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Gradual Retirement: Japanese Strategies for Older Workers

Since the middle of 1970s, industrially advanced nations have experienced prolonged recessionary trends. During this period, many corporations have introduced structural changes under the general rubric of "corporate restructuring" to relieve their cost burdens.[1] As private corporations cut employment, many governments opened up institutional pathways to address high rates of unemployment by promoting workers' early exit from the labor force. Some European countries followed an "externalization approach" which grants older workers early exit from the labor force with government support. Sweden and Japan adopted an "internalization approach" which provides a transition period between full-time work and complete exit from the labor force through flexible employment optMarch 12, 1997ions (e.g., part-time work). The United States followed an "early retirement through privatization path" which moves older workers out of the labor force through private pension incentives, without government pension support.

Cross-national studies of retirement conducted in the last decade provide a taxonomy of these pathways for older workers, but they neglected discussions of how and why a particular country institutionalizes a certain approach to the treatment of older workers. This paper examines the

[1] The idea of "restructuring" is to adjust the amount, allocation and costs of facilities, capital and labor to existing demands for products and services to improve organizational performance. "Corporate restructuring" is an abstract, ambiguous and sometimes tautologically defined term. Whatever a corporation does under pressure is considered restructuring. A perusal of the business and organization literatures suggests various elements of corporate restructuring. Some of these include: increased investment in production technology; elimination of product lines; combining internal units, new stock offerings, early retirements, selling non-essential units; closing plants by eliminating employees; the "externalization of employment" by eliminating regular employees and relying more on contract or temporary workers; changing top executives and board members; reallocating employees, changing decision making location (centralize or decentralize); eliminating positions through attrition, buyouts, retirement incentives, and involuntary layoffs, and changing incentive structures and job descriptions.

Japanese approach to the "gradual retirement" of older workers to elaborate the how and why of its "internalization" path. A focus on Japanese industrial relations impacting older workers is important for empirical and theoretical reasons. First, most comparative studies of the political economy of retirement has focused on Western countries and assume the convergence of societies to a similar set of structures, practices and policies. However, the Japanese path of economic development challenges convergence assumptions. Second, much of the discussion about the Japanese post-war economic "miracle" masks the dynamics of the industrial decline and corporate restructuring that occurred since the mid-1970s in Japan. Over the past twenty years, Japanese corporations have continuously restructured themselves to address the fundamental "innovation dilemma." Adverse economic conditions affected the jobs of older workers, yet the Japanese response has been unusual in its emphasis on labor force integration of older workers through active employment policies.

This chapter presents an institutional embeddedness argument for explaining the Japanese approach to gradual retirement. It contends that there is a correspondence between the institutional structures of a society and organizational structures and human resource practices. Organizational systems of worker recruitment, education, training and remuneration reflect variations in the institutional configurations of societies. Retirement is another organizational feature that follows this societal specific pattern. This chapter also contends that companies are socially embedded in networks of institutions and do not operate as atomized actors pursuing their particular interests. Further, corporate strategies reflect both the symbolic and material features of the larger institutional configurations, and must be understood in these contexts.

COMPARATIVE RESEARCH AND JAPAN

In general, early retirement in the decade of the 1980s among industrially advanced nations resulted from a conjunction of interests among states, business and labor unions (Kohli, Rein, Guillemard & van Gunsteren, 1991). Governments wanted to reduce youth unemployment by inducing the early retirement of older workers before the age of 60 through various institutional pathways. These institutional pathways offered business greater flexibility in human resource management and opportunities for trimming labor costs. Labor unions supported early retirement as the workers' reward for long service and ending work without embarrassment. Workers saw early retirement as an opportunity to enjoy their non-work life in good health, particularly in countries where benefits were generous.

Some European governments attempted to absorb older workers by relaxing rules governing unemployment programs, disability pension programs, or pre-retirement programs -- mechanisms of an "externalization" approach. These retirement benefits were given to workers in exchange for their withdrawal from the labor market (Guillemard & van Gunsteren, 1991). These arrangements were originally intended to provide a bridge between workers' early exit and the receipt of public retirement pensions. However, older workers became the target for corporate restructuring, thus accelerating the burden on the welfare state.

Alternatively, Japan and Sweden, as an exception to the European externalization approaches, took an internalization path (Wadensjo, 1991). Internalization models maintain labor force integration through active employment policies for older workers. The Swedish model has been in place for almost two decades, providing a flexible alternative to 'either work or retirement' for workers between 60 and 65 years of age (Reday-Mulvey, 1995; Wadensjo, 1991). With the availability of part-time jobs, cooperation between the state and private sector, and generous partial pension benefits, the result has been a creation of gradual retirement rather than early retirement. Similarly, Japan maintains relatively high rates of labor force participation with active, pro-employment policies for older workers. There is no sign of an early retirement trend in Japan because large and medium size corporations have provided tiered employment. Older workers move from large and medium to medium and small companies between the age of 50-60, while public pensions and other government programs support this transition. This complementary action by the private and public sectors maintains the worker's integration in the labor force, yet moves older workers out of the path of younger cohorts.

The U.S. has taken a third path (Kohli, Rein, Guillemard, & van Gunsteren, 1991; Sheppard, 1991), neither opening government supported pathways to facilitate the early exit of older workers before the age 62, nor engaging in the active integration of older workers in the labor market. Retirement before 62 years of age is a practical option only for a narrow segment of older workers whose employment relationship is terminated by corporate early retirement packages (DeViney & O'Rand, 1988).[2] While business firms have facilitated the exit of older workers by offering early retirement incentive packages, the U.S. government has actually moved in the opposite direction. It raised the normal retirement age from 65 to 67 in 1986 to reduce the future costs of the Social Security system. The result has actually been a modest increase in early retirement.

Comparative research on the treatment of older workers provides the context for examining

[2] It is difficult to capture exact numbers of workers who are retiring early with private pensions. John Henrietta estimates that 36 percent of married men and 21 percent of single men who exited the labor force before age 62 received private pensions (excluding government pensions) (reported in Sheppard, 1991).

a critical case study. Comparative research on older workers identifies variations in the dependent variable (e.g. retirement), but tends to presume a similar set of independent variables (e.g., unemployment rates, pension apparatus). There is in the literature a strong impulse toward examining a handful of universally relevant independent variables that are presumed to explain a continuous variation in outcomes. In contrast, this paper selects Japan for closer examination to identify unique independent variables that explain the Japanese approach to gradual retirement. Rather than seeking a goodness of fit for existing models of independent variables, this chapter attempts to delineate what might otherwise be overlooked independent variables in the Japanese case.

JAPAN AS A CASE STUDY: AN OVERVIEW OF LABOR MARKETS AND WELFARE INSTITUTIONS

Compared to other industrially advanced countries, a substantial proportion of older persons continue to work in Japan (Tables 1 and 2). Among male workers aged 55 to 59, there has been no indication of early retirement, as 91 percent of men in this age group participate in the labor force. For men between 60 and 64 years of age, there has been a modest decline in the labor force participation rates, from 82.8 percent in 1965 to 74.2 percent in 1990. Over 35 percent of male workers aged 65 and over were in the labor force in 1990. What accounts for this relatively high and stable rate of labor force participation?

Prevailing explanations have typically invoked two factors: (1) poorly developed welfare institutions that provide meager retirement benefits; and (2) a robust economy that provides jobs for older workers.[3] A closer examination of welfare policy changes during the past three decades, however, reveals that Japan had diverged from the prevailing Western welfare state models by the mid-1980s. This shift corresponds in time to the adverse economic conditions Japan faced after the two oil-shock recessions. The modern welfare state programs were introduced in Japan in the 1960s and expanded in the "old people's boom years" of the 1970s. However, cost increases in the 1980s resulting from the welfare expansion of the 1970s, combined with a slowing of the economy and the rapidity of population aging, led to drastic revisions in the welfare state course in the mid-1980s. During that period, the government implemented employment programs for workers. It began lobbying business firms to keep older workers on the job by raising the mandatory retirement age. At the same time the government implemented subsidy programs to foster a smooth transformation of old industries into promising new industries.

