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Special Edition Managers in Japan

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NEXT ISSUE (Winter 2011)
The Winter 2011 issue of the Review will be a special edition devoted to **Current Study on Career Education in Japan**.

Introduction

Managers in Japan

Management staff roles are positions that are intermediately situated between top executives and regular employees, such as that of section manager, department manager, or section supervisor. In Japan's employment system, which has assumed a system for internal promotions under the traditional practice of lifetime employment, producing results as a manager is an essential step toward the realization of future job promotions for middle-aged employees. The current issue takes such managers as its focus.

First, according to the article by Itoh and Moriya, middle management faces a tradeoff which they call the "middle manager's dilemma." The top executives ask that middle managers report to them about what is actually happening in the work place and suggest the relevant decisions to be made; however, if members of middle management actually do communicate all such information perfectly, they will end up being thought of by their subordinates as bosses who are only trying to gauge the feelings of the top levels of management, which could possibly damage the subordinates' motivation. As such, there is a tradeoff between a middle manager's function as a communicator and his/her subordinates' incentive to take the initiative. One ironic consequence is that job performance is actually sometimes better when the management staff is not there, but Itoh and Moriya's article analyzes this as originating from the fact that middle managers' over-sharing of information has damaged such an incentive in their subordinates.

Japan's middle management is often caught in the middle between their superiors and their subordinates, and this article gives a theoretical explanation of this point through its clarification of the relationships in the above-mentioned tradeoff.

As previously stated, managers in Japan are promoted from the level of rank-and-file employees. While they are in the rank-and-file, employees gain experience in a variety of positions through staff reshuffling, and it is generally believed that those who have comprehensive decision-making skills are the ones who are appointed to management positions. Whether this thinking is actually correct and how management skills are formed are two questions that Uchida's article has set forth to clarify.

For his article, Uchida interviewed 22 subjects who were candidates for next-generation executive management positions at an electrical machinery manufacturer, investigated the contents of the most essential skills they had learned and acquired in their careers and the opportunities for that acquisition, and analyzed the results. According to this analysis, although the company had adopted a wide career system as indicated by the intellectual skills theory, the executive candidates had gained competency in areas such as "organizational management," "knowledge on one's enterprise," "knowledge on the strengths and weaknesses of one's enterprise," and "development of confidence and networks," which are not limited to one professional function.

Employees gain these types of competencies by identifying the differences among professional duties through transfers, and build upon them by comparing these differences. While the intellectual skills theory assumes that in a wide career system, experience in a variety of duties within a single professional function will raise an employee's ability to cope with uncertainties in that specific function, Uchida's article suggests the hypothesis that multiple skill-sets are being learned under this system as well, such as competency in comparison-based analogical reasoning, which is being demanded at non-function-specific executive management levels. While we must wait for further investigations to be complied to find out how valid this hypothesis is, Uchida's article draws attention as one that foreshadows a novel development in the intellectual skills theory.

When a manager is recognized as having reached the position of a supervisor or manager under the law, he/she is excluded from having regulations on working hours and days off applied to him/her (Labor Standards Act, Article 41, Item [ii]). The reason for granting this exclusion is that such employees have a great amount of discretion in their own working hours, and because it is not appropriate for them to be subject to legal regulations. However, could it be possible that this exclusion is appropriate for most of the managers in Japan?

Ogura investigates this point in his article, using microdata from the Japan Institute for Labour Policy and Training, and analyzes the results. This article, in an exploration into the causes impacting the length of management staff members' working hours and the size of their workloads, found that the mean value of the working hours at the section manager and department manager levels was longer in comparison to that of rank-and-file employees. Additionally, the freedom to decide their own office arrival and departure times had no influence on the size of their workloads. Whether or not they had the freedom to decide their office arrival and departure times, many of the managers worked long hours, and it was Ogura's conclusion that even if they were exempt from the application of regulations on working hours as supervisors or managers, it could be conjectured that this had no actual meaning in the sense of autonomous selection of the length (shortness) of their working hours.

