development can develop insights. Ideas such as "humanizing education" and "humanizing capitalism" are representative of this stream.

The other side of the debate, which sees these phenomena more negatively, tends to focus on the dehumanizing aspects of these systems, on the ways in which they "turn people into robots." Quite frequently advocates of this position have defined these phenomena as something specifically Japanese, things which "may be good for them, but not for us." This has the possibility, naturally, of appealing to nationalistic sensibilities as well.

In this series of essays the authors generaly steer clear of these two poles, and tend to focus on the historical backgrounds behind the establishment of these systems, not praising them as universal models but neither seeing them as systems that are uniquely adapted to "Japanese cultural values."

Overview:

Building Japan's Corporate Society

By Totsuka Hideo

Totsuka Hideo, a professor of labor economics, has long studied industrial relations and Japanese corporations. He has recently been concerned with the Japanese automobile industry, and has examined the phenomenon of "Post-Fordism." This article is abridged from a lecture he delivered at PARC Freedom School in Tokyo.

There are two ways to talk about a "corporate society": one to grasp it as a corporation itself, the other to grasp it as a social system dominated by corporations. In this paper I will discuss the particularity of the Japanese corporation itself, from the point of view of industrial relations. In doing this, however, it will be imperative to consider the question of how this extraordinary corporate society was established and how it affected the overall social system. Therefore I will begin my argument from the basic units of "society."

The concept of "management-social policies" was strengthened in Germany during the 1920's. This concept strove to make management into a cooperative activity between capital and labor, and this cooperation was to maintain social harmony. There were debates on how to transform management into a "community" (*Gemainschafft*). In Germany certain preconditions were set, for instance that the negotiations between labor and management would take place outside of management, and that rules and labor agreements would be institutionalized under this system. The debates revolved around the question of what types of labor management and welfare policies were needed inside this management.

In contrast, Japan's corporate society is characterized by the inclusion of labor unions *within* management, and by the rejection of outside agreements. This is a crucial point in discussing Japanese corporate society from the perspective of industrial relations.

In industrial relations, we typically focus on labor unions, and especially on labor agreements. These describe the fundamental order under which workers act, and it is thus important to examine their contents. During the 1980's, when I was doing research on Nissan and Toyota, I asked the union at Toyota to give me a copy of the agreement and was very surprised by their answer. They told me, "We have to clear it with the management first." This is probably very common behavior for enterprise-based unions.

To get to the roots of this behavior, we need to go back to the situation following World War I. Japan was a latecomer to capitalism, and this provided an advantage to managers as they were given the opportunity to observe the labor conflicts that had emerged in other countries. With this in mind, they began to develop ideas for preventing and controlling conflict. In other words, they were given the opportunity to consider the problem before it became a major social issue.

Despite this preparation, the labor movement managed to make inroads after the war, and the influence of the Russian Revolution led to a burgeoning of labor conflicts. Unions pushed their demands, principle among them the right to collective bargaining. In response, the managers and management associations, with the support of the government, refused to allow people outside of enterprises to participate in the process. They proposed instead the establishment of a system of factory committees, which would shut unionists