The magnitude of changes and economic problems that began in the mid-1970s is often obscured in the literature which predominantly focuses on the phenomenon of Japanese economic success. The Japanese economy stagnated with the two oil shocks, ending decades of rapid economic growth (Table 3). The first oil shock caused a prolonged recession due to Japan's lack of natural resources, including oil. Bankruptcies rose sharply during this period. Since the Japanese economy is export-driven, these developments were further aggravated by the continuous appreciation of the yen against the American dollar. The adoption of a flexible exchange rate system in 1971 led to the initial appreciation of the yen, from 360 to 270 yen per dollar. Japan's export-led

[3] To this list, some others add re-employment systems of older workers which are practiced at the firm level (cf. McCallum, 1988; Schulz, Borowski & Crown, 1991; Kimura, Takagi, Oka, & Omori, 1994). This issue is addressed later in the chapter.

growth ended abruptly in 1980 when the world economy slumped, trade disputes between Japan, the U.S. and Europe intensified, and Japanese industries were challenged by the industrializing nations of East Asia. However, Japan's continuing trade surplus with Western nations led to the Plaza Accord of 1985, which strengthened the value of yen, from 273 yen to 168 yen per dollar, causing a second major recession (called the *endaka* recession, Keizai Koho Center, 1994). The number of bankruptcies in 1986 marked the highest level in the post-war economic history.[4]

With Japan's international trade surplus still growing, Japan was further pressured to stimulate domestic consumption. This led to the Bank of Japan drastically loosening its monetary polices, creating a "bubble economy" with massive asset inflation, share price increases, and booming of speculative markets. When the government finally tightened money supplies in 1989, interest rates rose, asset prices decreased, and the stock market plunged by 60 percent, causing the bubble to burst. Japan officially entered the bubble recession in 1991. In the meantime, the value of the yen appreciated rapidly, from 145 yen per dollar in 1987 to 101 yen in 1995.

Each major recession forced corporations to engage in restructuring to reduce overcapacity and address the innovation dilemma (Schumpeter, 1939; 1950). The concept of continuous improvement (*kaizen*) and lean production system are just a few examples of corporate restructuring efforts in meeting external challenges. Although different industries, firm size and occupational groups were affected in each recession, it was the older workers who were always disproportionately affected

[4] The number of bankruptcies peaked in 1984 with 20,841. Almost 88 percent of these cases involved the suspension. The bubble recession caused a high number of bankruptcies but the number is still lower than that of 1984. In 1993 when the recession peaked, the number of bankruptcies reached 14,564 (Imai, 1994).

(Imai, 1994; Schulz, Borowsky, & Crown, 1991; Tanaka, 1977).[5]

Considering the magnitude of macro-economic changes in the Japanese economy since the mid-1970s, corporate restructuring took place without serious social disruptions. The private and public sectors have forged a complementary strategy for older workers to avoid unemployment. This complementary strategy is distinct from the U.S. model where business and government efforts work at cross-purposes. The Japanese response is also distinct from European approaches that created new institutional paths for early retirement. In the following sections, this paper examines the specific mechanisms that developed or supported the Japanese strategy over time.

The Private Sector: Teinen and Shukko

Teinen and *Shukko* provide two mechanisms, internal to Japanese business firms, that contribute to extended participation and gradual retirement of older workers. Many large and medium size companies enforce *teinen* (age limit), signifying the end of worker's primary career. Until recently, the institution of *teinen* left a five to ten years gap before the worker reached age 60 when public pension benefits become available. For example, before 1975 more than 50 percent of firms with 30 or more employees enforced *teinen* at 55 years of age or earlier. Today, more than 70 percent of companies with 30 workers or more enforce *teinen* at 60 years of age or later (Ministry of Labor, 1995).

[5] For example, during the first oil-shock recession, blue collar workers in manufacturing industries were most affected. In the current recession, administrative/managerial and clerical workers are most affected. Further, the problem of excess labor in these occupational categories exists in all sizes of business establishments, large or small, and is not limited to manufacturing industries. It cuts across all types of industries (Usui & Colignon, 1996).

Upon reaching *teinen*, a worker receives company retirement benefits (a lump sum) and shifts from a primary career to a secondary career; sometimes at the same firm but at lower wages with lower status. Many move on to smaller firms through outplacement by their employers. Some workers accept part-time jobs at these firms. Except for those who start up their own business or opt for complete retirement, the final exit from work typically occurs five years after *teinen*, around 65 years of age.

Firm size has a much more profound impact on Japanese workers' lives than does one's occupational status (cf. Ishida, 1993; Kalleberg & Lincoln, 1988; Kerbo, 1995; Kerbo & McKinstry, 1995; Lincoln & Kalleberg, 1985; Naoi and Schooler, 1984). Firm size may modify the effects of *teinen*. Among workers in the same occupational category (e.g., professionals, managers, skilled workers), those employed by large firms are more likely to receive in-house training, long-term job security, seniority based promotion, higher wages and fringe benefits than those in small and medium size firms. Labor mobility rates are low among large firms but are quite high among small firms. Among small firms, the pay-scale is not highly correlated with age or seniority.[6]

The movement of older workers from large and medium firms to medium and small firms results in larger firms maintaining a relatively young age structure, while small firms have a heavy concentration of older workers (Tables 4 and 5). The implications of this demographic pattern for

[6] This situation reflects the dual structure of the Japanese economy, involving its core and the periphery. The core sector (large firms plus government sector) accounts for about 25 to 30 percent of the labor force. The core-periphery distinction makes the location of medium size firms somewhat ambiguous. Moreover, the core-periphery distinction obscures the vertical linkages that exist between large/medium firms and medium/small firms in Japan. The enforcement of *teinen* and the use of *shukko* applies to large and medium size firms and thus the discussion of this paper is not just limited to workers in the core sector.

labor costs and management are significant for companies.

Shukko. *Shukko* refers to dispatching of workers from one company to another, typically to its subsidiaries or affiliates. *Shukko* is sometimes called "workers on loan." *Shukko* increased among older white-collar workers throughout the 1980s, as companies began to find new ways for the creative use of older workers.[7] Also, large companies began spinning off new satellite firms (*bunsha*) for industrial diversification, creating new posts for workers (Beck & Beck, 1995). The new satellite firms, which are small-scale but autonomous, overcome the coordination and contracting problems associated with underdeveloped markets and poorly developed routines of new entrepreneurs (Gerlach, 1992). The experience of older workers makes a valuable contribution to these start up companies.

Broadly speaking, *shukko* serves four functions (Hirose, 1993): (1) job training and career development of workers in their 30s and early 40s; (2) provision of technical assistance and manpower to smaller subsidiaries or affiliates; (3) employment adjustment device in times of recessions; and (4) gradual retirement and career development of a post-*teinen* worker. The length of *shukko* varies from 1 to 3 years, but the extension of *shukko* through contract renewal is not uncommon. For all types of *shukko*, much depends on company policies so that individual workers have little choice about dispatching conditions. Except in the last type of *shukko* (gradual retirement), *shukko* does not necessary lead to a reduction in worker's salary. Since smaller firms pay a lower salary than do larger firms, larger firms generally pay the difference (about 20 percent of worker's original salary). The third and fourth types of *shukko* are effective at keeping a company

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[7] In contrast to white collar workers, productivity of blue collar workers has increased consistently over the years, owing to lean production processes.

lean, especially at managerial levels. In addition, *shukko* provides an important liaison between the company and its subsidiary or affiliate in maintaining a network of communications. As the current recession continues, however, it has become more difficult for large firms to find room for *shukko* among their subsidiaries and affiliates.

