→ Article <</p>

Japanese Economy: Another Aspect of Development*

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I would like to explain both positive and negative aspects of Japanese economic development. You know Japan had suffered a terrible economic damage in the World War II. After the war Japanese economy have developed at the highest growth rate. Notwithstanding of the oil shock in 1973 this tendency continues till now at somewhat lower growth rate. As a result, the economic power of Japan came to occupy the second place in the world economy. Now per capita GNP of Japan is about 26,000 US\$. Of course, we are proud of it. At the same time, however, we have many social problems which should be overcome. It is not easy for people living outside to notice the existence of such problems.

Already in the 1970s even researchers in the socialist countries praised or admired the performance of Japanese economy, saying, how wonderful the rapid economic growth of Japan is! But the problem is not so simple. Since many people have talked about Japanese economy with an emphasis on positive aspect of development now I would like to emphasize the shadow side of the Japanese economy, a negative aspect which has been often neglected.

I Factors of Economic Development

First of all I have to enumerate factors which have contributed to the economic development of Japan.

- 1) Diligence of Japanese workers Later I will explain how the real situations of Japanese workers are.
- 2) Sciences and Techniques After the World War II many scientists and engineers

^{*}In Beograd I gave lectures at two seminars which were coordinated by Prof. Vladimir Raskovic. The first seminar "The experience of Japanese management and actual problems of our enterprises" was held at the Faculty of Economics in Beograd University in April 22-23, 1991 and the second seminar "The management and mixed enterprises" was held at the Economic Chamber of Serbia in May 6-7. And I gave a lecture on the same subject at the Faculty of Political Science in Zagreb University in April 30. This paper was written on the basis of my manuscript of the lectures.

were sent to USA. They had absorbed the latest results of sciences and techniques and on the basis of it they have developed unique techniques of Japan. Recently in Japan I saw a very interesting series of TV program "Autobiography of Japan which have founded a state of electronics", which was broadcast by NHK (Nippon Hoso Kyokai). This program vividly dipicts blood-and-tears endeavors which went into the research and development of semiconductors. I think you had better request the Japanese embassy to make an English version of this TV program.

- 3) Government (MITI)'s guidance You have a powerless government, while we have a powerful government. Our government especially the Ministry of International Trade and Industry (MITI) guides Japanese companies, often intervenes and protects them from pressures which come from overseas. Therefore, foreign countries, especially USA criticize such a way of Japanese government "Japan as a joint stock company".
- 4) Japanese style of management The Japanese style of management consists of 3 pillars: a) seniority-oriented wage system; b) life-time employed system; c) trade union organized in each company as an unit. These 3 pillars have contributed to create loyaties of workers to companies.
- of the most important characteristics of Japanese companies. For example, companies train their new employees for their purposes. Indeed, Japan is a society which attaches importance to schooling carriers. But what students have learned at universities or high schools has not so important meaning. Even students who graduated from faculty of law become taxi drivers. Employees experience various kinds of jobs and promote within a company. Employees are trained on the job (OJT). In contrast to this, according to my observation, Yugoslavia is also a society which attaches importance to schooling carriers but in the different sense. In your country workers' jobs are divided into many kinds of jobs. Those jobs and levels are rigidly specified by the schooling carriers. Therefore, there is little possibility to change the kinds of jobs for workers.

Another point. Big companies have a great number of subsidiary small companies which cooperate with them. And one subsidiary company has its own small subsidiary companies, further the small companies have many tiny companies. Such a chain of subordinations continues in the subcontract system. Thus a big company such as TOYOTA has more than 5,000 small and tiny companies in total. In adverse

international economic environment such as the oil shocks in 1973 and 1979 and the high evaluation of Japanese Yen after the Plaza agreement in 1985 Japanese big companies have fought their way through the difficulties by cutting down thier production costs. The cutting down costs have been done through the two ways. Firstly, To decrease the numbers of workers. How? Workers are seldom fired in Japan. At that time companies did not employ new permanent workers (or decreased employment) but employ part-time workers and make permanent workers do overtime. Secondly, to decrease unit costs of semiproducts. Big companies request the decrease of unit costs of components or parts which subsidiary companies supply to them. For small and tiny companies superior companies are so important customers that such a request is enevitable. The subsidiary companies have endeavoured to decrease the unit costs of components and parts by rationalization of production processes and in fact they have succeeded it. Here is a secret of the strength of Japanese economy. In contrast to this, in the regime of 1974 constitution you had organizations of associated labour2' in which each OOUR3' was an economic entity which had a right to decide the price of its product. Therefore, the prices of final products tended to rise higher and higher.