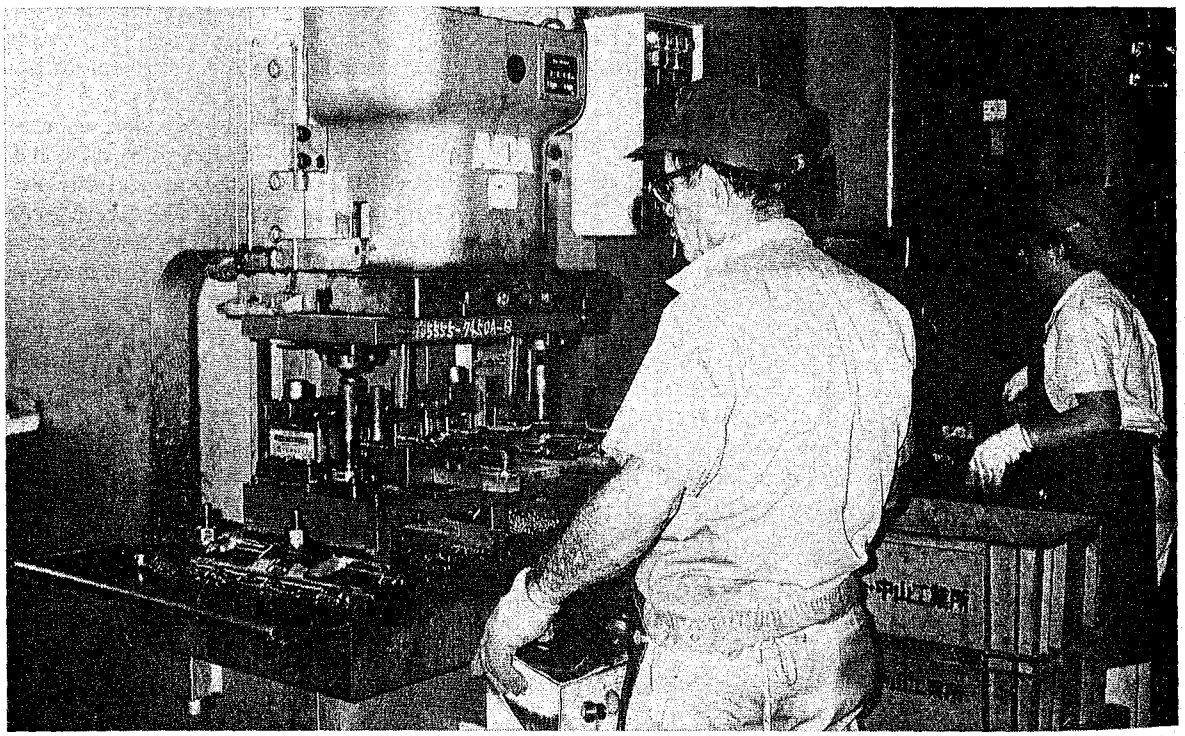
outside the enterprise. Because these committees were intended to be places for employees to do no more than complain, it was impossible to form common social rules on industrial relations. The idea was to turn enterprises into "black boxes," with no ties to the outside, and to maintain harmony inside these closed systems. The premise was therefore totally different from Germany's management-social policies.

If we turn out attention to the early-comers, we see that all with the exception of the United States established systems which accepted collective bargaining with outsiders, or at least collective bargaining beyond the enterprise level. Japan's managers, however, were operating under the strong belief that they needed to take a different approach towards employees in order to bring them into the management. By doing so they hoped to maintain industrial harmony.

This movement was strengthened by pressure from outside Japan. The International Labor Organization (ILO) was established in 1919, and Japan found itself obliged to send representatives, though it was not a sincere participant. The managers, in the face of this quandry, got the idea that they could establish employees' committees inside their enterprises as a sort of "labor union," and that these committees could then receive international recognition. I think this was the start of Japan's present system of industrial relations. I would argue that Japan's managers, as relative latecomers, were able to systematize a unique approach to counter the pressures under which they found themselves.

Unions and Democratization

Another major development in the system came after World War II. The epoch-making event for industrial relations in the postwar period was the democratization promoted by Douglas MacArthur's GHQ. Unions proliferated after the enactment of the 1945 Labor Union Act. What I want to stress is that a reaction against privilege and discrimination spread along with the growth of the ideology of democratization. This spread of the ethos of equality was a unique feature of the postwar period, and it came to include not only equality of opportunity but also the equality of results. It was at this time that the *Densan wage* (Densan is a national electric workers' labor union, though it is very weak now) emerged as a model for equality of results. Densan created a very simple wage system, which eventually gained broad support from society, under which the wage was divided into two categories: standard and extra wages. The standard wage was augmented by a livelihood payment according to age, a performance payment, and seniority pay. The system was based mainly on age and seniority, and although performance was included, it carried a low weight. It is



Working for the JIT sysytem *photo by Fuke Yosuke*

clear that this system fit with workers' feelings at that time. The spread of the ethos of equality was accompanied by a lessened resistance to the idea of including both white and blue collar workers in the same unions.