Workers who are past 50 years of age become prime candidates for *shukko* as a path towards early retirement (described as (4) above). The use of this type of *shukko* has increased, and the age at which it occurs is becoming earlier (Nagano, 1995). A worker may continue to be dispatched until reaching *teinen* (usually age 60). *Shukko* may also lead to a termination of the job contract with the home company, followed by a new job contract with a new employer.

The process of *shukko* follows the tiered pattern of gradual retirement (Table 6). *Shukko* is far more common from parent companies to their subsidiaries and smaller affiliates than vice versa. According to a national survey of 2,034 medium and small size firms conducted in 1991, 85.8 percent of subsidiaries received workers from their parent companies, while 46.1 percent of parent companies received workers from their affiliates. Over 90 percent (92.1%) of medium sized firms sent their workers to their subsidiaries and affiliates, but only 27 percent (26.7%) of subsidiaries sent their workers to other companies. Forty percent of medium firms sent pre-*teinen* workers, that is, workers who have not reached mandatory retirement age set by their companies. One third of medium firms (32.1%) sent workers upon reaching *teinen* to their subsidiaries and affiliates. Almost one in four subsidiaries (26.1%) received both pre-*teinen* workers and post-*teinen* workers from their parent firms. Other case studies of *shukko* report that there is a close correspondence between the number of new hires and the number of workers sent (see for example, Kimura, Takagi, Oka, & Omori, 1994).

Small firms. Small firms have been the backbone of the Japanese economy, playing vital economic, social and political roles. Small firms, employing one hundred or fewer people, account for over 60 percent of the private sector employment and produce almost one-half of the private sector GNP (Patrick & Rohlen, 1987). Small enterprises predominate in three sectors -- agriculture, retailing and manufacturing. Reasons for the high number of small firms include the vertical network structure among companies, tax benefits and workers' desires to become their own bosses. Subcontractors receive technological infusions and other assistance from their parent companies. Parent companies are also able to avoid fixed costs connected with employing more people and they solve problems of space constraints by "spinning off" subcomponent manufacturing to smaller firms (Ballon, 1989; Gerlach, 1992; Patrick & Rohlen, 1987).

Compared to large and medium size firms where worker's gradual retirement is fostered by the tiered employment system, the institution of retirement among small firms is altogether different. Small firms absorb a large number of people who might otherwise be unemployed, including people forced into early retirement, and women returning to work after raising children. Extremely small firms employing 30 or fewer number of workers account for about 20 percent of the labor force. The majority of these firms are family owned and *teinen* is either not enforced or non-existent. Thus, many workers continue to work beyond 60 years of age. This explains the heavy concentration of older workers in small companies reported in Tables 4 and 5.

Public Sector: Government Institutions and Gradual Retirement

Japan introduced a national pension system in 1959 (implemented in 1961) which covered the entire population under three major pension systems: the earnings-related Employee Pension System

(EPS), the National Pension System (NPS) and special pensions for public employees (Murakami, 1990). The EPS is the largest pension system of the three, covering slightly over 50 percent of the labor force. Until the pension reform of 1985, benefits for the EPS were payable at 60 years of age with a minimum of 20 years of contributions. The NPS was based on flat-rate contributions and covered the self-employed population, family workers, agricultural workers, and those who do not work but wish to have their own pensions in old age (e.g., housewives). The NPS covered about 40 percent of the labor force and provided a small, flat benefits pension at age 65 (with 25 years of contribution). The special pensions for public employees, teachers, and other special occupational groups were known for generous benefits (with 20 years of contribution).

During the 1970s "old people's boom" years, dramatic increases in pension benefits took place, whose avowed purpose was bringing Japan on par with other advanced industrialized nations (Campbell, 1992). However, after the oil shock of 1973, the national agenda shifted to the containment of future costs of public pensions and health care benefits. The pension (and health care) reform that took place during the period from 1982 to 1985 signaled "a plateau or deceleration in Japan's march toward the welfare state" (Campbell, 1992).

In 1985, existing public pension systems were consolidated into a simpler, two-tiered system that includes basic (flat) pensions for all the citizens plus public employee pensions (Ozawa, 1985). The basic pension is payable at age 65 while the employee tier is payable at age 60. Benefits are assessed on the basis of 40 years of flat-rate contributions for the basic pension with 40 years of income-proportional contributions for the employment related pensions. This pension reform also raised the original entitlement age for women under employment related pension from age 55 to 60 by 2005. [8]

The 1994 pension reform introduced a partial pension between the ages of 60 and 65 and a regular pension (both EPS and NPS) to begin at age 65 (Morito, 1995). The partial pension is designed to strengthen income needs of older workers who are gradually retiring. After age 60, pension benefits are paid according to the level of income of the worker but in a way that encourages continued employment. The new partial pension system will be gradually introduced for men beginning in 2001 and for women beginning in 2006. Tax rate for the employee pension was raised from 14.5 to 17.35 percent in 1994 (divided equally by employee and employer) and will automatically increase every five years by 2.5 percent until the year 2015. Similarly, contribution rates for flat pensions (NPS) were raised from Y11,100 ($111) to Y11,600 ($116) in 1995 and will increase automatically every five years by Y500 ($5), until at least the year 2015 (Nakamura, 1995). In short, the recent policy changes attempt future cost containment through the integration of older workers in the labor force up to the age of 65.

INSTITUTIONAL PERSPECTIVE ON JAPANESE GRADUAL RETIREMENT

In the aggregate, retirement is not a random event caused by frantic business decisions. Japanese firms have engaged in an "organizing logic" that fosters gradual retirement -- particularly

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[8] Currently, 96 percent of older persons receive either the flat pension or employee pension. Public pension receipts amounted to 54.1 percent of the average household income among the elderly in 1993 or to 7.7 percent of national income. The current tax rate for employee pension (EPS) is 14.5 percent (divided equally between employee and employer) and Y11,100 (about $111) per month for the flat pensions (NPS). In 1994, the average benefits drawn from the EPS among recent retirees was Y206,300 per month (about $2,000). In the same year, flat pension benefits (NPS) were Y62,275 per month (about $620).

of regular workers.[9] Economic activities of the firms cannot be separated from the quest for social approval, affiliation, political influence, and reputation of the firm (Granovetter & Swedberg, 1992).

Social institutions influence the nature of competitive business structures and practices developing in different societies. This is seen in the correspondence between the institutional structures of society and organizational structures and human resource management practices (Sorge & Maurice, 1990). Corporations do not act uniformly under pressure for restructuring. Comparative analyses of corporate responses to economic downturns in the U.S., Germany and Japan for the period from 1970 to 1985 (Abraham and Houseman; 1989, 1993) show significant differences in their impact on workers. First, the rapidity and extent of layoffs were slower and less dramatic in scope in Germany and Japan than in the U.S. In the U.S. corporate adjustment through layoffs took place in close correspondence to falls in production demands. In contrast, Germany and Japan used other measures, such as the reduction of working hours. Second, the distribution of layoffs was more even between white and blue-collar workers in Germany and Japan than was the case in the U.S. In these two countries, the differences in job termination between blue-collar and white collar

[9] Many contend that "lifetime employment" applies only to regular worker in large organizations in the public and private sectors, or about 20-25% of the work force. This position has created confusion, however, on the extent of job security for the rest of Japanese workers. Except for part-time and temporary workers (18 percent of the work force), regular workers have enjoyed job security. Japanese courts make it very difficult for employers to fire regular workers unless they exhaust other possible adjustment means, except for cases involving criminal offenses. In this sense, the majority of workers, or about 80 percent of employed workers, do have job security. One of the difficulties of applying the concept of "life time employment" to small and medium size firms is the high job turnover rate and bankruptcy rate among these companies. However, the outright dismissal of regular workers is still rare even for these firms; many workers exit from small and medium firms voluntarily rather than involuntarily to seek better jobs or to start their own company (Abraham & Houseman, 1993; Ballon, 1989; Schregle, 1993).

workers did not emerge until the recession extended over one year. In the U.S., at least until the middle of 1980s, the distribution of layoffs was more concentrated among blue-collar workers, especially less skilled workers. Third, the distribution of layoffs was more concentrated among young workers in the U.S. due to less seniority on the job. In Germany and Japan, older workers were more affected by economic downturns and company's restructuring pressures than did younger workers.