II Difficulties of 'Afluent Society' Japan

The rapid economic development are accompanied by big problems or social strains. Many workers and reformist people have been criticizing these difficulties and explain them: Long labour hours; Death from overwork (Karoshi); Solitary transfer to a distant location apart from one's family (Tanshinfunin); Temporary transfer to subsidiary or related companies (Shukkou); Dissolution of families; Devastation of education.

Long labour hours In 1988 Japanese workers worked averagely 47.3 hours per week (Table 1). It means that the number of hours worked per week showed no change during 15 years from 1974 to 1988. In the case of male workers the number of hours worked per week is about 10 hours longer than female workers and even shows its prolongation in recent years. Table 2 shows the international comparison of overtime per month. In the case of Japanese workers in total the average number of hours of overtime work is 35.8 and the share of workers who did no overtime work is only 3.3%. Male workers did overtime work averagely for 39.1 hours, that is 3 times more than female workers. In contrast to Japan, in Italy

the share of workers who did no overtime work is 76.9% and the average number of hours of overtime work is only 3.1. One of the reasons for the long labour hours in Japan is obviously overtime work. "The Labour Standard Law states that overtime pay must be more than 25% of the regular wage or daily wages, but actual extra rate usually does not exceed the legal minimum 25%." You have to take into mind that there are bonus system. Workers usually get bonuses two times in June and December. They get the extra pay which corresponds to averagely 5 months' salaries in total. Their annual incomes are 17 times of their monthly salaries, not 12 times. Therefore, when companies are busy it is more efficient and profitable for them to make workers do overtime work or use part-time workers than to employ permanent workers. And also it cannot be denied that most workers choose to work overtime because they feel their regular wages are not enough.

TABLE 1 Trends in Number of Hours Worked per Week*
(Excluding agriculture and forestry)

(Hours)

Year	Total	Male	Female	
1974	47.4	50.1		
75	46.5	49.0	42.1	
76	47.1	49.8	42.3	
77	47.4	50.3	42.3	
78	47.5	50.6	42.3	
79	47.3	50.6	41.9	
80	47.2	50.6	41.6	
81	47.3	50.8	41.4	
82	47.2	50.9	41.2	
83	47.4	51.3	41.1	
84	47.1	51.2	40.7	
85	47.3	51.4	40.8	
86	47.2	51.3	40.8	
87	47.3	51.6	40.6	
88	47.3	51.8	40.5	

Source: "Labour Force Survey", prepared by the Statistics Bureau, Management and Coordination Agency.

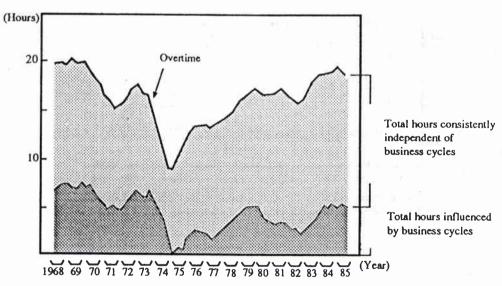
*This table as well as the following tables and charts are cited from a book National Defence Council for Victims of Karoshi, Karoshi: When the "Corporate Warrior" dies, Mado-sha, Tokyo, 1990.