This was the beginning of industrial relations in Japan's big enterprises. The enterprise-based unions included both white and blue collar workers, and this was a crucial factor in the development of the smooth industrial relations that foreign observers of Japan have given so much attention to. In late 1960's an OECD mission visited Japan, wrote a report on its findings, and since then the enterprise-based union has been seen as a distinct Japanese characteristic, and the view that this system enabled Japan's rapid economic development has become popular internationally. Basically, Japan's success has been attributed to the three measures — seniority wages, the lifetime employment system, and the enterprise-based union. Some observers in foreign countries argue that transplanting these measures will help companies in their own countries.

We need, though, to seriously question these assertions. For one thing, history has demonstrated that there is no guarantee that the enterprise-based union is necessarily moderate. In the immediate postwar period, enterprise-based unions carried out militant labor conflicts, and in fact, many of these struggles, known as the "struggles for the control of production," were led by white collar workers and even managers. It is therefore false to believe that a system of enterprise-based unions necessarily leads to industrial peace. The argument that seniority-based wages and lifetime employment benefit companies is also doubtful. It is easy to understand that secure employment and regular wage increases tend to create loyalty in their enterprises, but does this strengthen the firms? The fact that these systems can become a heavy burden on corporations was discussed among the Japanese elites during the 1980's when the government was busy condemning the public sector for becoming lazy under the protection of the "state boss" (the *Oyakata Hinomaru*) which granted them seniority wages and lifetime employment. I think the crucial key to understanding the development of Japan's corporate society is to see how Japanese managers have dealt with their difficulties.

Excluding Troublemakers

To start with, Japanese managers have done their best to exclude troublemakers from their companies. Japan's corporate society could not have developed without this strategy, and I believe that the practice continues today. The meaning of "troublemaker," however, has gone through three separate stages. During the occupation, it meant communists and communist sympathizers. From the late 1950's through the 60's, it meant people who hampered production, and this included active unionists.

More recently, it has come to mean those who do not act in harmony with corporate goals. Most big enterprises have informal groups within the company structure that act to find and remove these people. In fact, managers typically prepare a manual which indicates how to identify a troublemaker by his or her behavior on the shopfloor. Examples of these tell-tale signs include "refusing overtime work without good reason," "taking notes on the behavior or words of team leaders," "using lunch time to build relationships with others," "being familiar with work rules and being aware of rights," "fully using paid holidays," or "women taking their monthly menstruation leave."

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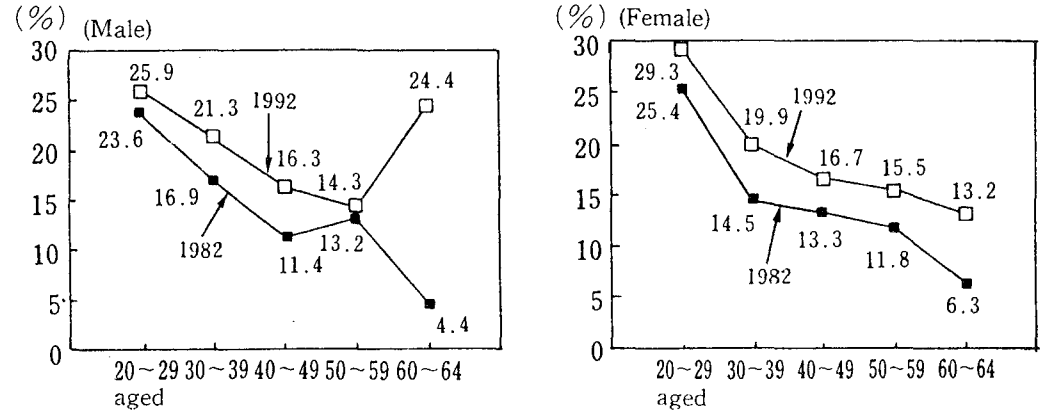
Another means firms use to exclude troublemakers is the thorough hiring process. Japanese enterprises get very detailed data on their employees, and my impression is that the hiring process is also very tough. They tend to interview applicants several times before selecting them, and this is clearly to exclude troublemakers from the very beginning. The main criteria they use is to look for a "cooperative mind" (see Fig. 1).

