

A HISTORICAL PERSPECTIVE ON THE IMPACT OF JAPANESE BUSINESS CULTURE ON THE AGING WORKFORCE¹

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Abstract

In the twenty-first century, Japan will have the most aged population in the industrialized world. since there is no lay off policy, many aged overload workers are sent to overseas branches to provide training for the local employees. There is an increasing automation in the Japanese production facilities which reduces the unit cost for a product. The displaced workers due to automation are given new projects, which naturally expand the company very fast. First of all, a performance based pasy system is put forward due to the fact that Japanese companies are experiencing the demands of having a higher mean employee age. as a result of seniority based wage system a rise in the average age of employees tends to cause a pronounced increase in overall costs. Second there was a sharp increase in the Japanese stock exchange. This increase was followed by the increasing value of the yen. Also Low interest rates and a readily available interior market for Japanese products made a contribution. This stimulated the economic growth for two years. due to the high wages Japanese products hardly sold ibn the international markets, this led to a great drop in the stock exchange. As a result of indicators Japan ise trying to find new markets for its products. With the recent regionalization in the world, the country is focusing its attention on its neighbors.

Keywords: Twenty-First Century, Industrialized World, Japanese Production, Average Age, Employees Tends.

INTRODUCTION

Japan has one of the strongest economies in the free World. For years its workers have accepted high degrees of regimentation and self-sacrifice. As a result, Japan has substantial economic wealth. However, now that Japan is clearly in the top league economically, its people are beginning to question the personal cost of economic achievement. Furthermore, there are many indicators of a major change in the Japanese economic Picture. Hese indicators, coupled with the growing dissatisfaction of workers, poses a serious challenge to the continuation of Japanese economic prosperity. Among these changes are a relative decline in the domestic economy and a majör shift in overseas trade and trading partners.

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Domestic Economy And Historical Development Of Change

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The decline in the Japanese economy has not spread to the masses because of an unwritten social contract between corporate Japan and its full-time employees (Güvenç, 1983). As a reward for holding down wage demands in good times, workers know that their jobs are safe even in tough times. Nevertheless, wage rate growth slowed to in 1992, and prices are increasing-paychecks simply do not stretch as far as they used to (Nakamura, 1988).

In Japan, revision of the current seniority-based wage system has become necessary because of the higher mean employee age and pressure to raise the retirement age. With seniority-based wage systems, a rise in the average age of employees tends to cause a pronounced increase in overall costs (Christopher, 1982). Many Japanese companies are modifying their pay systems to put greater emphasis on actual employee performance and to modify the wage curve so it peaks prior to retirement, not at retirement, as has been the case up to now. An employee's compensation seems to increase more from additional benefits than increased wages (Christopher, 1982).

Japan is the second largest market economy in the World. Stocks are viewed differently by the Japanese than by Americans. The Japanese invest to support a company whereas Americans invest for equity. Additionally, personal savings in Japan go into the banks instead of into corporate equities (Choy, 1988). A high proportion of Japanese stock is owned by corporations (Okimoto, 1988). The Nikkei Stock Exchange rose to 38,985.87 in 1990. This was the start of a two year boom in the Nikkei exchange (Grass, 1991). This rise allowed Japanese managers to enjoy several years of "*Cheap*" Money, which resulted in a run-up of shares and real estate prices in the late 1980's. In 1992, the Nikkei index fell to the 16,000 rate. One reason for his drop was the reluctance of the Japanese for free trade. This comes from traditional hierarchical interpersonal relationships that place certain "*Limit sor restraints on outward projections of relationships*", says a government official (Ishihara, 1989). In other words, rapid changes from the norm do not come naturally to the Japanese. The recent recession in the U. S. and the American restrictions put on Japanese products fueled the Japanese stock market fall. Japanese tradespeople are having a hard time exporting to the U. S., which is Japan's leading trade partner. Japan is now looking to new Asian markets for exports (Okimoto, 1988).