TABLE 2 International Comparison of Overtime per month

	T	Total		Male		Female	
	Average number of hours	No overtime (%)	Average number of hours	No overtime	Average number of hours	No overtime	
Japan	35.8	3.3	39.1	2.1	12.6	12.1	
W. Germany	6.2	60.5	7.9	51.0	1.9	86.0	
France	5.1	69.7	7.5	60.4	1.5	83.7	
Britain	6.1	68.5	9.4	52.0	2.9	84.3	
Italy	3.1	76.9	4.2	71.6	1.2	86.5	
Sweden	5.5	44.4	6.6	34.9	3.2	62.2	
Hungary	4.6	72.9	5.7	71.8	3.9	73.7	
Yugoslavia	8.4	59.6	9.7	55.4	6.3	67.2	
Poland	6.4	72.1	8.3	66.8	3.7	79.6	
HongKong	11.9	46.7	19.5	43.1	6.6	51.6	

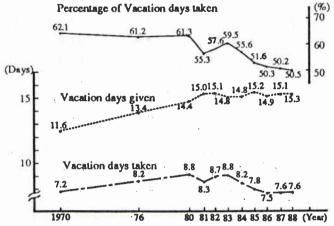
Source: "Survey of Labour Research". No. 212, June, 1986, edited by the Japanese Federation of Electrical Workers. Note: No overtime (%) means the percentage of those who do no overtime.

CHART 1 Trends in Overtime per month (manufacturing)



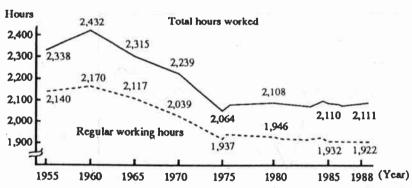
Source: "1986 White Paper on Labour", prepared by the Ministry of Labour.

CHART2 Trends in Annual Vacation Time (Establishments with 30 or more regular workers)



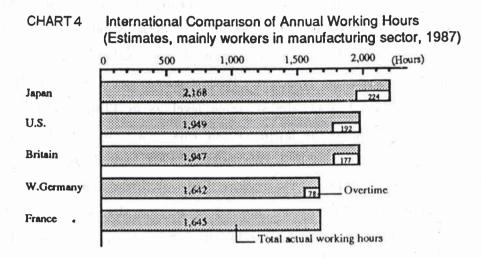
Source: "General Survey on Wages and Working Hours", prepared by the Ministry of Labour.

CHART3 Trends in Annual Working Hours in Japan

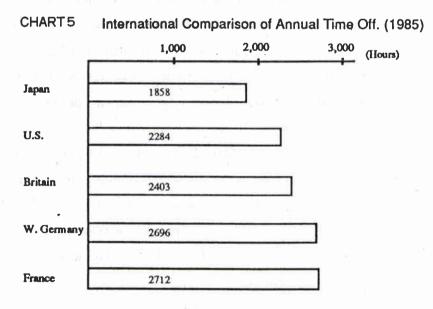


Source: "Monthly Labour Survey", prepared by the Ministry of Labour. Note: Establishments with 30 or more regular workers.

Chart 2 shows trends in annual vacation time. From this chart we see that vacation days given had increased nearly 4 days during the last 20 years. At the same time, however, the percentage of vacation days actually taken had decreased from 62.1% to almost 50%. The vacation is one of the workers' right. But it is not fully utilized by workers in Japan. In 1988 Japanese workers actually took vacation only 7.6 days which was almost same level as in 1970. Chart 3 shows trends in annual working hours in Japan. From this chart we see that annual working hours which had recorded 2,432 hours in 1960 had decreased to 2,064 hours in 1975 but after that began to increase little by little and recorded 2,111 hours in 1988. By the way, you have to take it into account that statistics published by the Ministry of Labour is not accurate because they do not include the socalled "service overtime", phenomenon unique to Japanese companies. Chart 4 shows international comparison of annual working hours of workers in manufacturing sector in 1987. In this year a Japanese worker worked averagely 2,168 hours including 224 hours for overtime while a French worker worked 1,645 hours. It means that a Japanese worker worked annually about 500 hours more than a French worker and a German worker. As a result of longer working hours, Japanese workers have less free time than West European and American workers (Chart 5). A French worker enjoys free time 850 hours more than a Japanese worker annually. Worring about the criticism from overseas, Japanese government made up the five year plan of economic operation in 1988. It set as a target 1,800 annual working hours to be attained till 1992. It seems very difficult to attain this target till 1992. As I have mentioned, male workers are even in worse conditions. "Taking the average yearly working hours for men only we now see a total of 2,600 hours, or more than 400 hours more than the 2,168 hours cited for international comparison by the Ministry of Labor. In Japan, almost all of the active waking hours of working-age males are spent for their companies, leaving them no time to participate in the life and work of the household. This fact puts almost the entire burden of house work and the raising of children on the women. As a result, most women have no choice but to maintain the household full time for their workaholic husbands or, if they do seek employment, to work on a part-time basis. If they do choose to do work full-time, they will still not able to work the long hours of overtime than men do. In the Japanese workplace a considerable discrimination exists between men and women with regard to pay scale, job advancement and working conditions, and one of the primary reasons behind discrepancy is the