Ouchi's article studies the legal side of this topic. In this article, Ouchi introduces judicial precedents, theory, and administrative notifications, in addition to examining the issue of "supervisors and managers" in legal term—which has been brought to society's attention by the problems surrounding so-called "nominal supervisors and managers"—from both the interpretive and legislative sides.

One particularly essential point this article underlines is that, in regard to members of management whom Japanese companies have excluded from application of regulations on working hours as people who fall under the category of "supervisors and managers," in the majority of cases where such people have brought actions to claim increased wages for overtime work alleging that they are not supervisors or managers in legal term, the court denies that they have the qualities of a supervisor or manager. As Ogura's article also indi-

cates, managers in Japan have long working hours, and in the way that they work, the difference between managers and regular employees is often unclear. As such, it is only natural that a manager might not fall under the category of a supervisor or manager under the Labor Standards Act.

Ouchi's article points out that, although one of the causes of this state of affairs is the fact that companies, with the aim of saving labor costs, are increasing the ranks of nominal managers who are without the authority and duties associated with the true status of manager, the laws that fail to clarify standard criteria for the qualities of "supervisors and managers" are also at its origin.

Some attempts at revision have been made to the regulations on working hours, which were originally constructed with factory workers in mind, due to increases in the number of white collar workers. However, the discrepancy between the regulations on working hours under existing laws and the actual state of affairs at business enterprises has become so large that it cannot be properly handled by these revisions alone. What we need now is to fundamentally rethink these regulations on working hours, and within this, to apply the appropriate revisions to the system that excludes "supervisors and managers" from their application.

Managers are given essential roles in their companies' decision-making processes. What the current issue deals with is only a small part of the point in question, which is such an essential one in the field of studies on management staff. Allow me to close this introduction with a reminder that there are other important points, such as the way a manager's remuneration is decided and the nature of the mechanism by which managers compete for promotions, that are still to be taken up in regard to this topic.

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Economic Theories of Middle Management: Monitoring, Communication, and the Middle Manager's Dilemma

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This article aims at summarizing several organizational functions of middle management, and clarifying their tradeoffs. Setting up and analyzing a simple model of a top, a middle, and a bottom manager, we show the following results: (i) middle management benefits the organization only if the middle manager has higher information gathering capabilities than the top, as well as serving to have effective monitoring and communication functions; and (ii) more communication from the middle to the top is not necessarily desirable for the organization, because of its detrimental effect on the bottom. Result (ii) arises from a tradeoff between communication and incentives: While more communication improves project implementation by the top, it discourages the bottom to take the initiatives to find and propose a new project. We then discuss how our results are related to important features of stylized Japanese management.

I. Introduction

Given that most firms are organized as multi-tier hierarchies, there is little doubt that middle managers like section chiefs and department heads should play important roles. If we define middle managers as those who are located between top management and rank-and-file employees and manage subgroups within the firm, 8% of all the employees working at firms with more than one hundred employees are classified as middle managers, as of 2001 (Sato 2004).

If middle managers are so important, however, the following quote of Yoshio Tateishi, chairman of Omron at the time, might sound paradoxical:

> To change middle managers' mind-set, we introduced a new system that encouraged them to take paid-leave of a maximum three months. Some managers worried. "How could the subordinates of my section do their jobs without me for three months!" However, once the managers took their leave, the performance of some sections actually improved. (*Nikkei Business*, January 19, 2004, p. 1)

The case like this raises the following questions. "What roles do middle managers play in the administration of the organization they belong to?" "How do their roles relate with firm performance?" The purpose of this paper is to summarize functions of middle managers and examine their relation with firm performance, from the perspective of organizational economics.

In particular, we emphasize a particular tradeoff among their roles and functions. One might postulate some monotonic relationships between the degree to which roles are accomplished and performance resulted from them, such that a firm's performance increases as its engineers serve their functions (e.g., developing products consumers want to purchase) harder. We in contrast argue that with respect to middle managers' functions, more is not necessarily better: it is important to understand there is a reason middle managers should play their roles "moderately." The case of Omron quoted above can be understood this way. Middle managers, who recognize the importance of their functions, may attempt to play their roles actively. However, that may lead to too much intervention to allow further contributions to organizational performance. At Omron, the introduction of the paid-leave system could have mitigated this problem and resulted in performance improvement.