It is thus very one-sided just to speak of the secret of Japan's business success in terms of a soft and successful labor management practice. It is true, however, that the exclusion of troublemakers alone could not create success.

Reforming Industrial Relations

Another major mechanism exists, that of assimilating and mobilizing employees for the enterprise's goal. My observations suggest that this mechanism was established during the period from the late 1950's to the middle 60's. One of the most important parts of this mechanism was the establish-

Fig. 1 Trends in Age Group-wise Ratio of Those Who Work to "Give Full Play to Their Abilities"



Source : Prime Minister's Office, *Poll on Working Consciousness*

Note : Represents those who replied "Work to give full play to one's talent and ability" to the question "For what purpose do you think it important for people to work ?"

ment of the working manager (*genba kantokusha*) system, which at the time was done under what was called "manager system reform." This reform, which eliminated the old shopfloor bosses, was done in the late 1950's. The team leaders or foremen in the steel industry were typical of the position management was seeking to transform. Sociological studies in the immediate postwar period of Japanese industrial relations found that the group leader on the shopfloor played a double function: both negotiating with the enterprise on behalf of the workers, and acting as the lowest rung in the management hierarchy. This was troublesome for management, because these group leaders engaged in labor organizing. Hence in the late 1950's the managers side began to build a wall between these leaders and the workers groups. They encouraged group leaders and other key workers by promoting them to higher positions if they worked well.

The wage system was also reformed. The managers were not satisfied with the seniority wage, so they added a performance assessment. It was still, however, simply a reform of the seniority system. After importing the job-based wage from the U.S. in the 1960's, however, Japanese managers created a new system called the capability wage, in which pay varied according to a worker's capability at the job.

Labor unions, though, did not accept these reforms. They pointed out that the reforms would weaken unions by intensifying competition among the workers, but their views were disregarded.

Another epochal event in industrial relations was the establishment of the Japan Productivity Center (JPC) in 1955. Both management and labor were asked to join this center, which was premised on the idea that because Japan was an archipelago nation with few natural resources, raising productivity would be the only way to enrich the nation and its citizens. Raising productivity thus became a mission for business as well as a fundamental target for labor unions.

Labor showed a range of reactions to the proposal. Sohyo (the General Council of Trade Unions) rejected it. Domei (the Confederation of Labor), however, decided to join, though it set three conditions (which the business organizations accepted): first, that employment would be secured; second, that unions would be consulted before the introduction of new technology; and third, that the fruits of productivity improvements would be distributed fairly. At the time, the right wing of the labor movement (which was represented at that time by Domei) was trying to introduce a system of "labor-management consultations," (where management and labor discuss all aspects of business) and the JPC has been one way of spreading this idea among enterprises.

One way of seeing how deeply this system of labor-management consultations has taken root in Japan is to examine the research on the subject conducted by the Ministry of Labor. The areas and extent of these consultations go further than in other industrialized countries. For instance, unions can (to some extent) make comments concerning management, employment and working conditions, but conversely, wages and bonuses are also sometimes included. In short, everything has come to be dealt

with in these consultations, and the weight of collective bargaining has weakened. Can labor unions continue to accept this? I believe this is a very important point in considering the impact of productivity improvement activities in industrial relations.

