

# A Critique of Lifetime Employment in Japan (*Shushinkoyou*)

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## Abstract

This paper presents a critique of the ‘lifetime employment system’ (*shushinkoyou*) in Japan. The paper uses a theoretical framework that identifies workers as internal goods, the ‘invisible’ working machine of organisations. The paper argues that the ‘visible’ or management component of organisations has to motivate the invisible parts for the organisation to perform effectively and efficiently. ‘McDonaldization’ and the iron-cage style are highlighted within the system. Taylorist labour models are identified as those associated with the lifetime employment system. Lifetime employment is offered within a rhetorical context of loyalty and benevolence based on cultural values. The paper concludes by arguing that the system of lifetime employment is outdated and should be discontinued by organisations that still practise it. Lifetime employment encourages redundancy, and it is speculated that it has contributed to Japan’s low productivity compared to Western business organisations, which have maintained high productivity levels in recent years.

**Keywords:** Japanese management system, Japanese *shachou*, lifetime employment, *salaryman*, *shushinkoyou*.

## Introduction

‘Our shoulders rigid and our legs tucked underneath us in *seiza* (formal sitting position). Our hands clenched, resting on our laps. Our eyes fixed on the earth beneath us. Our voices low and guttural. We drive our words into the dirt; we don’t lift our hands up and smile at Heaven ... Our spirits are in the ground ...*korewa watashitachi no bunka yo* (this is our culture)’ (Bender, 2005:197).

Lifetime employment or *shushinkoyou* refers to large organisations hiring ‘rookies’ in the spring of every year, even when these organisations have no jobs for them. Once hired, they retain their employment until retirement (Yoshida 2001; Wolcott 1994; Arai 1998). They are never fired, except when a criminal offence is committed. Upon retirement, the company “pays each retiree a lump-sum separation amount, typically five to six years’ worth of salary” (Ouchi 1981:15). Lifetime employment is not only a “near-absolute moral commitment, it is also a commitment of traditional inspiration” (Abegglen and Stalk 1985: 130). Supporting the use of the system by management, Arai

observed that “lifetime employment promotes altruism among those who are in the same workplace, because people normally have more altruism toward those with whom they are in long-term relationships than toward strangers” (1998: 406).

People are the greatest asset of any organisation (Becker 1964; Levine and Kawada 1980; Sullivan and Peterson 1991; Bamber and Leggett 2001). In Japan, employees are not just an asset; they are the bed-rock of the organisation. This is because, unlike in Western societies, Japanese employees live for and through their jobs. This is because of the concept of *Kaizen* (Brunet and New 2003; Strategic Decision 2004), which is where an employee enters the workforce immediately after graduation from high school or university, and hopes to work in the same company until his 65<sup>th</sup> birthday (Hashimoto 1979; Arai 1998; Selmer 2001). When he retires from active employment in the mother company, he moves along to a smaller unit within the same organisation. A Japanese employee does not consider the notion that he is working for a living; he believes that work is a way of life (Takezawa and Whitehill 1981; Ouchi 1982; Abegglen and Stalk 1985; Jones 1991). This attitude on the part of Japanese employees is conditioned by structural forces within the organisation and society in general, and it influences employees’ consciousness and intentionality (Alvesson and Willmott 1996; Picard and Groth 2001). Roughly 87% of the Japanese workforce was in a lifetime employment situation as of 2001 (Schaede 2004). Lifetime employment in post-bubble Japan is still commonly practised by organisations, especially multinational corporations (Kato 2001; Moriguchi and Ono 2004). According to Koshiro, “lifetime employment is a system of highly developed internal labour markets. It consists of a web of administrative rules for pricing labour and allocating the labour force within a firm. It is characterized by specialisation of labour, on-the-job training, and a body of firm-specific customs” (Koshiro, 1983: 34).

Many studies have been conducted on Japan’s *shushinkoyou* system since Abegglen first identified lifetime employment or *shushinkoyou* in his thesis in 1958. Most of these studies have described the system (Abegglen and Stalk 1985; Schaede 2004), praised it for the country’s rapid economic development (Arai 1998; Clark 1987) or even recommended this management system to their societies (Doeringer et al 1998; Pascale and Athos 1981). Little or no criticism of the system has been suggested. The purpose of this paper therefore, is to offer a critique of lifetime employment or *shushinkoyou* and demonstrate by using various critical management models how this system has been used by management and the society in general to ‘cage’ Japanese male workers, commonly referred to as *salaryman*, for life in one company without venturing out to other companies to seek better paying jobs or other challenging work experiences.

