Japanese HR Management 101:
Understanding the “Japanese Way” of People Management

What this Presentation Is and Isn’t

- **IS NOT** about finding which HRM is right or wrong;
- **IS NOT** about which HRM is superior over the other;
- **IS NOT** meant to find fault in any of these HRM styles;
- **IS** all about helping you gain an understanding of the “Japanese way” of people management!

*Presented by*
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Chief Community Officer
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[www.jhrs.org](http://www.jhrs.org)
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We are a community of Japan-focused HR professionals worldwide.

We aim to help advance the practice of the HR profession in Japan.

Learn more about us and become part of our community at www.jhrs.org.

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- The 4 Pillars of Japanese HR Management
- Japanese vs. Western HR Management
- Recent Changes & Future Trends: Towards a convergence of HR practices?

**BONUS**

The “New Normal”: Post-Quake HR Issues, Trends, and Practices in Japan

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The 4 Pillars of Japanese HR Management

• Long-term (lifetime) employment (終身雇用)
  shu shin ko you

• Seniority-based promotion & compensation (年功序列)
  nen ko jo retsu

• Company-driven employee training programs (人材育成)
  jin zai iku sei

• Trade/Labor unionism (企業別労働組合)
  ki gyo betsu ro dou kumi ai

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PILLAR 1: Long-term (Lifetime) Employment

- Long-term employment => politically correct than lifetime employment
- 55%* of Japanese companies are still observing some form of long-term employment
- 14%* actively use it as a recruiting & retention tool

* Source: Labor Situation in Japan & Analysis Detailed Exposition 2008/2010, JILPT

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PILLAR 1: Long-term (Lifetime) Employment

- Cohort recruiting from college and stay with the company until retirement (20-30 yrs)

- BASIC IDEA:
  Age/Tenure = Experience = Contribution

- Results to seniority-based promotion & compensation

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PILLAR 1: Long-term (Lifetime) Employment

Advantages

> Promotes “industrial peace”
> High degree of Employer-Employee trust & understanding
> Layoffs are rare as they are only done as means of last resort
> Strong talent pipeline (= long term projects or succession planning)

Disadvantages

> Promotes culture of attendance or entitlement instead of performance/contribution
> Difficult to fire people
> Can result to pay inequities esp. if there are a lot of old Ee
> Discourages infusion of new talent bringing new ideas

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The “Pay-for-Age/Tenure” Concept

- Salary is a function of age/YOS (= get more experience/skills)
- Automatic pay increases
- More work, less pay when young; Less work, more pay with age/tenure
**Advantages**

- Promotes “harmony” amongst Ee (i.e., less animosity)
- Demotions or salary reductions are rarely done
- Ee can “budget” or project their incomes useful for life/family planning
- Lower *short-term* Ee costs for companies

**Disadvantages**

- Not compatible for fast-paced, multi-functional roles
- Not competitive => creates motivation problems for hi-performers
- Not effective in attracting new & more progressive talent
- Higher *long-term* Ee costs for companies

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• Mostly focused on identified *hi-pots* & managerial talent

• Traditional Japanese training styles:
  > *Senpai-kohai* (Master-Apprentice)
  > ON/OFF-the-job training (OJT)
  > Job rotation/multi-tasking

• Creates generalists than specialists

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• Unionization rate = **18.2%** with 10.04 million members as of 2006*

• Types of labor unions:
  > Enterprise-level (90% majority)
  > Industrial trade union (composed of loose enterprise level unions)
  > Industry trade unions (national level)

*Source: Labor Situation in Japan & Analysis Detailed Exposition 2008/2010, JILPT*
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PILLAR 4: Trade/Labor Unionism: Enterprise-level or In-house Unions

- 10 or more employees
- Employees at companies with no in-house unions can join trade unions
- Strikes are rarely done due to cooperative (rather than confrontational) relationships of unions with management

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PILLAR 4: Trade/Labor Unionism: Unique Peculiarities of Japanese Labor Unions

- Union officials can become part of a company's management team (e.g., Union Chairman can sometimes be a company President)
- Transition from Union to Management is seen to foster “harmony” in the company
- Union officials are still considered employees of the company & hence enjoy the benefits of long-term & seniority promotion/wage systems

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### Japanese vs Western HR Management

<table>
<thead>
<tr>
<th>HR Practices</th>
<th>JAPAN</th>
<th>WEST</th>
</tr>
</thead>
</table>
| Nature of employment | Long-term (if not lifetime) employment  
Paternal approach  
Strong long term talent pipeline | Employment-at-will  
Individual responsibility  
Short to mid-term talent pipeline |
| Compensation       | Pay-for-age/experience (seniority-based)                              | Pay-for-performance (value-based)                         |
| Training           | Company responsibility  
Generalist-focus | Personal responsibility  
Specialist-focus                                      |
| Union relationship | Cooperative  
Passive | Confrontational  
Aggressive                                           |

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Recent Changes in Japanese HR Management

- Changes in the long-term employment practices
  > “selective” lifetime employment
  > shorter avg tenure from 12 yrs to 5 yrs*