To help increase the exports after the war, the exchange rate of the Japanese yen was set at 360 yen to the U. S. dollar in April 1949. It remained at this fixed rate for more than twenty years. Then in December 1971, due to developments in the Japanese economy, the yen was revalued by %16.88 to a new fixed rate of 308 yen to the dollar (Nakamura, 1988). While the yen was strengthened temporarily during the first and second oil crises, in 1973 and 1980 respectively, it was Japan's constantly increasing surplus in its international balance of accounts that put the country on a steady upward economic course. Now that 107.10 yen equal one dollar, Japan's export commodities have become much more expensive. As a result of Japanese industry's inability to produce commodities cheaply, the country is losing its competitive edge in World markets, and Japanese companies are having a harder time selling commodities to western markets (Katz, 1985).

Japan's biggest trading partner is the U. S. A. (Hammond, 1992). The American market has provided the Japanese with many ways to help build its economy, The Japanese now are beginning to assume a share of responsibility for the maintenance and stability of international economic systems. This is because of their recent interest in a permanent seat on the United Nations Security Council. As a part of this effort, Japan has signed several agreements with Europe and the United States to reduce the Japanese trade surplus with the countries in the agreements (Grass, 1991). Because Japan does not export to the same countries from which it imports, it is difficult for Japan to have balanced trading with each country it deals with. For

instance, while Japan has a trading surplus with America and Western European countries, it has a trading deficit with Canada and the nations of the Middle East (Nakamura, 1988).

With America in a recession, unemployment and record merchandise trade deficits with Japan have created a new round of recriminations against Japan. On the Japanese side, there is a growing ill feeling over what is perceived to be a deliberate misconstruing of the trade issue and an attempt to make Japan a scapegoat for problems of America's own making. Japan's new government seems to be taking American sentiments more seriously than the prior Japanese governments.

With its declining relationship with the U. S. A., Japan is widening its business role in Southeast Asia. This has had dramatic effects on the region and has eroded the American economic role in the region. The U. S. A. had been the biggest investor in Southeast Asia (Hommond, 1992), but Japan has recently taken over this role. Japan is fitting Southeast Asia into its plans to internationalize its industries.

The proximity of Southeast Asia allows Japan a close market for economic growth. The Japanese also realize the trend of growing regionalization in the World. Japanese companies have long had a significant presence in Southeast Asia because it is an inexpensive place to make low-cost, low-technology parts (Choy, 1988). Japan's investment in Southeast Asian countries doubled from 1990 to 1991 (Grass, 1991).

1. The Aging Japanese Work Force And Its Transformations

It has been a tradition of Japanese society to respect those who are older (Dunn, 1987). In the World of business, too, it is thought that ability increases with the length of service, and therefore, contributions one can make to the enterprise also increase the longer one works there (Alston, 1986). There is usually no lay off system and it is generally difficult to dismiss personnel this happens only rarely when the business performance of a company has become unfavorable. The life-time employment system used throughout most Japanese companies has two effects. First, it makes management think in terms of long-term training for their employees. And second, it leads them to set wage curves that extend over the whole working life of the employees. In the past, corporate vitality was maintained by training youthful workers, moving them up within the company, providing them regular promotions and wage increases, and giving them a comparatively early retirement.

People are living longer the average life expectancy for males in Japan was 64 years of age in 1975 and is now 75 (Hammond, 1992). Workers need to work as long as possible into their old age because there are usually no long-term pensions or benefits from companies for workers in retirement (Katz, 1985). In keeping with the standards of other industrialized countries, half of Japan's companies have raised their traditional retirement age from 55 to 60, and this is expected to continue (Choy, 1988).

These demographic statistics are not compatible with the employment system adopted by Japan's traditional major corporations. Large Japanese companies typically hire graduates fresh from universities. This assures the company of a continuous supply of management-caliber workers by skimming the cream of the graduates (Güvenç, 1983). This periodic influx of new employees is accompanied by a wave of transfers of personnel throughout the corporate organization. Some of these transfers are assignments to other positions to provide room for new employees while others are promotions (Güvenç, 1983). The number of new employees to be hired each year is decided on the basis of the company's long-range personnel plan and the number of persons expected to retire.