The central problem to be analyzed in this paper is to clarify rigorously how this sort of non-monotonic relationship arises. In Section II we first summarize roles and functions of middle management based on existing literature in organizational economics. We then introduce the basic model in Section III, and explain two functions of middle managers (monitoring and communication) by extending the model. In Section V we explain the tradeoff we call the "middle managers' dilemma" and its logic, and then discuss its relevance to management of Japanese firms.

II. What Do Middle Managers Do

Analyzing the roles of middle management is almost equivalent to analyzing the advantages of a (at least) three-tier organizational structure of top, middle, and rank-and-file (bottom) members over a two-tier structure of top and bottom. For simplicity, in this paper we call the three-tier structure "hierarchy."

The existing literature on hierarchy in organizational economics can take either a "mechanical" approach or a "human" approach. The mechanical approach abstracts away managers' incentive problems so that managers are supposed to fulfill their specific functions such as information processing, monitoring, and so on, without any extra cost. The approach instead focuses on efficient assignments of managers, such as span of control (the number of managers per hierarchical level), and efficient organization design, such as a flat or tall structure. In contrast to this approach, the human approach pays explicit attention to misalignment of managers' interests from that of the organization as a whole, and takes into consideration the possibility that managers behave against the interest of the organization. This approach hence deals with incentive problems in organizations in addition to the organization design problem, the subject of the mechanical approach. Although the human approach demands more complicated analysis, many recent developments in organizational economics, such as comparative analyses of centralization versus decentralization, take this approach. We refer to Mookherjee (2006) for an overview.

The main functions of hierarchies can be classified into three: problem solving (use of knowledge), information processing, and monitoring. First, hierarchy can be understood as the following problem solving structure. The members at the bottom of the hierarchy specialize in solving routine production problems. If a problem is unusual, the members at the bottom send it to the middle managers for help, who are more knowledgeable and better able to deal with such problems. If a problem is truly exceptional, it continues up to the top of the hierarchy. Although increased communication must accompany this hierarchy, the organization can increase the utilization rate of the knowledge of the more knowledgeable experts by shielding them from problems that can be solved by less knowledgeable members. In this view of the hierarchy, middle managers contribute to the problem solving capabilities of the organization, by both solving unusual problems that cannot be solved by the members at the lower tiers, and transferring information about exceptional problems up to the top. Garicano (2000) is the first theoretical work in organizational economics focusing on the problem solving nature of hierarchy.

The second function is information processing. We explain this function using an example of a food producer. Under the two-tier organizational structure, each of the stores and factories sends information about sales and production directly to the top management, who must spend huge amounts of time for strategic planning and operational decisions. Under the hierarchy, information is processed and aggregated at the middle for each category before it is sent to the top. For example, sales managers and production managers can engage in parallel processing of sales and production data, respectively. In this view middle managers contribute by processing information and alleviating information overload at the top. Radner (1992) provides an accessible overview.

The third function is monitoring. Compared with the first two functions which exclusively follow the mechanical approach, this function is related to the human approach. As the organization grows larger, members are more likely to shirk their tasks. To deter shirking requires monitoring, and the number of subordinates one supervisor is able to monitor effectively is limited. As the number of subordinates increases, the number of supervisors increases, and those supervisors also must be monitored; otherwise, they would shirk their monitoring tasks. The hierarchy is then understood as a chain of monitoring. There is extensive existing literature in organization economics that studies the monitoring function. Qian (1994) is one of the most recent works along this line.

While these three functions mainly concern the process from the bottom to the top, the top-down process is equally important to understand the functions of the hierarchy. Leadership is one such function. Managers could be understood as leaders for their subordinates. Although economic analysis of leadership is still scarce, Hermalin (2008) provides an overview of the current research. In this paper, we mostly analyze roles of middle managers from the standpoint of the bottom-up process.