Source: Labour Standards Bureau, Ministry of Labour, using data available in the EC and other countries. Note: Statistics for overtime in France were unavailable.



Source: Estimates by Economic Planning Agency, Japanese Government

difference in the number of hours worked behind men and women."60

Death from overwork (Karoshi) This phenomenon became evident in 1980s. It do not know exact data on how many workers have died in last year. I guess more than a hundred workers have died for overwork. Workers have to work in the worst case 3,000 hours, so that their fatigues have accoumulated for long time and at last they suddenly die. Prof. MORIOKA estimates as follows. "Roughly speaking, Japan's labour force consists of 60 million workers of which 35 million are male. Approximately 10 millon of these men work roughly 3,000 annually, making up the ranks of potential karoshi victims."

"The main reasons why Japanese as a whole tend to overwork can be found in the way Japanese companies operate. In Japanese corporations, making a contribution to the company through long hours is one of the prerequisites for advancement. Employees who do not work overtime or who often take their allotted paid vacation days are evaluated negatively. If such negative behavior continues, it results in a slowing of one's advancement within the company as well as a large salary gap compared to their peers. Some workers even find themselves being fired for refusing to work overtime."

The Yugoslav newspaper "Politika" dated May 3 reported about May day meetings in Japan and referred to 'Karoshi': U Japanu je medjutim malo debata o tome koliko je radna etika nacije slobodan izbor a koliko suptilna prinuda pomenutih ekonomskih i socijalnih mehanizama. Nalicje japanske vrednoce sve cesce se naime pominje fenomen "karoshija", smrti od premorenosti na radu, Otkako je 1988. grupa advokata otvorila "karosi vrucu liniju", da bi ugrozenima omogucila da se pozale, primila je 2,092 poziva. U poslednjem saopstenju za javnost protiv "karosija" porucuju da je ovom stresu izlozen i sve veci broj mladih ljudi. [In Japan, however, there is little debate about to what extent the working ethic of Japanese nation is a free choice and to what extent a subtle compulsion of those mentioned economic and social mechanism. The existence of Japanese diligence are more and more often mentioned through phenomenon "karoshi", death from overwork. Since a group of advocat opened "karoshi hot line" in 1988 so that menaced persons can appeal they have received 2,092 calls. In the recent announcement to the public activists against "karoshi" report that also the increasing number of young people expose themselves to this stress.] And the correspondent of "Politika" quoted a Japanese newpaper's editorial which said "Japanese do not have the culture of rest."

Solitary job transfer to a distant location apart from one's family This is a

"situation in which an employee who has received a temporary transfer assignment to another part of the country will move to the new assignment by himself, leaving his family behind. Many Japanese companies do not take family into account when issueing such transfer assignments. One of the major reasons for not taking one's family along on job transfer is the intensity of the 'examination wars' the school children are subject to. Many believe that a change of schools at the wrong time will put a child at a great disadvantage in the competition to pass entrance exams to the child's school of choice."

Temporary transfer to subsidiary or related companies I have said that in Japan workers are seldom fired. Instead of the dismissal, many workers who are regarded not to show good results at the age of nearly 50 are 'temporarily' sent to subsidiary or related companies. In principle they can come back to their former workplaces. Their bosses also assures them "You can come back in 2 or 3 years." But usually this means one way ticket.

