

Human Resource Management in Japanese Firms

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Abstract: By analyzing the changes of Japanese economic environment, this paper probes into the evolution of human resource management (HRM) model in Japanese companies. Economic pressures led to the collapse of lifetime employment, the replacement of seniority by performance evaluation, and the weakening of the role of corporate unions. HRM in Japan is shifting towards a mixed model, facing challenges of informal employment, promotion and gender equality.

Keywords: Human resource management; Economic environment change; Management model evolution in Japan

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1. Introduction

As a developed country in East Asia, Japan not only has a long history and culture, but also occupies the forefront in many industries. The development of the Japanese economy and the good operation of enterprises are inseparable from the good management of human resources. The human resource management model with Japanese cultural characteristics has been used by Japanese companies for a long time.

However, in today's society, the integration of enterprises continues to develop in a global context, and enterprises in different regions are mingling with each other. Different management models are constantly impacting the original local corporate culture. Japanese companies are no exception. The traditional Japanese management model has also been affected to some degree, which has resulted in some subtle changes. The ways and reasons for the changes in Japanese traditional management models have always been subjects of concern.

In this essay, the traditional Japanese management model will be explained, analyzed and discussed. The first part of the article explains in detail the background and main characteristics of the Japanese traditional management model, as well as the reasons for its continued use in a long time. Based on criticism, the reasons and methods for the changes in the traditional Japanese management model will also be specified. After 'typically Japanese' ways in Japanese companies has been changed, how to participate in the management of Japanese-style enterprises at this stage is also a question that this article focuses on. With the development of economy and culture, the human resource management practices will continue to change to achieve development and improvement. Thus, at the end of the article, questions and suggestions are put forward for the imperfect and comprehensive aspects of the development of Japanese human resource management practices.

2. The "Typically Japanese" way in Japanese Company's Human Resource Management

According to Boone and Hendriks (2009), they are closely related between the organization's background and its management model. The cultural and economic conditions of different regions are different, and again the management models derived from the foundation will be very different. This form of expression is actually a

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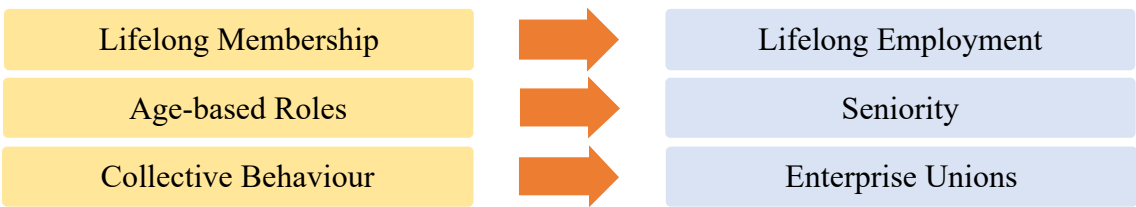
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relationship between the economic foundation or based and superstructure. According to Marxist theory (Marx & Dobb,1970), the underlying structure represented by the social foundation determines other social relations such as culture or system. This part extends the theoretical scope to the specific case of Japan and explains Japan's traditional human resource management methods with Japan's unique economic background, labor relations, and development history.

Based on the literature (Firkola, 2006), there is controversy about the importance of Japanese history and culture to the development of Japanese management models in the past six decades. Although they dispute the extent of their influence, it is certain that Japanese human resources have certainly been impacted by history and culture.

According to Odaka said in 1993, between 1602 and 1860, the rice farming villages play an important role in the base for the behavior and values of the current Japanese company. In the Edo period, there are three distinctive features, which are also regarded as the predecessor of the typical Japanese human resource management methods. The first feature is lifelong membership. Due to the lack of convenient transportation at the time, people rarely had the opportunity to go to the world outside the village. Therefore, in this context, people became a permanent member of their village since birth and it is almost impossible to change this situation. The second feature is the role based on age, especially the male elders. Japanese culture has been greatly influenced by Confucian culture during its development (Paramore, 2016). In Confucian culture, respect for the elderly is an important part. Before the era of mechanization, people's productivity was low. Thus, most young people need to observe the working methods of older people to learn and imitate. The older workforce can be regarded as the skilled employee of modern society. Besides, the need for labor-based activities also makes men dominate rather than women. The last characteristic is collectivism and collective behavior. Similar to the second feature, due to the low personal productivity, people in the village need to seek cooperation and help from groups or villages (Yoshizawa et al., 2020).