Although the third function of monitoring is based on an incentive problem of shirking, the other functions are considered under the limited, mechanical approach. In this paper

Table 1. Three Projects, Payoffs, and Probabilities

	Project 1	Project 2	Project 3
T	$\overline{v}$	$-\underline{v}$	$-\underline{v}$
M	$\overline{v}$	$\overline{v}$	$-\underline{v}$
B	$\overline{v}_B$	$\overline{v}_B$	$\overline{v}_B$
(Probabilities)	$\beta\gamma$	$\beta(1-\gamma)$	$1-\beta$

we emphasize the human approach, and in particular focus on the information transmission/communication function of middle managers. The top of the hierarchy obtains information through the middle managers in contrast to the two-tier structure where the top directly obtains information from the bottom. This difference is not significant if middle managers transmit their information "mechanically" to the top. However, if middle managers are "humans" having goals distinct from the goal of the organization as a whole, information transmission via middle managers may be more distorted or costly than communication in the two-tier structure. We analyze under what conditions hierarchy is desirable in terms of information transmission.

III. Information and Organizational Structures

1. The Model

In this and the following sections, we clarify roles of middle managers and the necessary conditions for their *raison d'être* rigorously by setting and analyzing a theoretical model along the human approach. We thus compare the two-tier structure with top (T) and bottom (B), and the three-tier structure (hierarchy) with top (T), middle (M), and bottom (B). If the latter structure is desirable in terms of T's objective, we can say middle managers are playing important roles.

The organization faces whether or not to implement a project (see Table 1). There are three possible projects, 1, 2, 3, only one of which is realized stochastically. Project i is realized with probability p_i ($p_1 + p_2 + p_3 = 1$). Each of T, M, B has a particular preference over the implementation of three projects. Project 1 yields $\overline{v} > 0$ to T and M, while it yields $\overline{v}_B > 0$ to B. Project 2's payoff to T is negative $-\underline{v} < 0$ while it is positive $\overline{v} > 0$ and $\overline{v}_B > 0$ to M and B, respectively. Finally, the payoff from project 3 is negative $-\underline{v} < 0$ to T and M, while it is positive $\overline{v}_B > 0$ to B. The bottom line is that although T wants to implement the project if and only if it is project 1, M wants to implement only projects 1 and 2, and B wants to implement all the projects. This conflict of interest could arise from their hierarchical positions and tasks. For example, while project 3 is profitable for B's business, it may not be profitable for M because the implementation of project 3 brings a large negative externality into another (unmodeled) business that is under M's control. Project 2 is not prof-

Table 2. Organizational Structures and Our Subjects

	# of ranks	Decision Maker	Our Subjects
(a)	2	T	Centralization
(b)	2	B	×
(c)	3	T	Hierarchy
(d)	3	M	×
(e)	3	B	×

itable for T because, for example, it has a negative impact on the organization's overall future strategic position, which is not a concern for M. We normalize their payoffs to zero if no project is implemented.

We further specify the realization probabilities by $p_1 = \beta\gamma > 0$, $p_2 = \beta(1 - \gamma) > 0$, and $p_3 = 1 - \beta > 0$, as in Table 1. In other words, the project is desirable for M with probability β, and given that it is desirable for M, the payoff of the project to the organization as a whole is positive with probability γ, which can be interpreted as the parameter of congruence between T and M.

Table 2 shows five feasible organizational structures in terms of the number of ranks and decision maker. In our model, structures (a) and (c) are at least as desirable for T as (b), (d), and (e). We hence focus on two structures: (a) the two-tier structure is adopted, B proposes a project, and T decides whether or not to ratify the project implementation; and (c) the three-tier structure is adopted, B proposes a project to M, M proposes a project to T, and T decides whether or not to ratify the project implementation. We call (a) centralization and (c) hierarchy.