- Changes in the employee assessment & compensation systems
  > introduction of seikashugi*
  > 60%* of companies have already done so while only 2%* of them still favors seniority-based compensation

*Source: Labor Situation in Japan & Analysis Detailed Exposition 2009/2010, JILPT
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Recent Changes in Japanese HR

• Diversification of “employment portfolio”
  > use of non-regular Ee to make the workforce flexible to biz needs
  > 1 out of 3 workers in Japan is a temp/part time employee (freeters)

• Changes in the industrial structure & needs
  > growing demand for “specialist Ee”
  > more mid-career hiring
  > need for new educational methods

*Source: Labor Situation in Japan & Analysis Detailed Exposition 2009/2010, JILPT

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Recent Changes in Japanese HR

- **Changes in employment patterns**
  - rise of the “freeters” phenomenon
  - flextime/discretionary work hours system
  - work-sharing
  - “women power”

- **Dwindling union memberships & formation of unions for foreign workers & part time workers**

*Source: Labor Situation in Japan & Analysis Detailed Exposition 2009/2010, JILPT*

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Future Trends: Towards a Convergence?

**Figure 5-1** Attitude to Long-term Employment for Regular Employees

- Long-term employment is not a priority issue for management, 8.7
- Unknown, 0.6
- It should be maintained for limited object persons, 21.3
- It should be maintained for as many employees as possible, 69.4

**Figure 5-2** Ratio of Companies Introducing Seikashugi by Company Size

<table>
<thead>
<tr>
<th>Size</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size total</td>
<td>57.8</td>
</tr>
<tr>
<td>Less than 300</td>
<td>52.4</td>
</tr>
<tr>
<td>300 to 499</td>
<td>51.3</td>
</tr>
<tr>
<td>500 to 999</td>
<td>59.9</td>
</tr>
<tr>
<td>1000 or more</td>
<td>71.0</td>
</tr>
</tbody>
</table>

N=1280 Number of employees, %

*Source: Labor Situation in Japan & Analysis: Detailed Exposition 2009/2010, JILPT*
Figure 5-3 Ideal Types of Employment System in Japanese Companies: Classification by Long-term Employment and Seikashugi

Long-term employment

New Japan
Long-term employment + Seikashugi

Japan
Long-term employment + Non-Seikashugi 30%

Seikashugi

America
Non-long-term employment + Seikashugi

Non-Seikashugi

Others
Non-long-term employment + Non-Seikashugi

Non-long-term employment N=1280

* Source: Labor Situation in Japan & Analysis Detailed Exposition 2009/2010, JILPT

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Figure 5-4  Factors that Influence Decisions of Human Resource Management: Strategies and Governance

- Factors that influence decisions of HRM
  - Development of management
    - Building of
    - Cost reduction
  - Changes in governance structure
    - Governance reform stance
    - Emphasis on shareholder

- Long-term employment
- Use of non-regular employees and outside human
- Seikashugi: Emphasis on labor cost reduction and company performance


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**BONUS:** The “New Normal”: Post-Quake HR Issues, Trends, and Practices in Japan

- **Post-Quake Issues**
  - "Fly"-jin / "Stay"-jin dilemma
  - Emergency Planning / BCP
  - Freeze hiring / RIFs
  - Employee morale / motivation
  - Higher unemployment rates
  - Reduced wage levels

- **What has changed?**
  - State of “suspended crisis”
  - The “New Normal”
    - Rolling block outs
    - Energy saving
    - Reduced work hours
  - Mindset / Outlook

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**BONUS:** The “New Normal”: Post-Quake HR Issues, Trends, and Practices in Japan

- **Emerging HR Trends & Practices**
  - Workforce mobility (work-at-home, flexitime, work sharing, etc.)
  - Work-life balance
  - Focus on employee efficiency through T&D
  - Further shift from perm to temp workforce
  - Employee suicides prevention measures
  - Outsourcing and shared services

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Q&A

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THANK YOU!
**JUN KABIGTING, mba/msie**  
Managing Director & Chief Career Consultant, HR Central K.K. and Chief Community Officer, The Japan HR Society

Jun is an HR professional with a deep HR body of knowledge and experience (18+ years of HR professional experience, 9+ years of which are in Japan). He has a solid experience as a trainer, HR consultant, and executive search consultant. He also has experience in other HR fields like performance management, compensation & benefits design, organizational design and development, change management, as well as other HR generalist functions like employee relations, coaching, and career counseling.

He has extensive HR network in Japan and has a successful track record in closing hard-to-fill or mission-critical HR positions across different industries.

Jun holds an MBA in International HR Management from the University of Hawaii at Manoa and Japan-America Institute of Management Science (JAIMS). He also holds an M.S. in Industrial Engineering (major in Production and Operations Research) from the prestigious University of the Philippines and received his Certificate in HR Studies from Cornell University’s School of Industrial Labor and Relations.

He is a professional member of the Society for Human Resource Management (SHRM) and a founding member of The Japan HR Society—a community of Japan-focused HR professionals worldwide. He is also an accredited consultant and distributor of Harrison Assessments International—a leading provider of tools to assist in the selection, recruitment, and development of employees.