The three labor characteristics that emerged in the Edo era are inseparable from traditional Japanese human resource management characteristics. The Japanese human resource practice management model formed on this basis has three major characteristics. They are lifelong employment, seniority and enterprise unions.

As mentioned earlier, the unique traditional Japanese management model is formed based on a specific environment and background. According to Hofstede's cultural model, Japan exhibits collectivism, which is similar and consistent with the third characteristic of the management model. This labor and management model continued to develop until after World War II and reached its peak in the 1980s, which is called the bubble economy (Kuriyama, 2017). Japan has developed rapidly at this stage, various types of industries and their production capacity have been greatly improved, and many large companies with advanced technologies have emerged. And in the post-war period of high growth, the number of students enrolled in universities continued to increase and the number of universities also increased. At that time, although the students' field of study may not fully match the company's professional positions, the company had the money and energy to conduct pre-job training for them. After graduation, students are assigned to enter large companies and default to lifelong jobs. Also, as Fukuhara said in 2016, Japanese companies value the elderly and experience. This kind of respect for the elders is also one of the important reasons for promotion based on years of employment and experience, which is known as seniority. This management model continued to be used until the economic environment in Japan began to change.

3. The Traditional Japanese Human Resource Management Model Began to Change

The traditional Japanese human resource practice management model is no longer suitable for the current development of Japanese enterprises, mainly because of the great changes in Japan's economic environment. Therefore, under this change, the three elements of the traditional management model are difficult to implement and gradually collapsed, which led to changes in the management model.

(1) Changes in Japan's external economic environment

The 1990s was a period of turbulence and change. Politically, with the disintegration of the Soviet Union, this marked the end of the world's Cold War era. To a certain extent, this situation has promoted the re-elevation of the United States economic strength and international status (Wallander, 2003). At this stage, the process of globalization accelerated, especially in the second half of the turn of the century. However, despite the rapid economic growth seen globally, this is not a balanced and comprehensive growth. Some regions and countries are still facing the dilemma of no development or even an economic recession (Krishna & Perez, 2005). At the same time, the process of globalization is constantly advancing, and the cooperative partnership between countries is constantly strengthened (Reiterer & Reiterer, 2009). The North American Free Trade Area and the Asia-Pacific Economic Cooperation Organization are good examples. To sum up, the world situation is stable on the whole, but some areas are slightly turbulent. For Japan, the biggest impact on the world situation is the Asian financial crisis of the 1990s. According to the literature (Okubo, Kimura, & Teshima, 2014), they take the machinery industry as an example to illustrate the negative impact of the crisis on Japanese export industries.

(2) Changes in Japan's internal economic environment

From the perspective of Japan's internal economic environment, the 1990s was also a turbulent era. Around the 1980s, Japan experienced its second rapid economic development. Since this wave of economic development was supported by a large number of speculative activities, the booming economic bubble burst in the early 1990s. The Japanese economy experienced a major stagnation or even a retreat, and then entered the Heisei Great Depression. Compared with the Great Depression of the United States in the 1930s, although the two Great Depressions are both related to the bubble economy, they are still different (Shibata, 2004). After the first oil crisis, Japan's economy was already facing difficulties, not only with inflation but also with a serious balance of payments deficits and stagnation. These policies are accompanied by huge sacrifices. Because of the reduction in demand and the increase in costs, the profits of enterprises are also continuously compressed and declined (Shibata, 1998).

In addition to internal and external economic and environmental factors, emerging management models from other countries also have a great impact, such as flat management structures. Therefore, under the combined effect of various factors, Japan had to gradually change the traditional human resource management model.

4. How Did Japan's Traditional Human Resource Management Model Change

(1) Enterprise employees are no longer lifelong employments

Due to the impact of economic pressure, Japanese companies began to reduce labor costs. A survey in 2003 showed that the main methods of reducing labor costs are layoffs and dismissals. Companies began to reduce the number of employees, such as firing housewives who were mainly family members. And reduce the percentage of obtaining life-long labor contracts, and replace full-time employees with low-paid part-time workers (Shibata, 1998). Similarly, Odaka (1993) also mentioned that to force employees to resign voluntarily, some companies will transfer employees to non-core positions in other companies. At the same time, with the development of science and technology in modern society, transportation and communication are more convenient, and the methods to obtain information are also increasing. According to the Organization for Economic Cooperation and Development

survey research (OECD 1996), although young people in Japan stay in their first job longer than in other developed countries, after the first three years of work, 30% of college students still leave their previous jobs (Odaka, 1993). Although the lifetime employment system is gradually disintegrating, Japanese companies are still trying their best to maintain this system.