The context in which Japanese companies operate provides important clues to the pattern of Japanese responses in corporate restructuring and the treatment of older workers. Four characteristics of Japanese economic, political and cultural institutions account in large measure for corporate adjustment strategies: (1) Japanese management is not driven by shareholder interests in dividends and appreciation; (2) The ownership of company shares is maintained through a network of known firms with durable relationships, not anonymous securities markets;[10] (3) Gradual retirement policy is implemented by the government through employment subsidies to firms, funds to targeted industries, and administrative guidance;[11] and (4) The media in Japan constrain company policies because they shape the reputation of Japanese firms.

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[10] In addition, stock ownership is often reciprocal, blurring the distinction between owner and owned. Stock ownership loses meaning in Japan because it is only one of many different types of relationships taking place simultaneously among any two affiliated firms (e.g. purchases, sales, debts, directors, etc.) (see Gerlach, 1992).

[11] According to Chalmers Johnson (1982), MITI's administrative guidance was implemented through industry "cooperative discussion groups" during previous recessions. These industrial cartels set production quotas, barriers to entry, market control and investment strategies to stave off the consequences of recession.

Governance Structure of the Japanese Firm

Organizational governance structures of typical U.S., German and Japanese firms are quite different (Aoki, 1987; Gerlach, 1992; Katzenstein, 1987; Useem, 1993). The differences involve such parameters as the dominant constituency of the firm, the source and level of firm ownership, and the level of independence of the firm's management. The different combinations of these dimensions of internal organization result in different organizational policies designed to adjust to economic recession.

Comparing U.S., German and Japanese modes of corporate governance, various authors have identified "capital" as opposed to "labor" centered models of governance. The organizational governance structures in the U.S. are identified with capital, those in Japan with labor, and in Germany with a middle path of co-determination. Co-determination refers to the joint participation of owners and workers in their running of the German industry. The system of co-determination provides for employee representation in the workplace and has two components. Workers have a right to form work councils at enterprises with more than four employees. Such councils have co-determination powers in such areas as scheduling, workplace safety, and hiring and firing. Work councils play an important role in negotiating settlements during massive layoffs or plant closings. In large companies, workers also elect representatives to the board of directors (Aufsichtsrat) (Abrăham & Houseman, 1993; Vogl, 1973).

Co-determination is considered by some authors to be a "third way," a middle course between unlimited capitalism and bureaucratic communism. Streeck (1984) contends that co-determination creates a kind of mutual incorporation of labor and capital, where labor internalizes the interests of capital and capital internalizes the interests of labor. Co-determination has offered employers incentives to change the structure and practice of management to deal with employment flexibility as a means of obtaining economic efficiency (Katzenstein, 1987). Some argue, however, co-determination has the effect of creating a privileged labor force with relatively secure jobs and strong rights, but that also widens the gap between more and less privileged workers: between the young, old, women and part time workers.

American firms are "capital-centered models of corporate ownership" operating within "stock-market-centered capitalism" (Gerlach, 1992). Although a company may have multiple constituencies (i.e., workers, suppliers, creditors, customers, regulators, etc.), it exists primarily for the benefit of stock-holders. Useem (1993) suggests that this priority implies that corporate structure and policy is "defined and evaluated according to the criteria of shareholder value" (high dividends and stock price appreciation). The top priority of management is to maximize capital returns.[12]

The experiences of the 1980s exaggerated the governance structure of American firms. These included a prolonged period of profit decline in the 1970s, the emergence of corporate raiders, and the ascent of large aggressive institutional investors (pension funds, investment companies, insurance companies and bank trusts) who increased the control of stockholders over the priorities of American firms (Useem, 1993). The 1980s saw attention focused on shareholder's interests, with frequent and radical "redeployment" and "rightsizings" that left between 500,000 and 600,000 workers unemployed in 1993 alone. The capital-centered model dictates that in times of economic

[12] Even though American companies would emphasize 'growth' as their principal goal, a survey of 500 major American and Japanese companies found that executives of American firms placed return on investment as their principal corporate objective. Share price increase and market share was ranked second and third. In contrast, executives of Japanese firms placed market share first, return on investment second, and ratio of new products third. Share price increase came last in Japan (Abegglen & Stalk, 1985).

recession, primary effort is devoted to protecting shareholder value. This means dividends must be protected and stock prices maintained continuously. Worker payroll, capital investment, research and development are all reduced before dividends are cut. From the viewpoint of neo-classical economists, "management unilaterally chooses its employment and investment policy in order to maximize share price posterior to individual or collective wage bargaining" (Aoki, 1987).

Japanese firms, by contrast, are characterized by a "strategic" or "labor" centered model of corporate ownership (Gerlach, 1992) where dividends, profits, and rates of capital return are relatively low. Legally speaking, firms are the property of shareholders, but in practice, firms exist more for the benefit of the employees than of the shareholders. Shareholders stand as investors rather than controllers of a firm (Abegglen & Stalk, 1985). In time of a recession, Japanese firms cut dividends before cutting payroll. In fact, cutting the dividends is customarily done without the consent of the shareholders in Japan (Japan Update, 1992).[13] The major feature of the Japanese model, according to Aoki (1987), is its emphasis on "the mediation postulate, according to which management, possibly in cooperation with the enterprise union, coordinates wage determination and managerial policy making simultaneously in order to achieve an efficient outcome."

The labor-centered governance structure of Japanese firms, in conjunction with other institutional supports, allows Japanese firms to adjust to recession and overcapacity in ways that may

[13] A common view states that Japanese shareholders receive low profits and meager dividends. Compared with shareholders in the U.S., Abegglen and Stalk (1985) report dividends are paid in Japan to "reassure shareholders that the company is healthy." Japanese companies commonly pay dividends equal to about 10 percent of the par value of the stock, even by borrowing money or selling assets to assure this payment. Moreover, Abegglen and Stalk's analysis of stock price appreciation in the U.S. and Japan in sixteen out of twenty-one industry leaders shows that Japanese shareholders fared better than their U.S. counterparts.

seem peculiar to Americans. The Japanese firm's capacity for internal adjustment without worker termination is indicated by the swelling number of redundant workers within firms, known as *in-house unemployment*. Many of the redundant workers are older workers. Various sources estimate that the internalization of redundant workers now involves more than 1 to 1.5 million regular older workers, or 1.5 to 2.3 percent of the labor force ("Kigyonai shitsugyosha," 1993). Sumitomo Research Institute estimates that the number of such redundant workers is as high as 3 million (or 4.8 percent of the labor force). These figures suggest the severity of overcapacity in Japanese firms.[14]

Industrial Order

In the U.S. all aspects of production, price and authority are incorporated within an institutional framework of independent firms. Price and production are organized by the market and enforced by the Sherman Antitrust Act. In the case of Germany, big business associations or cartels have historically set prices, production and market allocations. German craft and export oriented industry, the challenges of diversified export markets, and the legal enforceability of cartel agreements in court have led to a rich variety of interfirm relationships (Chandler, 1990). Japan has a history of price, production and markets control organized by large holding companies.[15] Furthermore, top

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[14] Anecdotal evidence suggests that *in-house unemployment* involves social and psychological humiliation. Yet, many *in-house unemployed workers* stay with the company for the fear of risking economic security. There is no guarantee of finding a new job at a comparable pay elsewhere.