Dissolution of families Corporate warriors or workaholic workers have to leave home early in the morning and come home late at night. They have little time to take dinner together with their families at home. In the worst case they leave home very early in the morning when their children are still sleeping and come home late at night when their children are already in bed. They feel so tired on weekend that they are obliged to stay at home for rest and have little time to play with their children. In some cases such a situation might lead to the dissolution of families.

Devastation of education Also in the field of education high efficiency is pursued. In many cases a class has more than 40 pupils in elementary, middle and high-schools. Competitions of adults' society are reflected in children's society. Many children at the ages of the required education go to another small schools (Juku: private small school) after school in the afternoon or evening for preparing entrance examinations of higher schools. A part of children who cannot follow lessons at school tend to turn to misconducts. Phisically weak or timid children are often made targets of bully among children's societies.

For inhabitants Japanese society is not a paradise. Japan is a society difficult to live owing to stresses from competition. For long time we thought this is natural because Japan is a backward country. Now Japan is an economically big country. Nevertheless still we have difficulties mentioned above. Many people hope lives comparable with USA and West European countries. The logic which supports

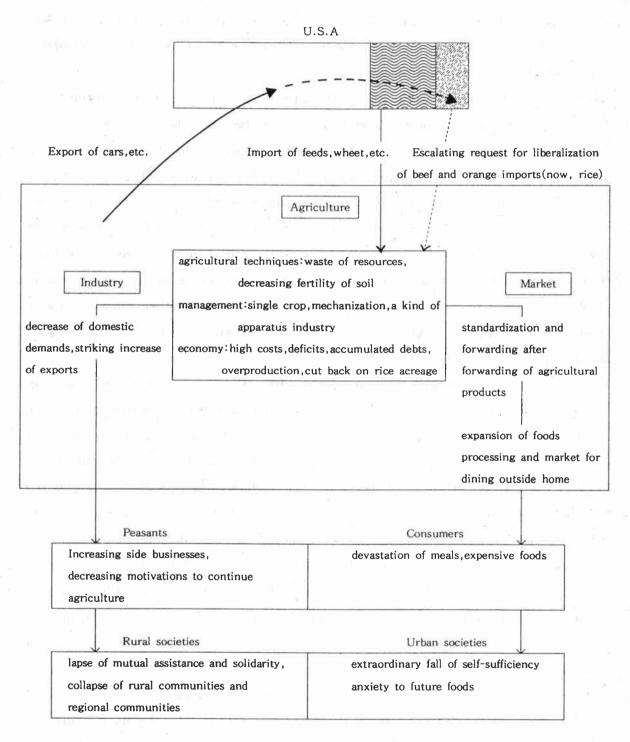
this hope is as follows: Japan bacame economically big country but still remains to be a small country in terms of citizen's lives. Therefore, this gap should be diminished. This logic has a serious weakpoint. If we stand on this logic, a big country in terms of citizen's lives will soon be realized. In fact, on the contrary to this logic. "those difficulties originate from the structure of Japanese society itself." In other words, the particularity of Japanese society have been supporting the development of Japanese economy.

"Workers would not work till death under the coercion from outside. The reason why Karoshi become a social problem is because there is a structure in which workers as a stratum voluntarily pledge loyalty to their companies in appearance." Japan is an unique society, that is "corporate society" or "company society." There are some mechanisms of companies which make their worker feel "I am an indisapensable person for the company" "If I do not go to company my coleagues will be troubled." There is also such a mechanism as accepts workers' overwork. This is a crucial point. As far as such mechanisms or structures remain unchanged the gap mentioned above can not be diminished, in other words, Japanese people can not realize a big country in terms of citizen's lives nor cannot enjoy the richness of lives.

What trade unions are doing in Japan? Its main task should be originally to protect workers' rights and to improve working conditions. Unfortunately trade unions are very weak in Japan. Trade unions are organized in each company as an unit. Most of the militant trade unions had disappeared from 1960s and 1970s. In some cases, the position of leader of trade unions became a step to the top management of companies. Trade unions' main concern consists not in improving working conditions but in raising workers' wages. Most of leaders think the company and workers are in an community which share a destiny. That is true in one sense. But I doubt the raison d'etre of trade unions in the case where trade unions do not resist the personel reduction policy of companies and even actively cooperate with dissmisal of workers.