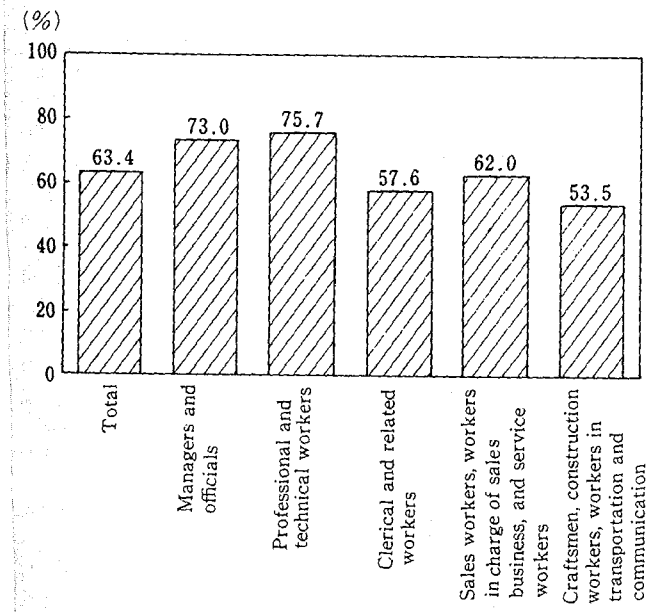
In the 1970's, business organizations started to complain about the limitations of organizational participation in management. They proposed that all members of firms be allowed to participate, and began stating that the participation of labor unions was insufficient as a means of integrating employees into the business goals. Their response was to begin to use the small group activities such as Quality Control (QC) circles and Zero Defect activities which were introduced in the mid 1960's. Soon businesses saw the emergence of successful cases, and decided to favor this system over the participation of labor unions. Managers came to believe that they could tap the ideas of their employees and incorporate them into the business plan. At the same time, they came to feel that labor-management consultations were a lukewarm measure at best. This is what drove management to their next step.

Japanese Taylorism?

What, then, is the reason for the success of Japanese business? The question of whether Japanese management is simply an extension of Taylorism has been much argued internationally. Taylorism was introduced into Japan on the eve of World War I, since Taylor's book was translated into Japanese immediately after its publication in 1911. One manager looking back on the time wrote that other managers were very interested in the ideas, but that there were negative reactions as well, in particular reactions to the idea that Taylorism was an ideology which treated human beings as machines or mere resources. They insisted, in contrast, that Japanese management be more mindful of treating people as human beings. I believe that the idea of using workers' experiences and working together to make work more rational existed even in the prewar period.

It is probably because of this that Japanese managers integrated engineers into the QC circle movement after the idea was brought from the United States. I also believe that Japanese management was able to lead workers to find the best way of doing jobs by using their knowledge and working through small group activities, which were of course framed to some extent by engineers. In the 1970's there was said to be a crisis in Taylorism, as demonstrated by riots in U.S. automobile factories. At the time, small group activities in Japanese firms

