



Traditional Employment Practices in Japan

Hiten Amin Reports - Tokyo, Japan

The traditional Japanese employment system has been the backbone of Japan's economic outburst following World War II. The system can be characterized by its life-time employment, seniority-based wage system, and the unique recruitment culture known as '*Shinsotsu*' (新卒). Though the system is gradually undergoing various transformations in line with the economic realities of globalization, it is vital to understand the traditions in order to gage the potential trends that may change the future landscape of Japanese companies.

Long-term Employment

Uniquely Japanese, the practice of long-term employment or life-long employment has been a characteristic of business culture in Japan since the economic transformation following World War II. Companies and employees have maintained their loyalties towards each party from graduation from university to retirement. Employees are expected to work hard and demonstrate loyalty; in exchange companies are to provide job security and benefits, such as housing subsidies, good insurance, the use of recreation facilities, bonuses and pensions.

In most companies, employees capable of maintaining the '*wa*' (harmony) and creating consensus are rewarded. Especially for new graduates, Japanese business culture gives less importance to specialization and work experience; instead developing management with broad skill and ability. Employees are rotated between business functions to gather a well-rounded understanding of the enterprise. Accordingly, promotions are based on a combination of ability, seniority, and the standing amongst peer group.

Seniority-based Compensation System

The majority of Japanese companies traditionally have compensated employees based on their length of service to the organization. New employees start with a low salary with the promise of regular increases over their career. Under the seniority system, employees with the longest time in service are also given the most preferential treatment in areas such as promotions, job rotation, and vacation time.

The advantage of the seniority based pay system is that all workers are guaranteed to be paid enough salary to support themselves and their families. Employees are not as highly concerned about layoffs as their western counterparts, and as such, they are generally more connected to their companies. Many companies feel that the strong connection between workers and companies increases productivity. Recently, many companies have had to develop strategies to manage their payrolls and balance the needs of employees with the economic viability of the firm.



The ‘SHINSOTSU’ Culture

The highly valued ‘*Shinsotsu*’ culture, of recruiting batches of new graduates every April, is still a vital practice in most Japanese companies. Japanese corporations traditionally prefer ‘*Shinsotsu*’ which means new graduates or new recruits fresh from university in Japanese. Companies hire, train, and develop the future talent of the company in a systematic matter; vastly different to most non-Japanese companies that hire throughout the year. This tradition has been instrumental in the development of Japanese companies.

Through the ‘*Shinsotsu*’ recruitment system, companies have been able to identify institutions where talented individuals are studying and develop methods to lure the best fit student for their company. Companies apply a number of tests, conduct industry-wide and company specific seminars, organize alumni visits and various other methods to ensure the fit of the individual is in line with the values of the company. Traditionally, this has naturally translated to longer service by employees and higher job satisfaction. Due to the tradition of lifetime employment, the process of sourcing and training the right individuals for the company is of dire concern for both companies and students - hence the value placed on ‘*Shinsotsu*’ culture.

An Overview of the Graduate Job Market

A simple overlook of employment systems in Japan vs. Overseas (general) highlights the unique management systems in Japan.

	Japan	Overseas
Style	Lifetime Employment	At-Will Employment
Recruitment Season	Start in fall of Junior (3 rd) Year of Univ.	Year-Round
Internships	Shorter term, desire to gain general business experience	Employers prefer candidates with experience, career specific
Job Type	Non-specialist, Knowledgeable in many operations of the business by frequent job rotation	Specialist, based on individual’s preference and experience
Evaluation	Emphasis on behavior	Emphasis on performance