On the contrary to Japanese trade unions, trade unions in West European countries are organized according to the kinds of jobs, crossing the framework of one company and have powers strong enough to give their government pressures to adopt the policy of the so-called "welfare states." Unfortunately Japanese trade unions do not have such a power. Therefore, Japanese big companies could easily accumulate capitals and accomplish remarkable growth without hindrance of trade unions. 130

Structure of 'agricultual Syndrome'



Source: Ikutsune Adachi, Agriculture-desease of modernism--, "Sekai", 6.1982.

III Agriculture: Sacrifice of Development

Please look at the schema of structure of 'Agricultural Syndrome.' This schema is quoted from a Japanese agroeconomist Ikutsune ADACHI's paper which appeared in 1982.¹⁶ Since then the situation in Japan has changed a little. For example, not decrease but increase of domestic demands. But I think the same schema can be applied to the present situation.

Japanese industry is exporting cars, TVs, videos, electric aparatuses, etc. to USA in the way like a heavy rainfall. And USA is exporting a great deal of feeds, wheet, etc. to Japan. But owing to large quantity of trade deficit toward Japan, USA is further escalating her request for liberalization of beef, orange, etc. Now Japanese rice is made a target. I think everything depicted in this schema is clear for you. I would like to add only the following point. The process of underpopulation is proceeding in agricultural and mountainous villages. The population in these regions has decreased 30-40% during the latest 25 years. There are decreasing motivations to continue agriculture and forestry among young generations because of the gloomy future prospect. In addition, recently very few young women want to marry young men in these regions. There is a situation in which many single men cannot find their life partners even when they are more than 35 or 40 years old especially in disadvantageous regions. Local authorities in these regions often encourage those single men to be married to foreign women from Philippine or Sri lanka through marriage mediation agencies.

After the World War II West European countries and even Britain have endeavored to raise the self-sufficiency of foods whereas the self-sufficiency of Japan has been continuously declining. Her self-sufficiency of cereal is only 30% on the caloric base. It is only rice that the self-sufficiency of agricultural product is almost 100%. Now Japan is the largest foods importing country in the world. Japan is already in the limit where we cannot to expand agricultural imports any more.

In recent years as Japanese economy grows more and more the economic friction between Japan and USA become a serious problem. Again Japanese agriculture is going to be sacrificed in order to mitigate this friction or conflict. At Urguay round of GATT negotiation the Japanese rice is made a target.¹⁵⁾

On the Ricardian theory of the international division of labour US government requests further liberalization of agricultural products as follows: Japanese agriculture is in comparatively disadvantage. Agriculture should be handed over to other countries. And Japan should accept American request to import rice made in USA.

Japanese government, big companies and a part of consumers who are living in big cities think this request is enevitable in spite of the parliament's resolution not to import single grain of rice. But if we accept this request Japanese agriculture will surely suffer disastrous damages. In my opinion, Japan is not a Singapore. Singapore is, as you know, such a small country in terms of the population and the territory. In the case of Singapore, people can hand over their agriculture to other countries and devote themselves to manufacturing industries and foreign trade.

Japanese agriculture must be protected. Agriculture is very important for two reasons. Firstly, foods can be used as a kind of weapon. Remember the US reaction on the Soviet invasion to Afganistan in 1979. From the security point of view agriculture is important. Secondly, from the viewpoint of protection of the land and natural environment agriculture is also important. By the way, Somebody may ask, "Economic friction will become much more serious. How do you respond to the criticism from the rest of the world, especially USA?" I will reply that we had better run slower. Also Prof. Yoichi TASHIRO at Yokohama University says in his book that we must run at lower speed. And he proposes to reform the economic struture, concretely speaking, to take the following measures: 1) to shorten working hours per a worker and to increase the total number of employees; 2) to raise wages and to increase labour's relative share; 3) and at the same time to reduce big differences in wages. In my opinion, no matter how economic growth will become slower, the above-mentioned difficulties must be overcome in order to realize a more humane society.