[15] The historical roots of the Japanese model of corporate ownership date back to the 1950s after Supreme Commander of Allied Powers purged the power of *zaibatsu* (interlocked corporate groups) by removing family control of major holding companies (Aoki, 1987; Kerbo,

corporate executives are prohibited by law from receiving stock options in their companies. This legal regulation partly explains the modest earnings of corporate executives. In 1984, the income gap between the top executive class and the entry-level employee class was 7:1 in Japan compared to 37:1 in the U.S. (Kerbo, 1995).[16]

Liberalized foreign investment along with the stock market crash of 1964-65 created widespread fear of unfriendly takeovers by powerful foreign, especially American companies (Johnson, 1982). To insulate the management from outside takeovers, Japanese companies bought each other's shares (primarily among *keiretsu* affiliated firms[17]) so that only about a quarter of the total shares issued by a company were publicly traded. By the 1980s, 66 percent of all corporate stock in Japan were owned by corporations (Kerbo, 1995).[18] Thus, there are significant differences among the U.S., Germany and Japan centering on stock trading and ownership. Stock is privately traded and owned by other corporations within the same *keiretsu* affiliation in Japan. Stock

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1995). Shares held by the *zaibatsu* families were liquidated and 40% of the total shares were sold. No one was allowed to acquire more than 1 percent of any company and old managers of the *zaibatsu* were replaced with young technocratic managers (Abegglen & Stalk, 1985).

[16] The Antimonopoly Law of 1947 imposed a 5 percent ceiling on bank holdings in the stock of any single company, but subsequent legislation raised this ceiling to 10 percent.

[17] *Keiretsu* (also called *kigyo shudan* in Japan) generally refers to the network of intercorporate alliances across widely diverse industries. Japanese intercorporate alliances are complex nexus of reciprocal interests, with cross-shareholding and business-lined equity-investment that constrains the decision-making ability of individual firms while simultaneously lending them stability and socially-symbolic significance (Gerlanh, 1992; Kerbo & McKinstry, 1995). There are two major types of *keiretsu* structure: the horizontal (or intermarket) *keiretsu* and the vertical *keiretsu*. Among the major *keiretsu* are Mitsubishi, Mitusi, and Sumitomo (former zaibatsu) and Daiichi Kangyo, Sanwa, and Fuji (related to bank groups)..

[18] Various authors have noted that family stock ownership in Japan is much lower than that in the U.S. In the early 1980s, half of all corporate stock was controlled by families and individuals in the U.S., whereas it was 27 percent in Japan (Kerbo, 1995).

ownership of large German enterprise is highly concentrated (Vogl, 1973). Most of the largest German companies are closely controlled and owned by a small number of large banks, wealthy families, the federal and state governments, trade unions and foreign investment institutions. In the U.S., stock is publicly traded yet also controlled by large financial firms (pensions, investment houses, insurance, and bank trusts).

Aoki (1987) suggests that "member-firms (*keiretsu* affiliated) of corporate groups are more risk averse than independent firms and that grouping functions as a mutual insurance scheme." Mutual shareholding, long-term relationships, interlocking directorates and presidents' club memberships cement the bonds among firms and provide mutual monitoring mechanisms.[19] One important result of these national differences in corporate structure is that, compared to American and German firms, Japanese firms are not subjected to pressures from pension managers, accountants and stock analysts for quarterly financial gain.

Government Policy

In general, the U.S. government provides benefits to workers only after they have lost their jobs, the German government provides prorated support for cuts in working hours that result from job sharing, and the Japanese government pays corporations to continue to employ their regular workers. German employment protection laws discourage layoffs, while various government programs subsidize the use of alternatives to layoffs, thereby reducing the cost to employers of

[19] Recent studies provide evidence that earnings of employees at member-firms of corporate groups are on the average significantly lower than at independent firms, indicating the tradeoff between earnings and job security (Gerlach, 1992).

providing job security. German law strictly regulates the conditions under which workers may be dismissed from their jobs. Dismissal for economic reasons is justified only if the individual cannot be transferred within the company and the company has exhausted all other means of avoiding layoffs, e.g. reduction of overtime and short-time week (Abraham & Houseman, 1993). The law requires that age, marital status, number of dependents, and other hardship factors for the individual and family be considered in layoffs. Work councils must be consulted before every dismissal. Dismissed workers may sue in labor court and are likely to be reinstated or compensated if the company work council opposed the dismissal. If the dismissal is socially justified, employers must notify the individual two weeks to six months prior to dismissal, the amount of advance notice depending mostly on seniority.

The German government also subsidizes alternatives to layoffs. Unemployment insurance allows employees whose hours of work have been reduced to collect prorated unemployment insurance benefits. During the 1980's, early retirement of workers aged 55 to 59 were facilitated by changes in unemployment and social security laws. Many companies used these programs to help finance early retirement by "firing" older workers, who then could collect unemployment benefits for as long as 32 months and begin collecting a state pension at age sixty (Abraham & Houseman, 1993: 109; Jacobs, Kohli, & Rein, 1991).

In Japan the government pays distressed companies not to lay off regular workers. Since the first oil shock of 1973 the government has integrated mechanisms for dealing with unemployment and retirement problems as part of general employment policies. In 1974, the government revised the Employment Insurance Law and created the Employment Stabilization Services. It has pursued pro-employment policies for workers until the age of 60 and phased retirement between the age of

60 and 65. Also, it has lobbied business to raise *teinen*, from age 55 to age 60 since 1973 and from age 60 to 65 since 1986.[20] In addition, since 1986 business firms are obliged by law to help find post-retirement jobs for their workers until they reach 65 years of age. The government enforces this regulation through administrative guidance.[21]

The government has also introduced a number of subsidy programs for the promotion of employment among workers aged 60 to 64 (Ministry of Labor, 1994). These programs include: (1) Subsidies for the promotion of continuous employment or re-employment of workers aged 60 and over;[22] (2) Subsidies to companies for the creation of new enterprises run by older workers (known as "old people's companies);[23] (3) Subsidies for extra-holiday and vacations for either full-time or part-time workers aged 45 to 65;[24] (4) Subsidies for companies in hiring older workers (aged 55 and

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[20] The Employment Stabilization Act of 1986 mandated *teinen* at age 60. By 1994, 84 percent of companies with 30 workers or more had *teinen* at age 60 years or older. As of 1998, companies will be legally obliged to enforce *teinen* at age 60 or over (Ministry of Labor, 1994).

[21] By 1994, 52 percent of companies with 30 workers or more had instituted some form of re-employment program for older workers. Of those with re-employment programs for older workers, one in five countries offered re-employment program to workers wishing to continue working until they reach 65 years of age (Iwamura, 1995).

[22] This obligation of the government to support companies to employ workers aged 60 and over was clearly stated in the 1986 Employment Stabilization Act.

[23] For example, companies might create new firms by "spinning off" the existing divisions and placing their older workers. On the average, one-third of start-up costs are paid.

[24] This subsidy program helps workers prepare for increases in leisure time after retirement. If a company offers a worker a minimum of ten day-holidays with a maximum duration of three-months, subsidies of up to Y60,000 per worker per month (about $600) are paid for full-time workers and up to Y30,000 (about $300) per worker per month for part-time workers.

over) through public employment services;[25] and (5) Low interest loan programs for companies that build or re-model buildings to facilitate employment of older workers (or workers with disability).[26]

Employee contributions fund these services. The contributions are equal to 1.25 percent of worker's salary. The total cost of these subsidy programs was about 127 billion yen (about $1.3 billion) in 1992 and was expected to rise to 230 billion yen ($2.3 billion) by 1995 (Ministry of Labor, 1995).