2. Information Structures

We start our analysis under the assumptions of symmetric information and asymmetric information. The analysis of these simple situations provides us with the basic benchmark for our later analysis of middle management.

Symmetric information First suppose that all the parties know which project is realized. In this case hierarchy is not strictly more desirable than centralization. Under centralization, while B always proposes a project, T decides to implement the project if and only if it is project 1. Under hierarchy, B always proposes a project and M proposes the project if and only if it is either project 1 or 2. T only ratifies the implementation of project 1. Under either structure, the expected payoff to T is $\beta\gamma\overline{v}$, and T is not better off by adopting hierarchy. There is no role for middle managers.

Asymmetric information Next suppose there is asymmetric information in the sense that

only B knows which project is realized. T and M only know the probability distribution of project realization. It turns out even in this case hierarchy is not strictly more desirable than centralization. To see this, first consider the two-tier structure. T decides to implement the proposed project if the expected payoff is at least as large as the payoff under no project implementation (zero):

$$\beta\gamma\overline{v} - \beta(1-\gamma)\underline{v} - (1-\beta)\underline{v} = \beta\gamma\overline{v} - (1-\beta\gamma)\underline{v} \geq 0. \quad (1)$$

Hierarchy cannot attain the expected payoff higher than this. M proposes the project if his expected payoff is at least as large as zero:

$$\beta\gamma\overline{v} + \beta(1-\gamma)\overline{v} - (1-\beta)\underline{v} = \beta\overline{v} - (1-\beta)\underline{v} \geq 0.$$

However, even if M proposes the project, T makes her decision based on the stricter criteria (1). T's expected payoff is hence

$$\max\{\beta\gamma\overline{v} - (1-\beta\gamma)\underline{v}, 0\},$$

regardless of the two-tier or three-tier structure.

Two premises The reason why hierarchy is not strictly preferred is that T's information does not change with organizational structures. When information is symmetric, T knows the project fully. When information is asymmetric, T does not have any information about the project. The organizational structure does not affect T's information.

The organizational structure can matter if information content changes with structures. Although there is no room to improve T's payoff under symmetric information, under asymmetric information, T could increase her expected payoff if more information is available at the time when she decides to ratify project implementation.

There are two implicit premises behind the irrelevance results shown above. First, both T and M have the identical information gathering capabilities. Since M specializes more in management of B, it is likely for M to have more information than T.

The second premise concerns M's communication. While T obtains information directly from B under centralization, she obtains information via M under hierarchy. T's information should be affected by this difference in communication structures as well.

IV. Two Functions of Middle Managers

In this section we relax two premises discussed at the end of the previous section and point out two functions of middle management, monitoring and communication. To exclude inessential cases from the analysis, we assume

$$\beta\gamma\overline{v} - (1-\gamma\beta)\underline{v} < 0 \text{ and } \beta\overline{v} - (1-\beta)\underline{v} < 0. \quad (2)$$

The first condition implies T decides not to implement the project if she has no information,

while the second one implies M does not propose the project if he has no information about the project proposed by B. Note that the second condition is in fact sufficient for the first one. We state both conditions for convenience.

1. Monitoring

For the moment we assume M does not engage in communication, and only relax the assumption that "both T and M have the identical information gathering capabilities." To introduce their different information gathering capacities, we modify the model as follows. Under the two-tier structure T inspects B's proposed project to obtain information. With probability $s_T > 0$, she receives information that perfectly reveals which of three possible projects is proposed, while with $1 - s_T > 0$, she obtains information of no value. Based on the information received T decides whether or not to implement the project proposed by B. Under the three-tier structure, M engages in information gathering similar to what T does under the two-tier structure. However, M learns the realized project perfectly with probability $s_M > 0$ and learns nothing with probability $1 - s_M > 0$. M then decides whether or not to propose the project to T, and T makes the ratification decision. We treat s_M and s_T exogenous parameters and call them information gathering/monitoring capabilities of M and T, respectively.

