

Welfare Corporatism in Transition: A German-Japanese Comparison
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The modernization of industrial organization permanently poses problems of technical, economic and social rationalization, each following specific goals: efficiency, profitability and motivating acceptance. Especially social rationalization is linked with socio-cultural patterns of orientation. Therefore, we find a variety of corporate cultures, which may be classified according to two basic types of underlying value orientation:

- The organization-oriented type is based upon work roles within co-operative units. The relevant status organization combines both work performance and membership attitude (length of service) evaluation. This type may be combined with a more or less pronounced „professional orientation“ focussing upon the quality of work performance and modifying accordingly the status organization by stressing individual competence linked to professional standards instead of traditional seniority patterns.
- The market-oriented type refers to the dominance of interests directed towards the utilization of chances given by market conditions. The resulting high level of labour turnover results in lower levels of organizational integration and „company-mindedness“. Instead, a social orientation prevails focussing upon informal group solidarity and market-oriented networks, while organization-centered attitudes are marked by prevailing pay incentives.

The global emergence of a new form of shareholder-oriented capitalism suggests a shift towards an individualized and market-oriented employment type, lessening the social bonds established by welfare corporatism. The relevance of these assumptions shall now be discussed by comparing HRM policies in both Japan and Germany.

Western analysts of Japanese industrial relations from the beginning have stressed the corporation-centered actor orientations and the comparatively low level of industrial conflicts (Abegglen 1958, Brown 1965, Fuerstenberg 1966, Yoshino 1968, Okochi et al.1971). Based upon empirical research between 1965 and 1970, the author summarized the overall picture offered by large corporations: „It is remarkable the extent to which the main objectives of large Japanese firms reflect a harmonious basic concept of modern economic society. In the same way market relations are interpreted as mutual obligations, leading to a sharing of interests, and the social obligations of a company are stressed. Success in business, seen from this angle, is the result of the co-operation of all concerned and is a consequence of a balanced relationship between the undertaking and its environment. In German social history too, ideologies of a „work community“, of market and social partnership as well as of service to the community have played an important part in the self-legitimization of management. These models of thought, however, always lacked the consistency, presently still observable in Japan, where they are based upon the quest for harmony (wa), founded in cultural traditions, mainly confucianism...Japanese management has dual objectives: firstly, management's search for opportunities to growth; and secondly, the harmonisation of social relations within a company, as well as between it and the environment. Contrary to the predictions of Western experts, the development of industrial capitalism in Japan has not led to the dual objectives disintegrating under the pressure of competition“(Fuerstenberg 1972, 43,46). In 1973, Ronald Dore, against the British background, described this Japanese corporate culture and the resulting organizational structure as welfare capitalism with its main features being: „factory and company based trade union and bargaining structures, enterprise welfare and security, greater stability of employment and integration of manual workers as `full` members of the enterprise, greater bureaucratization and a co-operative ideology“(370). 17 years later, James R. Lincoln and Arne L.Kalleberg, in their comparative study of work organization and work attitudes in the United States and Japan, stressed the superiority of Japanese corporatist structures against the „traditional Western market individualism“, and they predicted a further spread of co-operative commitment patterns.

In Europe, especially the German speaking countries, similar patterns had developed in the course of the formation of large companies, especially during the period of the Economic Miracle. Till recently large companies employed sophisticated sets of commitment strategies, thus fostering co-operative unionism with its climax : co-determination. Therefore, it was not the Western, but rather the Anglo-Saxon world, which resisted the universal application of welfare corporatism.

During the last decade, the trend changed dramatically, due to increasing global competition and the resulting flexibilisation of manpower. Reduction of permanent employment, dilution of „normal“ collective agreements by a mounting diversity of individual work contracts, and last but not least the spread of a shareholders' value-ideology are main features of the replacement of social components in

human resources policies by the application of individualizing financial incentives and subsequent personal risk sharing. Is this indicating a universal trend towards Neo-Darwinism at the labour market?

Considering the case of welfare corporatism in Japan, we find an ambiguous situation. Using data from a survey conducted at the Japan Productivity Center for Socio-Economic Development in 1996, Motohiro Morishima presented an analysis of changes in Japanese human resource management. Lifetime employment patterns seem to have changed by a growing practice of externalizing regular status core employees by means of a transfer to other firms and organizations. This may happen temporarily (shukko) or permanently (tenseki). Higher ranking senior members of management affected by such strategies to reduce surplus employment, may be subject to practices ranging from early voluntary retirement to aggressive outplacement counseling (katatataki). Some data on the amount and coverage of such practices are given in the Ministry of Labour's 1993 Employment Management Survey. While 15.3 percent of all firms covered reported the use of shukko practices, the percentage was considerably higher among large companies. 95.2 percent of firms with 5000 or more employees used temporary transfer while permanent transfer was practiced by 51.9 percent (Sato 1999,7). Though companies referred to such strategies as means to assist receiving firms in a situation of labor shortage, Atsushi Sato concludes his review by stating: "It is fair to say that in large enterprises shukko is used as an employment strategy for dealing with middle-aged and older workers through the internal labor market which has been developed within a corporate grouping" (ibid.8). Thus, an enlarged social network is established to grant a certain amount of employment security, a practice which may be called co-operative risk sharing.