### **The Birth of Lifetime Employment**

Family holdings, known as *zaibatsu*, dominated business in early Japanese economic development. Among these were Mitsubishi *Shoji* (Mitsubishi Corporation) and Mitsui *Bussan* (Mitsui & Co., Ltd.), which accounted for 28.6% of Japan’s foreign trade volume in the pre-war period (Eli 1989). Before 1940, it was reported that these *zaibatsu* pressed the government into war, as most of these conglomerates were already dealing in armaments.

The lifetime employment system can be seen as a development of the ‘feudal-style’ relationship of the *zaibatsu* (Maki 1977). After 1868, when there was relative

peace in Japan, the samurai, who were mostly merchants and bureaucrats, carried their subordinates into the new economic and political era. These subordinates remained loyal to their bosses until the end (Jones 1991). The lifetime employment system, given this historical and cultural interpretation, can be seen in “*Bunmei to shiten no Ie Shakai*” (The ‘*Ie*’ (household) society as a civilization, as a ‘kintract’, a combination of kinship and contract, that brought certain elements of the feudal *Ie* system into modern society (Yamaguchi 2004).

Lifetime employment is also a transference from the hierarchical village structure, where landlords and village heads yielded absolute political, economic and social authority (Hashimoto 1979; Arai 1998). Life was difficult due to natural disasters and occasional famine on the islands, so people stuck together, in hard, as well as good, times. There was the belief that even if people worked very hard for low wages, at least there was job security (Maki 1977; Hirschmeier and Yui 1981).

The origin of lifetime employment can also be traced to the Tokugawa period, inspired by Confucianism (Clark 1987). During that era, society was graded into different strata, with the samurai at the peak, followed by the peasants and the artisans (Hashimoto 1979; Wolcott 1994). Not surprisingly, during this time, Fukuzawa Yukichi, an academic scholar and influential publicist, advocated self-reliance and private initiative (Leonard 1996). Fukuzawa criticized the Confucian doctrine that was linked to the employment of peasants and artisans and called it a “backwardness move” (Clark 1987: 28). This same type of Confucian doctrine is still in existence today in most of Japan’s multinational corporations (Selmer 2001). Japanese people consider loyalty to the *Ie* (household) as also being applicable to modern-day firms.

The system developed out of the dynamic interactions among labour, management, and government in response to the changing environment after the war. The practice evolved gradually into a cluster of HRM (human resource management) policies, which was further reinforced by the *endogenous* formation of labour laws, state welfare system, and social norms (Moriguchi and Ono 2004).

### **External and Internal Goods**

Postmodern management theorists have argued that this type of motivational system satisfies the needs of the workers (Alvesson and Deetz 2000). The lifetime employment system has helped Japanese managers not only to identify the needs of their employees, but also to devise methods of controlling their needs and performance (Schaefer 2004), which has led to workers remaining in the same organisation for life. Joining an organisation implies submitting oneself to its authority (Clark 1987). Recruiting an employee involves assessing his willingness to submit to that authority (Ouchi 1981). This raises the notion of the *salaryman* pledging their loyalty to company executives (*shachou*), who are at the peak of the hierarchy. But Arai (1998) argued that this system is suitable for a Confucians society like Japan because it brings along security of job, trust building between workers and management, stability of the company for long term business planning, and avoidance of human resources competition between companies.

Beadle (2005) cites MacIntyre’s theory which involves the concepts of Intuition and Practice, ‘INSTITUTION: concerned with the achievement of external goods, and PRACTICE: concerned with the exercise of virtue and the achievement of internal goods’. Relating MacIntyre’s research to the Japanese organisational model, one can

argue that Japanese managers are concerned with external goods, which are profit, increasing market share, global expansion and domination, and using its employees (internal goods) to achieve these objectives (external goods).

This employment system has led to stratification among Japanese organisations, where company *shachou* are looked upon as ‘gods’ of the organisation, followed by strata determined by the age of employees and number of years spent in the company (Picard and Groth 2001). The position of an employee within these labour/power relationships is symbolic, because Japanese workers sell their labour-power, which in a sense has become an ‘external object’ (Doray 1988) and the company *shachou* own social labour-power in form of living productive capital (Jones 1991). This dispossession is not only economic; it is cultural and political, because it involves the Japanese male workers losing their subjective existence (Takezawa and Whitehill 1981). Japanese employees’ “flesh is a living substance constituted culturally over time / [or] space, from both subjective and objective elements ...” (King 2005:4) within the society.