This system, while respecting older employees as being experienced, is actually dependent on the continued hiring of younger workers. Thus, since the company is biased toward the hiring of younger workers, it is inherently limited in its ability to accommodate an increasing number of older workers (Choy, 1988). In a rapidly changing economy, workers believe it is vital to receive retraining and reeducation required to keep up with changes in technology and job content (Choy, 1988). Many companies believe that training given to younger workers is more economically efficient than that given to older workers.

In addition, in the Japanese business culture, which includes the concept of lifetime employment, there is an annual fixed number of employment openings in a given company: almost all new job seekers are assured of finding a job. As the work force ages, companies do not ask older workers to retire to make room for newcomers. Moreover, because large-scale layoffs are unusual, companies must resort to expensive techniques such as transferring the increase in wages in order to take on new workers and not lose profits. As a case in point, the Japanese automobile industry is experiencing a decline due to the World-wide recession. Nissan has announced it is going to transfer 5000 workers to perform basic production jobs on Kyushu Island within two years (Schmidt, 1993). This is an indirect way of saying that the company is facing major obstacles. It cannot accommodate all the older workers in their current positions while still hiring new employees, who are thought to be more valuable, at those same positions.

Most companies provide health insurance to their life-long employees. Insurance premiums are calculated according to the age factor of the employee, with older employees requiring more funds due to their increased health problems (Alston, 1986). Companies in recent years have incurred increasing economic pressure due to the health insurance of their aging employees combined with rising health care costs (Alston, 1986).

Many Japanese companies are investing overseas. In 1989, Japan doubled its investments in Malaysia and Thailand, and tripled those in Singapore. Cheap labor costs in Southeast Asian countries motivate Japanese companies to move production overseas. This expansion has helped Japanese companies create new jobs overseas for their aging workers, who can be paid less by Japanese standards and still enjoy a relatively high standard of living in these countries. Older workers are moved overseas for their experience and as a polite way to indicate it is time to retire (Hall, 1985). This transfers mean openings for new, younger employees to be hired in Japan (Wolfert, 1989).

As the number of employees increases due to the aging work force, management is trying to implement the use of robots. Although automation is costly initially, it reduces the cost of production in the long run (Christopher, 1982). Workers displaced by robots are taught programming or other skills, while the robots are designed to do the repetitive work that workers used to do (Ishihara, 1989). Using robots in production motivates Japanese companies to diversify in different fields. In order to maintain life-long employment practices, these displaced workers must be found other jobs within the company (Ishihara, 1989). For example, when Sony Company used automated production for television receivers, the displaced workers were transferred to VCR production facilities which were not yet automated. This was done in a cost effective manner since the interior design of the VCR's was similar to that of the television receivers (Ishihara, 1989).

In Japanese terms, loyalty signifies absolute obedience to the higher ranking person or the elderly. This loyalty is based on the combination of Confucian ideas from China and the original Japanese hierarchy (Earhart, 1984). The Confucian moral code puts emphasis on characteristics such as loyalty, self-sacrifice, justice, sense of shame, and modesty (Earhart, 1984). Japanese people have traditionally placed emphasis on these codes in their daily living. However, due to Western influence on the Japanese since World War II, workers who spend their entire life

career with one company may eventually find themselves in the minority (Okimoto, 1988). Loyalty to companies seems to be decreasing in Japan.

RESULT

Recent changes in Japan's economic status reflect the collapse of the bubble company, and has resulted in sagging revenues for Japanese businesses. The objectives of this paper were to review the effects of an aging work force, reduced institutional loyalty, and a rise in individualism on the Japanese corporate culture. Increasing individuality in education, family, and work has created an atmosphere where young graduates want some flexibility in their lives.

The aging population is also making an impact on Japanese companies' financial positions. In spite of this, the positive effects of more experienced workers is that "*mid-term*" switches in employment allow companies to bring in employees already trained in an area. This trend for mid-term switches appears to be increasing.

The result of this research indicates that Japanese business culture is changing and must continue to do so. These changes have been forced by the aging population, individualism, and reduces loyalty trends.

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