In addition to the above subsidy programs targeted for older workers, there are other subsidies and tax benefits for small firms. For example, small firms in the agricultural sector are supported by government policies regarding land ownership, taxation, rental, and rice production. The tiny retail outlets of the small enterprise sector are also provided with special financing and tax allowances for family workers in this sector (Ballon, 1989). Patrick and Rohlen (1987) report that the Japanese government provides far more financing to small business than does the American government.

Media and Public Opinion

The media have a powerful effect on the employment policies of Japanese firms. A company's employment records and labor relations are vital to its reputation and ability to attract qualified workers. Once a company breaks with employment routine, it cannot recruit first-class workers for

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[25] Subsidies equivalent of one-half of worker's wages (two-thirds, if a company is small or medium) are paid to companies for one year.

[26] Up to 90 percent of funds needed can be loaned with interest rates of 4 percent for small/medium firms and 4.3 percent for large firms.

years to come. Extensive reporting on employment records and company performance serve as guides to job applicants. College graduates consider job security and company reputation as the two most important factors in selecting their prospective employers (Economic Planning Agency, 1992). For civil servants, "retirement" may begin as early as age 40 and the assurance of attractive post-retirement jobs is critical in recruiting and motivating the most talented and the brightest, who would otherwise seek more lucrative careers in the private industry. The record on each ministry's placement of retiring bureaucrats serves as an important guide to candidates. Private or public, employing organizations are expected to provide job security of regular employees in exchange for their loyalty to companies through good and bad times. In bad times, company managers are expected to cut their own benefits and positions before cutting labor costs of the regular workers.

In Japan, a person's primary social identity is closely tied to the groups to which one belongs. Thus, joblessness poses a serious social distress. It has been said that Japanese life consists of movement from "house" (*ie*) to "house" (Nakane, 1970). One's primary identification is said to be one's membership in a particular "house" or set of "houses." Without a house/company identification, others do not know what to make of a person, or how to relate to such a person; and neither does the person him/herself. The person without a house/company identification becomes a *ronin*, literally a wandering person. In the Japanese language, another form of the word "house" (*uchi*) is the personal pronoun for "I" and "we." House identity, once established, is almost never jeopardized, and the betrayal of one's house is perhaps the worst offense within Japanese society.[27]

[27] The Japanese Penal Code, for example, prescribes a penalty of not less than three years' imprisonment for murder, but murder of one's lineal ascendant carries a mandatory sentence of life imprisonment or death (article 200). In contrast, Americans are more frightened by random violence caused by unrelated persons, and penalties for these crimes tend to be more severe

Until very recently, no regular employee of a major company would think of moving to another major company. Indeed, "defectors" would be treated with suspicion by any subsequent employer, having proven they could not to be trusted. Consequently, Japan had no trade secret law, at least until 1990. However, recently, as companies began quietly laying off regular workers, workers began pursuing sequential employment; and pay began to be linked to performance (Beck & Beck, 1994).

Recent announcements of corporate restructuring received widespread public attention because the restructuring involved large firms. These instances of corporate restructuring symbolized fundamental changes in Japanese labor relations and employment systems. A perusal of Table 7 quickly suggests the scope of the issue.[28] The companies are large, but the numbers of employees affected by these employment adjustment strategies is small. However, the events must be understood in the context of contemporary Japan. These changes in employment strategies are seen as drastic by the Japanese, because large companies had not previously taken such measures in post-war Japan. Japanese citizens perceive these events as unthinkable, disgraceful or even shameful on the part of the companies. Japanese do not view the termination of the relationship between a company and a long standing employee in a casual fashion.

The media and the public responded with intense discussions, especially on the "fairness" of dismissing long-time workers by paying extra retirement benefits and without helping them find

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(Reidel, 1993).

[28] Data were compiled by the author (Chikako Usui) from several sources during her visit to various companies in Japan in 1993. Information on company characteristics were added by the author.

new jobs (e.g., "Kigyonai shitsugyosha," 1993). The media called into question the procedures some companies used in forcing people out. For example, companies were harshly criticized for their "casual" handling of worker termination. Workers expressed a special kind of anguish for being suddenly forced out.[29] The media also questioned the active use of voluntary retirement in restructuring, by citing cases where workers felt betrayed; morale went down; and most qualified workers took voluntary retirement and left the company ("Kondokoso," 1993).

Surprised by the intense public outcry and harsh media criticisms, many of the companies listed in Table 7 overturned their decisions to dismiss workers later. Pioneer and TDK, for example, were "taken aback by the publicity surrounding its decision" and canceled their plans (Sanger, 1993). The media's reaction and the reversal of forced "voluntary" retirements and worker dismissals by large firms are indicative of the importance of media pressure and Japanese firms' sensitivity to their public reputation.

CONCLUSIONS

The recent world-wide economic slump provided a generalized stimulus to which governments and corporations in different countries responded with different strategies for older workers. Japanese companies resorted to a combination of restructuring measures that are less socially disruptive. These restructuring measures reflect Japanese companies' distinctive governance

[29] On January 9, 1993, the New York Times featured an article with the headline "Shock in a Land of Lifetime Jobs: 35 Managers Dismissed in Japan" which read that "the unthinkable has happened in Japan, and it has touched a nerve in the ranks of the nation's middle managers" (Pollack, 1993). It reported the degree of shock and public outrage described in daily newspapers in Japan. In March 3, 1993 the New York Times again featured an article with the headline "Layoffs and Factory Closing Shaking the Japanese Psyche" (Sanger, 1993).

structure, affiliations with other companies and government support. Japanese human resource management is not driven by shareholders' interests, and corporate network ties among affiliates and subsidiaries result in labor-centered, long-term management orientations. Corporate actions are also constrained by the media and public opinion that emphasize the social responsibilities of companies. In addition, the government has shown a propensity to work with business to help declining industries and provide some relief for the employment problems of older workers. This corporate-government relationship lessens pressures on companies to slash personnel payrolls by offering money to companies for retaining workers and sending workers to other firms through *shukko*.

The Japanese approach to older workers reveals a strong commitment to job protection at least until the age of 65, yet combined with a commitment to gradual retirement between 60 to 65 years of age. Tiered employment systems, fostering gradual retirement of older workers, have become over time a vital device for large and medium size firms. This chapter points to the significance of a tiered labor market, based on company size and worker's age, in providing a flexible employment structure capable of adjusting to the problems of older workers.

Prevailing economic views would lead us to believe that the need to remove older workers from the labor force is low in Japan because of a robust economy providing favorable labor-market conditions. This chapter, however, shows that the Japanese economy has experienced significant industrial decline and adverse conditions since the middle of the 1970s. The increasing value of the yen in the last 25 years has intensified pressures for corporate restructuring. This study highlights some of the processes and mechanisms through which Japanese firms, in conjunction with other institutional support (the state, industrial groups, governance structure of organizations), undertook a fundamental restructuring of industries and the integration of older workers in the labor force.

The emphasis in this chapter is not a cultural one. Although *shukko*, *teinen*, and corporate networks reflect and express the cultural values of Japan, it is the configuration of Japanese institutions that create and sustain these cultural features; and it that configuration that will determine future cultural changes. In other words, the institutional configuration of Japan is the substructure that holds these cultural features in place.

Several European countries are now shifting toward the concept of gradual retirement (e.g., France, Germany, and the Netherlands) (Reday-Mulvey, 1995). However, it is unlikely that the specifics of their approaches will resemble the Japanese pattern, because configurations of societal institutions affecting practical and appropriate strategies vary among nations. Yet, the importance of tiered employment (by company size and employee age), systems of affiliated firms, corporate governance structures, government policy, and a pervasive sense of a moral economy (Thompson, 1971) sensitize us to factors that may have some applications for other countries.