The Ministry of Labour's 1997 Employment Management Survey shows a rather dynamic development of such practices and obviously an extension of possible coverage. „Many enterprises begin to pressure those aged 55 or over to take tenseki shukko...The larger the enterprise, the earlier the age...Nearly 60 percent of enterprises assist employees between the ages of 45 and 50 in their efforts to change jobs" (Sato ibid.8), which also might mean to establish an own business (outplacement). Therefore, a considerable cutback in managerial positions has taken place in Japan's large enterprises (Genda 1999,8)

Changing employment structures also have affected another pillar of Japanese welfare corporatism: the teinen principle of mandatory retirement for managerial posts, deriving from a surplus of college educated employees. In the early 1990s, the average age limit set for section managers (kacho) was 55.6, for division managers 56.3 (Sato ibid.8). While companies with retirement systems for employees at 60 or above are increasing (1991: 70.8%, 1997: 90.2), the offer of extended employment or re-employment schemes diminishes (1991: 75.5%, 1997: 70.0%).

In view of the general acceptance of such practices it may well be stated, that „any review of employment and the treatment of middle-age and older workers should fundamentally be understood in terms of the need to recover the 'lost' balance between jobs, ability and wages, and should not be considered ambiguously as the 'collapse of life-time employment'" (Sato ibid.9). However, there is evidence, that the segment of the labour force which benefits from such a system is diminishing, opening the gap between privileged and underprivileged members of the labour force. Within large companies, the share of regular employees has decreased due to intensive employment restructuring, the main challenges being ageing, a cutback in managerial positions and shortage of occupational opportunities. Instead, the share of part-timers and temporary workers has increased considerably, which also reflects a growing number of female workers seeking employment after marriage and childbirth.

Japanese welfare corporatism in its traditional form is not only marked by lifetime employment for core employees and relevant compulsory retirement patterns (teinen seido) but also by special patterns of status assignment linked to seniority (nenko joretsu). The hitherto common practice of linking promotion and increases in salary as well as fringe benefits to the length of service aimed at diminishing labour turnover and fostering in-house skill development. The need for greater flexibility in work assignment combined with permanent qualification has led to a gradual adjustment of HRM practices. They are marked by greater consideration of ability and performance in career development, thereby shortening the traditionally long evaluation periods, especially for managerial candidates. This corresponds with preferences now prevailing among the majority of employees. The Ministry of Labour Survey already quoted showed for 1996, that „a strong majority of employees (78.7%) prefer to have staffing practices which promote employees with high potential even though that may involve reversal of seniority order and hierarchical positions (or simply put, working for a boss who is more talented but younger than the respondent)" (Morishima, ibid. 8). At the same time, in-house career development

with training in a broad range of skills appears to be favoured by the majority. These findings also are likely to point rather at a differentiated re-assessment of Japanese employment practices than their abolition.

When we turn to the industrial relations aspect of Japanese welfare corporatism, we still notice a strong orientation of labour union activities on regular employees and, therefore, less concentration upon organizing emergent categories of workers. Thus, e.g. part-time employees amounted to 11.4% of the labour force in 1997 but only to 2% of union members. This organization lag of Japanese labour unions also counts for a dramatic drop in the rate of unionisation from 28.9% in 1985 to 22.2% in 1999. Obviously, the main problem is not overcoming the principle of company unionism but the coverage of new emerging groups of employees, especially women and part-timers.

The institutional framework of Japanese welfare corporatism still shows remarkable resistance to global trends towards increasing shareholders' influence. The „employee community“ model of Japanese corporations coincides with specific structures of corporate governance marked by cross-stockholding among companies doing business with each other. This has led to restricted stockholders' influence upon management which instead formed a more cooperative alliance with its employees. Basic goals were not so much directed towards increasing shareholders' value but towards fostering stable development and an elusive demarcation between management and workers' interests. The structure of corporate control has not changed dramatically. „In 1987, the ratio of cross-stockholding was about 21.2 percent; by 1996, it had fallen by only 1.6 percent. This is also the case with the ratio of stable stockholders such as banks or insurance companies“ (Yamakawa 1999, 11). As the structure of corporate control in Japan has not changed dramatically, the pressure for adjusting HRM practices from co-operative to more competitive patterns still leaves margins for adjustments compatible with the prevailing system. As Ronald Dore put it in a recent lecture: „The Japanese community firm rests on communitarian traditions. Its structure is governed not by statute but by convention, supported only peripherally by case law.“

Internal corporate control, administered intra-organizational labour markets and resulting company unionism as well as a labour force aiming at stable employment relations are indicators of a rather stable organization culture with chances to persist even in face of globalisation trends which does not mean that major structural adjustments may even lead to innovative re-structuring in important areas. They seem to coincide with general trends towards a more individualised perception of career paths and greater flexibility of work assignments without abandoning basic group affiliation as a major source for acceptable risk management.