(2) From seniority to a new promotion system

More and more companies no longer only promote employees based on seniority, but adopt more diversified performance rating systems. Age and seniority are no longer the only criteria for the promotion. In the previous, Japanese companies generally encourage employee enthusiasm and strengthen loyalty to the company through lifetime employment, seniority treatment and internal benefits (Fukuhara, 2016). However, there are various ways to motivate employees. For example, since 1999, Nissan Motor has used a clear promotion and development system to encourage employees to work hard, thereby increasing their motivation. And use salary rewards as a new encouragement. At this stage, the new incentives are based on employees having more opportunities to discover their professional talents and provide a variety of career paths (Ariga, Brunello, & Ohkusa, 2000).

(3) The weakening of the union system

Enterprise unions are an important aspect of Japanese enterprises, but the union system in Japan is not the same as enterprise unions in Western countries. The labor unions of Japanese companies are based on organizations that only employees of their companies can join (Hart & Kawasaki, 1999). Japan is a collectivist society, and people's social circles are usually connected with their educational institutions and work institutions. As a grassroots organization, the enterprise unions often hold office gatherings or group activities to enhance teamwork and trust. Therefore, judging from the above information, Japanese labor unions and companies are more like a cooperative relationship. However, according to the survey conducted by Benson in 2006, companies with unions have lower profits than companies without unions. This is completely different from the original intention of the enterprise to establish a union. With the development of the enterprise, the guild has not entered its due role. Therefore, the role of corporate trade unions was gradually decomposed, and the number was gradually reduced at the same time.

Based on the above analysis, it can be seen that the human resource management methods of Japanese companies are now a mix model. With the development of the times, the management model of the enterprise is constantly developing and changing. But Japanese companies are still working hard to protect some traditional characteristics. For example, although life-long employment is not possible, each regular employee is provided with a long-term welfare system and guarantee. In addition, the organization provides more aspects of performance evaluation so that employees can obtain better promotion space and channels. All these improvements did not just cause by the corporate profits and economic pressure. This is also a reflection of the development of the system and the times. This is an indication that the employment relationship is market-driven (Aoki & Jackson, 2008).

5. Limitations and Recommendations

Although the traditional Japanese human resource management model is constantly changing, there are still some shortcomings and areas that need to be improved.

First of all, it is not perfect to replace full-time employees with cheap labor. This type of appointment may lead to an increase in informal employment and even disrupt the order of the labor market. Thus, while using part-time workers, the company must have a legal and reasonable system to protect the rights and interests of workers.

Second, although the promotion mechanism has improved, it is still not perfect. The limited range of promotion places leads to the need for employees to extend their working hours to meet the promotion standards, and may even deliberately delay work. The incomplete promotion system may lead to long working hours and increased work

intensification (Morris, Hassard, Delbridge, & Endo, 2019). Therefore, continuous development and improvement of the promotion mechanism are also what Japanese companies need to pay attention to.

Third, the problem of gender equality should pay more attention to. People's level of education and civilization has gradually improved, but the status of women in the Japanese workplace is still at the middle and lower levels. Japanese female entrepreneurs and female employees still face some challenges, and these are issuing that men do not need to face (Futagami & Helms, 2009). Similarly, Bae (2014) found that how to balance parenting and work is an issue that companies are very concerned about when recruiting married female employees. Therefore, how to improve gender equality in the company system is still something that Japanese human resource management needs to pay attention to.

6. Conclusion

In summary, the special Japanese traditional human resource management practice model is formed in a specific environment, and has been continuously used due to the stability of the internal and external environment. Because of the changes in the economic, political and cultural environment within the world and Japan at this stage, the previous model is no longer applicable to new companies, so it has changed. For some legacy systems, although they are no longer in full use, companies choose to use other forms to protect and continue this way, such as lifelong employment. The management model continues to develop on the original basis, reaching a situation where fragmentation and continuity coexist. It is a mixed model management rather than a new management method that replaces the old management model (Schiller, 2010). Any change is the coexistence of challenges and opportunities, so the Japanese companies need to develop and improve the human resource management system according to their actual conditions. At the same time, reformers must also realize that change does not happen overnight and requires continuous improvement all the time.

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