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Table 1

International comparison of the labor force participation rates, 1965-1990

Men age 60-64	1965	1970	1975	1980	1985	1990
France	68.8	68.0	56.7	47.6	30.8	23.1
Germany	78.1	71.8	56.2	42.5	32/4	31.5
U.S.	79.2	71.7	64.5	59.8	55.1	53.8
Sweden	83.0	79.5	74.0	69.0	65.1	64.1
Japan	82.8	85.0	79.4	77.8	72.5	74.2

Men age 65+	1965	1970	1975	1980	1985	1990
France	28.3	19.5	13.9	7.5	5.3	3.5
Germany	24.0	17.2	10.8	7.0	5.1	4.5
U.S.	26.6	25.7	20.7	18.3	15.2	16.0
Sweden	37.7	28.9	19.9	14.2	11.0	18.8
Japan	56.3	50.0	44.4	41.0	37.0	36.5

Sources: OECD. (1993). Labour Force Statistics. Ministry of Labor (1988). Fujin rodo no jitsujo. Appendix 110, pp. 96-97.

Table 2
International comparison of the labor force participation rates, 1965-1990

Women age 60-64	1965	1970	1975	1980	1985	1990
France	31.7	34.3	29.8	27.3	18.9	17.0
Germany	23.3	20.4	15.5	12.0	10.1	12.5
U.S.	34.5	34.8	33.0	32.9	33.2	35.1
Sweden	30.9	38.2	38.3	41.0	46.6	50.5
Japan	39.8	39.1	38.0	38.8	38.5	39.5

Women age 65+	1965	1970	1975	1980	1985	1990
France	11.5	8.6	5.9	3.3	1.1	1.5
Germany	7.8	6.1	4.5	3.1	2.3	2.0
U.S.	9.4	9.0	7.8	7.6	6.8	7.4
Sweden	11.6	9.8	6.1	3.7	3.2	4.9
Japan	21.6	17.9	15.3	15.5	15.5	16.2

Sources: OECD. (1993). Labour Force Statistics. Ministry of Labor (1988). Fujin rodo no jitsujo. Appendix 110, pp. 96-97.

Table 3

Annual Rate of Real Growth, 1960-1993

Year	Growth Rates Japan (%)	Year	Growth Rates (%) Japan	Germany	U.S.
1960	7.8	1960-1977	7.7	3.3	2.4
1965	9.1				
1970	9.8				
1974 (Oilshock recession)	-0.2	1970-1979	4.6	2.6	3.2
1980	4.2				
1986 (*Endaka* recession*)	2.9	1986	2.9	2.3	2.9
1990	4.8	1990	4.8	5.7	1.2
1991 (Bubble recession**)	3.6	1991	3.6	4.5	-0.7
1992 (Bubble recession)	1.2	1992	1.2	1.6	2.6
1993 (Bubble recession)	-0.2	1993	-0.2	-1.9	3.0

Sources: M. Bronfenbrenner and Y. Yasuba. (1987). Economic Welfare. In K. Yamamura and Y. Yasuba (eds.), The political economy of Japan, Table 1, p. 96. Keizai Koho Center (1994). Japan 1995. Tables 1-7 and 1-10, pp. 10, 12-13.

Figures for three country comparison derive from Prime Minister's Office (1983). Kokusai tokei yoran. Table 73, and The World Bank (1979). World Development Report 1979, Table 2.

*--recession caused by rising values of yen.
**--recession caused by the burst of bubble economy.

Bubble recession officially started in 1991 and ended in 1993.

Table 4

Distribution of Older Male Workers by Firm Size, 1973, 1978 and 1988

1973		Company size			Government	
	1-29	30-99	100-999	1,000+	Sector	Total*
Male, age						
50-54	27.8	14.6	15.9	25.7	16.0	100 (%)
55-59	33.6	18.6	18.6	15.0	14.2	100 (%)
60-64	42.5	20.0	20.0	8.7	10.0	100 (%)
65+	49.2	19.4	16.4	7.4	7.4	100 (%)

1978		Company size			Government	
	1-29	30-99	100-999	1,000+	Sector	Total
Male, age						
50-54	28.0	14.7	16.1	23.2	18.0	100 (%)
55-59	35.0	18.3	16.7	14.2	15.0	100 (%)
60-64	46.0	21.0	17.1	6.6	9.3	100 (%)
65+	53.6	18.9	13.9	5.8	8.7	100 (%

1988		Company size			Government	
	1-29	30-99	100-999	1,000+	Sector	Total
Male, age						
50-54	31.3	15.6	20.5	20.1	12.5	100 (%)
55-59	32.4	17.2	19.2	15.8	14.9	100 (%)
60-64	43.0	19.6	19.6	8.9	8.9	100 (%)
65+	58.1	17.1	14.4	4.0	5.4	100 (%)

Source: Ministry of Labor (1989). White Paper on Labor. Kimura, Takagi, Oka, & Omori (1994), p. 250.
* due to rounding, figures do not always add up to 100 percent.

Table 5
Distribution of Older Female Workers by Firm Size, 1973, 1975 and 1983

1973		Company size			Government	
	1-29	30-99	100-499	500+	Sector	Total*
Female age						
50-54	43.5	19.2	12.8	12.8	12.8	100 (%)
55-64	48.6	17.1	10.5	11.8	11.8	100 (%)

1975		Company size			Government	
	1-29	30-99	100-499	500+	Sector	Total
Female age						
50-54	42.8	19.0	13.1	13.1	11.9	100 (%)
55-64	49.4	17.7	10.1	11.4	11.4	100 (%)

1983		Company size			Government	
	1-29	30-99	100-499	500+	Sector	Total
Female age						
50-54	41.8	19.4	13.4	13.4	11.9	100 (%)
55-64	45.1	18.3	13.4	12.2	11.0	100 (%)

Source: Ministry of Labor (1984). Fujin rodo no jitujo. Appendix 16, p. 20.
* due to rounding, figures do not always add up to 100 percent.

Table 6

Flows of *Shukko* among Medium Companies and their Subsidiaries and Affiliates

Direction of *Shukko*	Sending out workers	Sending out workers prior to *teinen*	Sending out workers at *teinen*	Receiving workers from other companies	Receiving pre-*teinen* workers from other companies	Receiving *teinen* workers from other companies
Types of Firms:						
Medium size firms	**92.1** (%)	**40.0** (%)	**32.1** (%)	**46.1** (%)	13.9 (%)	3.9 (%)
Semi-medium firms	86.8	23.8	24.7	73.2	23.6	17.9
Subsidiaries	**26.7**	4.5	1.7	**85.8**	**26.1**	**26.1**

Source: Adopted from Hirose (1993). Table 3 and Table 4. Surveys were conducted by Hirose from 1991 to 1992. Medium size firms are defined as those "*chukaku kigyo*" whose names are listed in the *Tosho jojo kigyo*. A total of 920 medium firms were selected from different industries. In addition, their subsidiaries of 1,114 were included. Total number of firms was 2,034. In the analysis, Hirose re-classified these firms into three categories: medium, semi-medium and subsidiary. Medium firms are those without their own parent companies but with subsidiaries of their own. Semi-medium firms refer to those with both parent companies and subsidiaries of their own. Subsidiaries are those without subsidiaries of their own.