A typical Japanese *salaryman* resides in a kitchen-side house, together with his immediate and extended family members - in contrast to employees in Western society (Doeringer *et al* 1998). He wakes up every morning, sometimes without brushing his teeth or washing face, and walks straight to the nearest train station to work. This practice can be likened to the pre-enlightenment era (Alvesson and Deetz 2000); for Japan’s *salaryman* traditional norms are inflicted upon the individuals in society (Jones 1991). Personal identities and knowledge were lost in the traditional practices of following the samurai and *shachou*, believing every word they speak, because of the traditional belief that samurai or *shachou* are next to gods.

Lifetime employment systems can be likened to Taylor’s scientific management theory, which calls for getting things done through subordinates by persuading them to contribute, accessing their knowledge base, and directing their actions towards a specific set goal (Fulop and Linstead 1999). The goal is to ensure that workers carry out their duties in accordance with Taylor’s scientific principles, and are continuously subjected to working for an organisation that exploits their human labour due to the cultural and social norms of the society (Pascale and Athos 1981). According to Sullivan and Peterson (1991), lifetime employment is offered within a rhetorical context of loyalty and benevolence based on cultural values. The system increases the control of the *salaryman* by managers. Slingsby (2004), using the *Omakase* decision-making model, argued that the Japanese people entrust their subjective existence to someone they believe can make a rightful decision on their behalf. Applying the *Omakase* model to *shinshukyou* shows that *salaryman* entrusts his services to a company because he believes the company will make the right decision on his behalf and the decision will lead to permanent employment with bonuses twice a year.

Job satisfaction breeds productivity among workers (Ornatowsky 1998; Jansen *et al* 2001). Productivity on its own cannot be achieved without motivation from the organisation (Mitchell and Larson 1987). This is the reason that the lifetime employment system still continues to gain acceptance from employees in multinational corporations, as it guarantees them work for life (Lincoln and Nakata 1997; Arai 1998; Selmer 2001). In modern Japan, organisations appropriate billions of yen for research and development of new technologies to meet the ever-changing environment. But the development of employees has not matched these new technological changes. The *salaryman* is left with no option but to work until his body can take no more, because of societal norms and values.

Foucault uses the image of a prison with a tower in the middle to observe all inmates inside, to describe organisational practices, and this can be seen to be true in Japan's employment system (Burrell 1998). Foucault's attention to disciplinary practices, and the drive to establish standards and control of even the most intimate aspect of individual's lives, was very significant. An employee (*salaryman*) leads a disciplinary lifestyle, which is controlled, not by the needs of his immediate family, but by the employee's organisation. The "inevitability of [the] inescapable iron cage" (Burrell, 1998:5) like that of lifetime employment has become part of the Japanese *salaryman's* lifestyle; that is, work-to-death.

The problem of productivity in Japan cannot be solved with 'iron-caging' of employees in one organisation for life: "...it will only be remedied when organisations learn to manage employees in such a way that they can work together more effectively and efficiently ..." (Ouchi 1981: 4). Motivating workers with bonuses twice a year, and expecting them to perform their jobs effectively in the modern day might be difficult; motivation is partly inferred from performance (Mitchell and Larson 1987).

The lifetime employment style of organisational power is one-dimensional (Fulop and Linstead 1999). Power to company *shachou* is like a hammer hitting a nail (Alvesson and Deetz 2000). This type of rational organisational style presumes managers at the top of hierarchy have the right to make all the critical decisions. The system emphasizes the importance of a common goal and purpose, which is to make Japan the foremost economy in the world (Ouchi 1987). In a bureaucratic society like Japan, power is a pervasive force in any organisation (Foucault 1986; Sullivan and Peterson 1991). A contractual agreement between the *salaryman* and the organisation binds everyone for life. In other words, the *salaryman's* life is governed by the employment rules. Foucault (2000) defined such government as the 'conduct of conduct', meaning that lifetime employment consists in, more or less calculated, activities aimed at shaping *salaryman's* thoughts, actions and emotions.

The purpose of this type of employment contract is to reduce the chances of socialist electoral victories, and defeat hostile unions and win back factories from workers (Gilson and Roe 1999). For the company *shachou*, the only thing that counts is actual work, and the central problem is therefore the definition of the conditions that will produce the maximum quantity of work for a given level of fatigue (Fulop 1992; Gilson and Roe 1999).