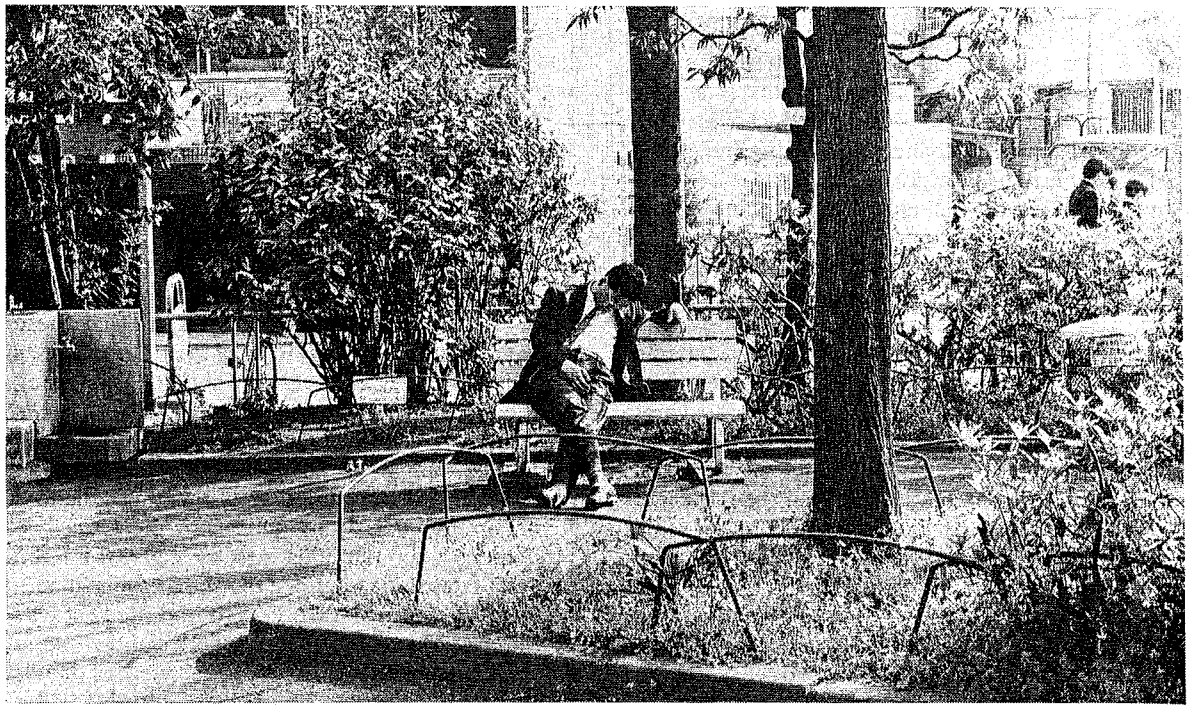
Fig. 2 Implementation of Self-enlightenment Programs by Type of Job



Source : Ministry of Labour, *Survey on Private-Sector Education and Training Programs* (1992)

Note : 1) The survey covered about 12,000 employees at establishments with 30 and more regular workers in construction, manufacturing, transportation and communication, wholesale and retail trade, eating and drinking places, financing and insurance, real estate and services.

2) Represents the percentage of those who were involved in self-enlightening activities to develop and improve their own career related abilities in 1991.



were challenging workers to find ways to improve the working system themselves (though within a certain framework), and their companies were able to triumph over their resistance. What is most notable is that workers had direct input into the improvement of their work. Moreover, business developed a management style which stated that once workers decided to continue working on the shopfloor they would have to work to make their jobs worthy rather than just labor reluctantly. This is what the business called "the participation of all." I would argue that businesses were successful in building upon the instinctive motivation which Japanese workers hold toward their jobs (see Figure 2).

The premise behind this success, however, was the death of shopfloor activities by labor unions, or at least a decrease in the ability of unions to set the meaning of work. Small group activities have succeeded on the shopfloor where union activities have not. According to some studies, QC activities can be divided into well-behaved ones and simply nominal ones. The well-behaved type tends to be supported by foremen who are skilled at organizing the wishes of workers toward their work, and issues such as safety and working environment, which were once the domain of labor unions' shopfloor activities, have been taken on by the foreman.

As I mentioned earlier, we need to consider the fact that Japanese businesses took a strong response to the challenge posed by labor unions: in general the were reluctant to recognize them, and tried to develop alternative measures. In this sense, I think it is easy to blame Japanese workers as being weak and lacking discipline, but I think it is also necessary to consider the skill in which businesses have responded to the challenges put before them.

Seams in Corporate Society

I would like now to present some of my views on the weaknesses of Japan's corporate society and about the possibility of labor unions intervening in these systems. Morita Akio, the chairman of SONY, wrote an essay entitled "The Crisis in Japan's Management," in which he wrote that Japanese managers always responded to complaints from foreign countries by claiming that "we manufacture excellent goods, which are welcomed all over the world. What is the problem?" Morita said he wanted to change this notion. He expressed a fear that Japanese capitalism might not be able to maintain itself if businesses continued to compete among themselves to increase market share but with small profit margins, and if they continued their extravagant use of employees.