Table 7
A List of High-Profile Corporations with Drastic Restructuring Announcement
(Announcement as of Spring 1993)[1]

Company Name and Characteristics[2]	Major Announcement for Restructuring
<u>Airlines</u>	
Japan Airlines[3] Operating revenues: Y1,381,008 mil. Employees: 22,271.	Reduction of the work force from 22,000 to 17,000 by 1997 (2,500 through voluntary retirement and and dispatching; 2,500 through no hiring of new new workers).[4]
Japan (Nippon) Air System[5] Operating revenues: Y266,746 mil. Employees: 5,439.	Reduction in the number of new hiring by 50 percent for 1994, or 13 positions.
Northwest Airlines, Japan[6]	Hiring of 81 new workers as one-year temporary workers rather than offering them regular positions as originally scheduled.
<u>Automobiles</u>	
Nissan[7] Sales: Y6,416,931 mil. Employees: 55,597.	Permanent closure of one factory (Zama Factory). 2,500 regular workers will not be fired but re-assigned/dispatched to other locations.[8] Reduction of company work force by 5,000 through attrition and no hiring of new workers.
<u>Banking/Securities</u>	
Cosmo Securities (Shoken)[9] Operating revenues: Y41,281 mil. Employees: 2,395.	Reassignment and dispatching of 70 managerial-track workers in the central administration office to sales division.
Sakura Bank[10] Operating revenues: Y4,049,141 mil.	Reduction of company work force by 10 percent, or 3,000 regular workers in three years.

Employees: 23,095.	
Sanyo Securities (Shoken)[11] Operating revenues: Y73,461 mil. Employees: 4,407.	Reduction of 10 managerial posts at the central office. Reassignment and dispatching of 10 percent of non-sales division regular workers to sales division.
<u>Communications Equipment</u> **Oki Electric Industry**[12] Sales: Y681,283 mil. Employees: 14,049.	Reduction of company's work force by 2,000, or from 14,000 to 12,000 by March 1995.
<u>Commerce</u> **Itochu**[13] Sales: Y20,610,475 mil. Employees: 7,344.	Reassignment and dispatching of 300 managers to sales division. Reduction of managerial personnel to 15 percent of the company work force.
<u>Computers</u> **IBM Japan**	Reduction of the work force by 3,000 through voluntary retirement and voluntary dispatching among regular workers aged 50+.[14]
<u>Consumer Electronics Industry</u> **Clarion Co.Ltd.**[15] Sales Y184,600 mil. Employees: 9,309.	Encouragement of retirement among regular workers aged 40+ with extra pension benefits. (A couple of dozen workers signed up for it.)
Pioneer[16] Sales: Y613,009 mil. Employees: 2,856.	Dismissal of 35 managerial managers aged 50+. (These workers were encouraged to take voluntary retirement first).[17]
Sanyo Electric[18] Sales: Y1,565,791 mil. Employees: 30,725.	Reduction of company work force by 3,000, or from 30,000 to 27,000, through no hiring.[19]

TDK[20]
Sales: Y534,866 mil.
Employees: 8,927.

Dismissal of 50 older managers aged 50+ with 90% of salary to be paid until these managers reach the the mandatory retirement of 60.[21]

Heavy Electric Machinery

Hitachi[22]
Sales: Y1,367,544 mil.
Employees: 83,821.

Reduction of managerial posts by 5-6 percent at the central administration office.
Reduction of company work force by 3,000 by the end of 1993.
Temporary closure of Tokai factory. 200 factory workers were given extra holidays.[23]

Iron and Steel

Kawasaki Steel[24]
Sales: Y1,378,544 mil.
Employees: 18,599.

Reduction of 400 to 500 white collar workers by 1995.

Nippon Steel[25]
Sales: Y3,229,649 mil.
Employees: 53,049.

Reduction of 4,300 positions from the steel division by 1994. Further reduction of 2,500 positions by 1996 or a total of 7,000 by 1996.[26]

NKK (Nippon Koshuha Kogyo)[27]
Sales: Y1,931,481 mil.
Employees: 23,313.

Reduction of the company labor force by 15 percent, or 3,200 workers by 1995.

Sumitomo Metal[28]
Sales: Y1,818,089 mil.
Employees: 20,727.

Reduction of the company labor force by 12 percent, or 2,600 workers by 1995.

Mass Media and Communications

NTT (Nippon Telegraph & Telephone)[29]
Sales: Y6,398,374 mil.
Employees: 242,743.

Reduction of company work force by 30,000 by 1996 through voluntary retirement of 10,000 each year.[30]

Yomiuri Shinbun, Chubu Honbu[31] Sales: Y8,514 mil.	Reduction of company work force by 100 through voluntary retirement. 130 regular workers signed up for it.
<u>Precision Machinery</u> **Kodak Japan**	Reduction of research division's personnel by 70 through voluntary retirement. Cancellation of hiring of 8 new graduates.
Tamuron[32] Sales: Y12,212 mil. Employees: 576.	Reduction of company work force by 250 (including regular and temporary workers) through voluntary retirement.
<u>Textiles</u> **Toyobo**[33] Sales: Y568,879 mil. Employees: 8,010.	Temporary factory closure in 10 factories for 4-8 days per month, affecting 3,000 regular workers. These workers will take extra paid-holidays.

1. Sources: Data are compiled from several sources, including the information given to the authors during their company visits in the summer of 1993 in Japan. Other sources include newspaper articles, weekly journal articles (e.g., "Kigyonai shitsugyo," 1993), as cited in the table.

2. Data on company characteristics derive from Japan Company Handbook. (Tokyo: Toyo Keizai Inc., 1993). Statistics for sales and operating revenues are for the month of March 1992 and September 1992, respectively, expressed in million yen (100 yen equals about 1US$), unless otherwise noted.

3. Japan's largest airline.

4. The information regarding the exact numbers of voluntary retirement & dispatching and no new hiring was obtained from "Nikkou, yonende 5,000 nin sakugen" (1994).

5. Japan's 3rd largest airline.

6. Information for company characteristics was not available.

7. Japan's 2nd and world's 4th largest automaker.

8. That Nissan will not force 2,500 regular blue workers who used to work at Zama factory was reported in Shukan Toyou Keizai March 13, 1993, p. 14.

9. Cosmo Securities is medium size comprehensive securities closely related to Daiwa Bank and Nippon Life Insurance.

10. Nucleus of Mitsui Group, Japan's first commercial bank founded in 1876.

11. One of the major comprehensive securities firms closely related to Nomura Securities.

12. A leading and long established manufacturer of communications equipment.

13. One of Japan's 5 biggest trading firms. Belongs to Dai-ichi Kangyo Bank Group.

14. The exact number of positions to be cut was reported in "Shushin koyo no gensou," 1992.

15. The largest maker of car audios primarily bound for Nissan Motor.

16. A top manufacturer of audio equipment.

17. Pioneer explained that these managers were selected out due to their poor performance record (Nihon Keizai Shinbun, January 12, 1993, p.1). Later Pioneer overturned its decision to dismiss the 35 managers because of much publicity and criticism.

18. A major consumer electronics maker.

19. A detailed report was published in Nikkei Shinbun January 12, 1993, p. 1.

20. The world's largest manufacturer of magnetic tapes.

21. Like Pioneer, TDK withdrew its decision to dismiss its long-time employees. The exact salary information was reported in Nihon Keizai Shinbun, January 9, 1993, p. 11.

22. Japan's largest heavy electric machinery manufacturer.

23. Nihon Keizai Shinbun, January 14, 1993, p. 4.

24. Japan's 3rd largest crude steel producer.

25. The world's largest steel maker.

26. Reported in Nihon Keizai Shinbun, January 4, 1994, p. 1.

27. One of the world's 5 largest steel makers.

28. Japan's 3rd largest crude steel producer (same rank as Kawasaki Steel).

29. Japan's largest telecommunications company. Ranks 2nd in the world next to AT&T.

30. By summer 1993, the company had 4,100 applicants for voluntary retirement and expects to complete the reduction of 30,000 positions much earlier than the targeted date in 1996. With this, NTT announced a drastic increase in hiring of new employees (technical positions) for 1995--2.5 to 3 more times it hired in 1994, or at least 2,000 (Nihon Keizai Shinbun, January 3, 1994, p. 27).

31. One of the major newspaper companies. Figures for sales were for 1993-1994 fiscal year.

32. Japan's largest maker of camera lenses.

33. Time-honored spinning company which has played a locomotive role in Japan's textile industry.