Notes

- 1) For understanding Japanese enterprise the following book is useful. Nihon Keizai Shinbun (ed.). Seminar: A Guide to Contemporary Enterprises, Nihon Keizai Shinbun Inc., Tokyo, 1990 (in Japanese).
- 2) Organizations of associated labour mean the so-called self-management enterprises.
- 3) OOUR (Osnovna Organizacija Udruzenog Rada; Basic Organization of Associated Labour) is an unit of self-management and is a part of a company. It is usually a factory or an individual production process in a big factory.
- 4) National Defence Council for victims of Karoshi, Karoshi: When the "Corporate Warrior" dies, Mado-sha, Tokyo, 1990. p. 71.

In description of the situation of Japanese workers and especially Karoshi I am greatly indebted to this book. This book, the international version was written both in Japanese and English. The first half in Japanese and the second half in English. Contents of this book are as follows:

Chapter 1 Karoshi and its Background-From the "Karoshi Hotline" Program-

Chapter 2 The Auto Industry

Chapter 3 The Service Industry-The Case of an Assistant Manager in a Family Restaurant-

Chapter 4 An Advertising Agency

Chapter 5 A Foreign Worker Succumbs to Karoshi

Chapter 6 A Female Employee of a Major Bank

Chapter 7 The Life Style of Japanese Workers

Chapter 8 The Labour Unions

Chapter 9 Laws Concerning Karoshi-Working Hours Law and Workers' Compensation-

Chapter 10 A Medical Study of Karoshi

5) "Another noteworthy fact is that there exists in Japan a strange institution known as 'service overtime', by which employees virtually donate overtime to the company by not recording it on their time cards, no matter how many additional hours they have worked. We should note that in the financial world, office workers and management are prominence of so called, 'furoshiki overtime', meaning overtime that employees take home to do so it won't be recorded."(Ibid., p. 9) Banks usually set the limit to expend overtime pay up to 20 hours in a month. Therefore, even if workers work more than 100 hours for overtime in a month they receive overtime pay only for 20 hours and also their overtime is counted 20 hours.

A young man who resigned a big city bank after two years' work and entered the graduate school of Niigata University this spring testifies that although he was obliged to work more than 100 hours for overtime every month, he, received overtime pay only for 20 hours and that in one month when he worked 200 month for overtime he received additinally 10 hours' overtime pay, that is, for 30 hours in total. This is not an exceptional case.

6) Ibid., p. 66.

When I gave a lecture at the Faculty of Economics in Beograd University a lady raised a question about conditions of female workers in Japan. I answered as follows: Young ladies are expected to work untill their marriage or the birth of first child. After several years when their children are grown up to certain extent they can work again. But they work mainly as part-time workers. Their husbands, corporate warriors work very hard. Usually it takes one hour or one hour and half for them to reach their workplaces from home. So it take 2 or 3 hours for go and back in total. When they come home they are very tired. Wives must stay at home and take care of their husbands. Therefore, in order to

improve female workers' working conditions it is necessary to improve male workers' working conditions at the same time.

- 7) Ibid., p. 67.
- 8) Ibid., p. 11.
- 9) Ibid., p. 10.
- 10) Watanabe, Osamu. Structure of 'Afluent Society' Japan, Rodojunposha, Tokyo, 1990 (in Japanese). p. 14. In description of the unique structure of Japanese society I am greatly indebted to this book.
- 11) Ibid., p. 16.
- 12) Ibid., p. 12.
- 13) As to the points, the course of social democracy, the comparison of trade unions in Japan and West European countries and so on, see Ibid., Chapter 3.
- 14) Adachi, Ikutsune. Agriculture-desease of modernism-, "Sekai", 6. 1982 (in Japanese).
- 15) For understanding of GATT and the international environment of Japanese agriculture the following book is usuful: Saeki, Naomi. GATT and Japanese Agriculture, University of Tokyo Press, Tokyo, 1990 (in Japanese).
- 16) Tashiro, Yoichi. Is Agriculture not necessary for Japan?, Otsuki Shoten, Tokyo, 1987 (in Japanese), p. 172.