### **The Invisible and In-The-Visible**

The *salaryman* is the invisible aspect of an organisation, while the *shachou* are the visible. A lifetime contract is signed between *salaryman* and *shachou* of multinational corporations from the early age of between 18 to 24 years old until retirement. Management uses this psychological motivator to regulate these young employees who are compelled to uphold their end of the psychological contract (Maki 1977; Levine and Kawada 1980; Abegglen and Stalk 1985; Eli 1989). The motivating factors in this contract are that a *salaryman's* work is guaranteed for life, and that the bonus will be paid twice a year (Hashimoto 1979).

[An organisation] is like a tree. Part of it is visible [its fruits] and part of it is invisible [the roots]. If you only concentrate on the fruits

and ignore the roots, the tree will die. For a tree to be able to grow and continue producing, one has to see to it that the roots get their nourishment ... ( Broadbent 1999:53)

Taking the above statement in context, it will be difficult to hold to Rene Descartes' (1596-1650) theory of separating the mind from the body, or accept a world "devoid of Shade and Shadows" (King 2005: 4). The invisible (*salaryman*) enables the visible (*shachou*) to be seen (Broadbent 1999). There can be no fruits without a root; neither can a tree grow healthily without being properly nourished. Nourishing or motivating workers is the key to the success of management (Pascale and Athos 1981). The intangibles of a Japanese organisation, among them employees' labour, are rated as one of the most important contributors to business success, and in recent times as the most durable, because of its adaptability and productivity level (Westaby 1995).

[Japanese salaryman] like any living creature, adapts relatively quickly to new [working conditions and rules]. The senses - hearing, taste, smell, and sight - have the ability to become more acute in order to adapt to different situations. Therefore, they eventually become accustomed to new situations; reflexes can be conditioned [mastered and executed]. Then why shouldn't their limits be extended? (Doray, 1988:65)

Japanese management can motivate the *salaryman* by incorporating 'motivators' into employees' jobs (Kreitner and Kinicki 2001). While *shachou* think one of these 'motivators' is lifetime employment, in postmodern Japan some of the *salaryman* are looking beyond this motivator, and actually moving to other organisations: "it is generally agreed that workers do in fact leave Japanese companies " and "seek employment in other companies. Lifetime employment is no longer a relic of traditional employment practices" (Clark, 1979: 141). This change of behavioural attitude of employees is caused by the awareness, ability, knowledge, and external dependencies of the *salaryman* (Mitchell and Larson 1987).

In their study of Japan's employment system, Cyranoski *et al* (2004) noted the wind of change blowing into Japan's workforce. They identified the country's protracted economic recession as the main trigger for employees' resistance to the *shachou*. The crucial point in the lifetime employment relationship is labour dependency (Littler and Salaman 1982). The *salaryman's* dependency is based on two factors: the ability to organize a union, and the source of need-satisfaction. Resistance to management is extremely difficult, because of the lack of alternative employment.

[O]nce hired, the new employee is retained until mandatory retirement at age [55].

An employee will not be terminated for anything less than a major criminal offense, and termination is a harsh punishment, since the one who has been fired has no hope of finding employment in a comparable firm and instead must turn either to minor firm that pays comparatively low wages and offers little security, or else must return to his [her] hometown (Ouchi 1981:15).

This management practice has made it difficult for workers who are more than thirty years old, known as *ojisan* (old man), to resist working conditions or change work. The unitary, bureaucratic employment system includes stable employment and established patterns of career progression (Stinchcombe 1974; Edwards 1979; Fulop 1992). The system is both cognitive and motivational (Stinchcombe 1974) because it offers promotion to higher office based on age not work performance (Westaby 1995). Moreover, the system has only worked effectively because Japanese workers subjectively see their lives as a succession of promotions (Lebra 1976). Critics see this bureaucratic system in a different way. They argue against this theory (Littler and Salaman 1982), that lifetime employment is a dangerous thing because it does not stress the importance of workers' health, families, welfare facilities, and the vulnerability of a *salaryman* becoming unprotected if everyone - *shachou*, *Rengo* (Japan's workers' union) and the state - is closely associated with management, as is the case in Japan's lifetime employment system (Katz 2006).