A sense of crisis has also been expressed by labor union leaders. The general secretary of the Confederation of Japan Automobile Worker's Unions (Jidosha Soren) said that the automobile industry at present is suffering from a triple burden: exhausted

and overworked workers, unprofitable enterprises, and Japan-bashing from the outside. "Unless we change," he said, "the Japanese automobile industry will collapse." His comments were based on a conclusion drawn by a policy-making committee of his confederation.

Top leaders from both management and unions have thus spoken of the seams in the Japanese economy that have emerged with the end of the bubble period in the early 1990's. They have taken the lead in making demands for a change in the actual situation.

The objective circumstances of the crisis can be seen in an awareness survey taken by Toyota's labor union. The data clearly pointed to a recent drop in workers' loyalty to the firm, finding that only 20% of young workers, and in particular those in their twenties, said they wanted to continue working for the same firm until retirement age. The other 80%, it appeared, were just waiting for a good chance to resign or change jobs.

Another example which shows the seams that have emerged in corporate society is the way in which the core of this society is being trimmed drastically. The corporations have found themselves confronted with the need to depend on unstable sectors of society, including part-timers and casual laborers. The proportion of regular employees has narrowed. A new kind of worker who the big corporations have found hard to manage is penetrating into the corporate world.

Invisible Struggles

Another important issue is: where to find a subject to intervene in these new seams. The Jidosha Soren secretary general also said that he hoped this awareness of the weaknesses of enterprise-based unions would lead to a strengthening of industry-wide activities. This will, however, require a fairly strong movement, and it is difficult to find a subject to take on this task.

Although it is not possible at present to find examples of groups in Japan trying to close these seams, the struggles of U.S. workers under Japanese management can serve as a convenient reference. In short, U.S. workers have fought against Japanese management by altering the meaning of the symbols management has used as tools to integrate them. For example, when Japanese managers proposed team work for U.S. workers, the unions made counter-proposals based on their own understanding of teamwork, for instance that the team leaders ought to be elected by the workers. In some recent cases these demands have been accepted. Another example involves the QC upon which Japanese managers have placed so much emphasis. The unions have fought against the management's wishes by accepting, at least nominally, the concept of "Quality First," but then by insisting that certain conditions be fulfilled. They have said, for instance, that if management was really serious about making quality a priority it would have to slow down the assembly line.

Another significant intervention on the part of unions has been their demands for training and education. Japan's labor unions have not been vocal on this issue, but their U.S. counterparts have made it a priority in dealing with management. They have told the managers that if they really wanted to promote efficiency they would have to provide training and education for true multi-skilling. The shopfloor activities of the unions have concentrated on ensuring training for workers as they reach a certain level of seniority, and they have claimed this as a right. This is very different from the commonsense of Japanese management, under which managers choose who they will elevate to higher positions and provide training to the elect. The right to education and training has thus posed a significant challenge to these managers.

THE PREMISE BEHIND THIS SUCCESS WAS THE DEATH OF SHOPFLOOR ACTIVITIES BY LABOR UNIONS.

Finally, I would like to refer to the way in which unions have tried to undergo a self-conversion to create connections with other social movements outside of the framework of labor. This has been seen as a way of building their strength within corporate society. There is an argument that unions should initiate a type of "socially-useful production" in opposition to the rationalization plans of management. This idea originated in England.

What is "socially-useful production"? It refers to ecological concerns and community needs, since the issue becomes how to produce and what to produce. I would also like to call attention to movements which are trying to reorganize regional society by creating linkages between labor organizations and other social movements. If such movements are able to emerge, a genuine reform of Japan's corporate society may be in the cards. ■