The German version of welfare corporatism, marked by a particularly high degree of professionalism (Berufsorientierung) among the employees and highly regulated industrial relations, resulting in a distinct system of 'co-determination', also underwent even more drastic changes. Under the pressure towards flexibilisation of labour supply and work roles, towards permanent (re-)qualification and the maintenance of work motivation through participation in problem solving, traditional traits of company welfare programs have been abolished. Programs for reducing surplus labour have been applied extensively using strategies similar to those observed in Japan with the exception of shukko. According to the provisions of the Works Constitution Act, all relevant measures had to be applied in co-operation between management and works council. Thereby major conflicts at company level have been avoided. Generally, the basically co-operative structures have been preserved. Preferences of younger employees appear to be more individualized, also in view of less stable career prospects in the initially chosen occupation and with the first employer. This demonstrates a certain convergence of individual and corporate response patterns towards the given structural changes. The overall picture shows the German corporation as a highly complex organization marked by an institutionalized and legally sanctioned social framework, by institutionalized problem-solving through negotiations and by a well qualified labour force aiming in its majority at stable workplace relations and career prospects. Work arrangements, however, underwent a remarkable flexibilization.

Even in the Anglo-Saxon world of work we observe a similar persistence of orientations and practices. The decisive difference lies in the fact, that they seem to be far more compatible with shareholders' interests, directed towards greater mobility of capital and labour in order to grant optimal short-run returns on investment. In 1995, 29.4 percent of employees in the United States were covered by nonstandard work arrangements (Rasell/Appelbaum 1998, 382). This means in practice substandard pay and less employment security. While the interests of 19.9 percent of those working under normal conditions are represented by unions, this is only the case for 9.6 percent of those working under nonstandard arrangements. What appears as a culture shock in both the Japanese and German

situation: the growing uncertainty of the employment situation, combined with great pressures towards flexibility and mobility, in Anglo-Saxon firms only confirms the usual practice. Thus the so-called „globalisation“ of organization structures and HRM policies definitely poses quite different challenges due to different sociocultural milieus.

The impact of structural change upon welfare corporatism and co-operative unionism shall now be discussed systematically. Both correspond with each other and generate specific interaction patterns at different levels of work-related norm-setting, norm application and conflict resolution.

The development in Japan is marked by the persistence of segmented internal labour markets corresponding with a so-called „dual“ economy. The privileges of core employees still are reflected in the representation of their interests by company unions. The close co-operative relationship between management and core employees within the keiretsu network is obviously a major goal of structural adjustments, which, however, are definitely directed towards an improvement of corporate competitiveness. As a key concept NIKKEIREN in the Position Paper 2000 has coined the slogan: a market economy with a human face. In detail, „an optimum mix of employment types should be adopted to improve management efficiency and cut down on employment costs...enterprises should move away from seniority-based personnel and wage systems...employees are expected...to make continuing efforts to improve their abilities, and enterprises should also actively adopt skill training and career development programs...total labor costs...must be lowered in order for jobs to be maintained“(pp.20,21). These goals are to be achieved by joint efforts. Unions are expected to adjust their spring labour negotiation system as well as wage determination methods mainly in order to increase the planning horizon for labour costs, if possible, up to two years. Following the Western trend, an individualisation of work assignments, especially through work-sharing, and generally through more varied employment patterns, appears to be a promising strategy to match employee interests in maintaining employment and management’s interest in cost cutting. Thus, a strategy of management-centered norm-setting in industrial relations issues is combined with norm application acceptable for the employees involved. Thereby conflict-proneness shall be kept at a low level.

In Germany, mounting social costs based upon vested interests call for more flexible industrial relations. The slogan „de-regulation“ hints at attempts to dilute normative patterns founded in so-called area-covering collective bargaining which procured industry-wide standardised work conditions with options only for improvements at company level. The trend to open or even abolish such standards, often called individualisation, certainly widens the interfirm disparity between different categories of employees. Large corporations with world-wide operations, however, pursue their own strategies, VW with its extensive company bargaining being a prominent example. The situation becomes even more complicated through initiatives at EU level to synchronize and at the same time to render more flexible existing regulations in the world of work. Thus we encounter a wide variety of patterns for adjustment to external (global) pressures being combined with socially feasible („sozialverträgliche“) solutions.

We have to keep in mind, that the establishment of welfare corporatism is founded as well in societal structures as in actors’ strategies. Extensive labour legislation grants basic rights to all gainfully employed persons. Highly regulated or segmented labour markets constitute clusters of non-competing employee groups with distinct status expectations. Co-operation with management means not only sharing production goals but also participation in benefits deriving from their achievement. As long as this combination appears to be realistic, parting from these integrative patterns will not be considered feasible by the majority of those concerned.

Therefore, the general outlook does not suggest the abolishment of welfare corporatism in spite of major changes in its components. Corporate HRM and union policies continue to be co-operative and to be directed towards working solutions. In order to secure efficiency, profitability, achievement motivation and social acceptance, greater organizational flexibility needs to be combined with social risk management and the guarantee of basic participation rights. But there is an increased tendency to limit the advantages of welfare corporatism to those groups of employees which match best the image of an „optimally efficient worker“, and management determines the standards for such a classification.

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