Okazaki (1996) argued that lifetime employment system is believed to be one of the three pillars, along with the seniority wage system and enterprise unionism, that support Japan's economic development. The Japan Trade Union Confederation (*Rengo*) (2007) stressed the important of long-term job security as opposed to high pay. *Rengo* went further to note among its achievements in recent years its campaign for increases in minimum wages and in the number of *salaryman* on permanent employment compared to other developed economies. Yoshida (2001) noted that because of lifetime employment Japan has enjoyed a low unemployment rate. This is because of the long-held understanding by Japanese companies -- which maintained a paternalistic view of the employer-employee relationship -- would rarely lay off or fire workers, because they put the interests of workers ahead of shareholders.

### **The Body as a Working Machine**

Taylor's scientific management model provides a similar account of lifetime employment:

The Japanese organisation takes in only young people who are still in the formative stages of life, subjects them to multiple group memberships, and so inculcates in them the kind of devotion to co-workers that one sees [only in the Royal Marines Corp] ...

It is not external evaluations or rewards that matters in such a setting ... it is the intimate, subtle, and complex evaluation by one's peers (Ouchi 1981: 25).

In scientific management theory, "jobs are deskilled, reducing the labour value and bringing down cost" (Fulop and Linstead 1999: 255). In lifetime employment, the system is an iron-cage, boring, repetitive; a rigid structure based on seniority instead of performance. The system produces inhumane working conditions, psychological trauma, and poor quality of work life. The body becomes the "working machine, a mercenary, and a slave to a machine-system" (Alvesson and Deetz 2000: 135).

A key principle of Taylor's motivational model was the model of 'economic man', where Taylor argued that workers are motivated by personal interest and gains.

The basic motivating principle for workers, Taylor stressed, was money. But for the Japanese *salaryman*, solidarity and determination to survive natural disasters, and make Japan the world's number one economic power, are the main and continuous motivation (Ouchi 1981). Employees are motivated by personal sentiments and emotions, and crave social routine (Westaby 1995). Organisations should pay attention to these social needs of employees. "[A]n individual's work motivation is related to his or her job satisfaction, work and family relationship. Motivation is not independent of an employee's work environment or personal life..." (Kreitner and Kinicki 2001: 224) as the Japanese lifetime employment system has made employees to believe and live with.

### **'Carceral' – or the Iron-Cage System**

Taylorist models provide a perspective on coherent economic and technical systems, and help one to perceive the contradiction between the objective socialisation of labour and the subjective expropriation of the agents of the labour process (Becker 1964; Kenney *et al* 1998). The reason for the Japanese *salaryman* working like a machine for life in a single company seems to be the collective labour process, and the Janus-like entities within the societal system (Lebra 1976). The system isolates active labour operatives and articulates labour harmony (Takahashi 1997; Schaede 2004; Gilson and Roe 1999). Just like any disciplinary institution, it imposes rules for socialisation, but denies employees who obey them access to the law.

The real 'birthplace' of the physiology of labour is not found in the factories, but born from an encounter between the scientific imagination and various forms of labour, found in different work places in Japan (Doray 1988). Military and penal institutions are examples for Japanese companies, where simplicity and malleability are always on display. In 1940 (during the war) when the *zaibatsu* group could not find any worker to perform as the "physical and moral temperament of an ox ..." (Burrell 1998), the *zaibatsu* pressed the government to invade China, Korea, and the rest of Asia for 'objects' for scientific experimentation.

The system is 'carceral' (Alvesson 1994; Foucault 2000). It is carceral because employees are incarcerated in an organisation all their lives. A system like that of Japan, organizes disciplinary careers, "disciplinary training, continuous and compelling ... pedagogical curriculum and something of professional network" (Jackson and Carter 1998: 55). The type of carceral management style has the form of organizing and managing people "right down to the way of conditioning [Japan's *salaryman*] behaviour, it has logic, obeys a type of rationality and is all based on one another to form a sort of specific stratum" (Foucault 1986: 56). The system is rational, and involves 'obligational' contracting (Selmer 2001; Yamaguchi 2004). This has made the system stable, but still allows some flexibility because it reduces the "risk of opportunism with one partner taking advantage of another" (Naylor 2000: 68). The system for core workers in multinational corporations affected how these firms operated, and it did seem to benefit both firms and workers when growth was good and before the population started ageing (Katz 2006).

The system has a rationale and obliges employees into contracting their labour for life (Kenney *et al* 1998; Ornatowsky 1998). Advocates of the system draw attention to the flexibility it gives to companies for long-term strategic planning, and stability of employment for employees (Drucker 2003; Arai 1998; Moriguchi and Ono 2004). But

critics say the system takes advantage of the disadvantaged employees particularly in drawing up an agreement (Ouchi 1981; Bruce-Briggs 1982; Katz 2006), and that it is culturally based.

### The 'McDonaldization' of the System

The reasons for the introduction of lifetime employment are efficiency and harmony in the workplace, through disciplinary elements which Japanese executives wish to have (Arai 1998). To do this, the *salaryman's* body becomes conceptualized as a machine. His thinking and working behaviour are opened up to mechanical rearrangement and tuning (Burrell 1998) for management to be able to achieve their profit and international expansion goals.

Foucault (2000) described these organisational practices as an institutional framework of incarceration. Lifetime employment systems, which were introduced as a way of stopping active labour movements in organisations (Gilson and Roe 1999) and as a motivator, have made the *salaryman* work within an 'iron cage', thinking within that cage, only without devising an alternative. The specific protocol of doing things in the proper way, known in Japanese as *Kata*, has led many *salarymen* astray. *Kata* was developed within the feudal hierarchical society, because it was assumed that citizens have defined life roles (*bun*) in which obligations to the society are spelled out. Obeisance of these rules reflects one's inner character (Selmer 2001).

Ritzner (2000) likened this type of HRM system to the 'McDonaldization' of society. Japan's lifetime employment system is like a:

[C]ellular system of locating and concentrating individuals [salaryman] in space, a timetable for activity, manuals for the correct movement of the body, and a precise economical system of command. Individuals become 'cases' who are measured, described, evaluated, examined, and compared. Real lives are converted into written case notes. In short, the body loses its mystery ... (Burrell, 1998: 19).

Though this *shushinkoyou* is a motivator (Arai 1998), which should have led to high productivity; in reality, the *salaryman* has lower productivity levels compared to his counterparts in Western societies (US & Foreign Commercial Service 2006). Ritzner (2000) offers a caution about the 'irrationality of rationality' of the system. Like McDonalds fast-food restaurants, a Japanese organisation can be a dehumanising place to work, because of the robot-like behaviour exhibited by the *salaryman* on and off duty.

[M]e? Oh, I'm just a machine. When they talk about me, they say 'No.566' not 'mademoiselle so & so'. That's the machine's [number]. So, me and the machine are one and the same. JQ, an unskilled worker in an electronic plant (Doray 1988: 74).

Middle-level management is responsible for labour management (Ouchi 1981). It is not for factory managers to be able to "consider what capabilities [of human labour] they already had, but were perhaps not fully utilizing" (Fruin 1992). Explaining how

Japanese *shachou* employ the Taylor-like time and motion scientific model, “engineers show up on or near the shop-floor in ever-larger numbers, and an engineering approach to manufacturing gradually permeated the workplace” (Fruin 1992: 137). Advocates like Drucker (2003) explained that without this type of management practice, organisational resources of production would remain resources and never become production.

In the country’s desire to achieve its objective of becoming the world’s number-one economic power-house (Ouchi 1981), and the linkage between a strong polity and economy-*fukoku kyohei* (a prosperous country and strong army) (Fruin, 1992), *kaizen* (continuous product improvement) and standardisation of labour have been pursued relentlessly with total disregard of employee welfare.

## Conclusion

The *salaryman*’s belief that work is a way of life and that the employee has to live the job has led company *shachou* to take advantage of employees and oblige them to contract their labour for life. Although this employment system is carceral and iron-caged, the societal norms and culture of the people have reinforced the practice that work-for-life is the only way to live life happily and with pride (Bamber and Leggett 2001; Picard and Groth 2001). Critics say the system is prison-like and does not encourage high labour productivity (Clark 1987; Katz 2006) especially in post-bubble Japan. Advocates of the system call it a motivational factor that encourages the *salaryman* to do his job efficiently, in a cooperative manner and that it provides employment for a better society (Arai 1998). Lifetime employment is offered within a rhetorical context of loyalty and benevolence based on cultural values. Its impact, however, is to increase control of the Japanese *salaryman* by *shachou*. This lifetime employment system is occasionally practised in small and medium-sized organisations, but is commonly found in large multinational corporations. As Koshiro (1983) puts it, the system is a ‘gentleman[’s] agreement’ that is not guaranteed by statute or collective bargaining agreement.

Labour productivity is a problem that can be worked out through coordinating individual efforts in a productive manner, and giving employees the incentives to do so by taking a cooperative and long-range view (Ouchi 1981). This does not mean that the *salaryman* should be restricted in a traditional ‘iron-cage’, prison-like motivational system.

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