With this modification the expected payoff differs possibly between centralization and hierarchy, due to the differences in information gathering capabilities. First consider centralization in which T gathers information. If T learns the project perfectly, she decides to implement it if and only if it is project 1. If T learns nothing, then by assumption (2) she ratifies no project. The expected payoff under centralization is thus

$$s_T \beta\gamma\overline{v}. \tag{3}$$

Next consider hierarchy. If M learns the proposed project perfectly, he proposes it to T if and only if it is either project 1 or 2. If M learns nothing, he does not propose any project by assumption (2). Based on this proposal, T decides whether or not to implement the project. Since T only knows that the proposed project is either 1 or 2. She hence decides to implement it if and only if

$$\gamma\overline{v} - (1-\gamma)\underline{v} \geq 0 \tag{4}$$

holds. The expected payoff under hierarchy is hence

$$s_M \beta \max\{\gamma\overline{v} - (1-\gamma)\underline{v}, 0\}. \tag{5}$$

Comparing the expected payoffs (3) and (5) yields the following result.

Theorem 1. *Suppose that only the member directly above B can gather information about the proposed project and that condition* (2) *holds. The expected payoff is strictly higher under hierarchy than under centralization if and only if the following condition holds:*

$$(s_M - s_T)\beta\gamma\overline{v} > s_M\beta(1-\gamma)\underline{v}. \quad (6)$$

The condition implies that hierarchy has an advantage over centralization if the benefit from better monitoring (the left-hand side of [6]) exceeds the cost from "loss of control" (the right-hand side). For the condition to hold, it is necessary for hierarchy to have better monitoring capabilities than centralization ($s_M > s_T$), which is likely to hold as M specializes in management of B. Since M does not propose project 3, his proposal is more aligned with T's interest than B's proposal under centralization. The left-hand side is hence equal to $\overline{v}$, the benefit from the implementation of project 1, multiplied by $(s_M - s_T)\beta\gamma$, the increment of the probability that project 1 is implemented.

However, there is the cost from loss of control under hierarchy. Adopting the three-tier structure precludes T from directly learning about the project realization, and hence T can only evaluate the proposed project in terms of conditional expectation. Since T and M's objectives are not perfectly aligned, T sometimes suffers from the implementation of undesirable project 2. The cost from this loss of control is equal to $s_M\beta(1-\gamma)\underline{v}$, the expected loss from the implementation of project 2, which is also the right-hand side of (6).

2. Communication

Up to this point we have assumed that although M receives information about the project, only the indirect information "the project is not 3" is transmitted to T via M's proposal. We now introduce M's communication function explicitly. The decision making process in hierarchy is now given as follows: (i) B learns project realization and proposes the project to M; (ii) M reports about the project if he receives perfect information, while he does not report otherwise; (iii) Based on the report T decides whether or not to implement the project. We also assume the following communication structure. M can transmit correct information for free. However, by spending cost $cx^2/2$ (where c is a positive constant), M can distort the report such that the correct information is transmitted only with probability $1-x$, and with probability x no information is transmitted to T.[1] An example of such a cost is that from drafting a sophisticated report, which must be written so as to confuse T about the realized project. Parameter c can be interpreted as the degree to which the organization's communication process is standardized. The better specified the format of the report is, the more difficult it is for M to make up such a subtle report.

The special case of $x = 0$ implies that M always reports truthfully, and $x = 1$ is the extreme case where correct information is never transmitted. Under the intermediate case of $0 < x < 1$, the report is partially distorted toward M's favor.

[1] This formulation is a simplified version of the standard cheap talk model originally attributed to Crawford and Sobel (1982). Although the cost from imprecise report is exogenous in our model, it can be endogenized by making T's decision variable continuous and looking for mixed strategy equilibria where correct information is transmitted only with some probability. Kartik, Ottaviani, and Squintani (2007) also analyze communication by introducing an exogenous cost of telling a lie.

To exclude uninteresting cases from the analysis, we assume $\gamma\overline{v}-(1-\gamma)\,\underline{v} \geq 0$, which implies that under hierarchy T decides to implement the project even if she does not learn anything from the report (see [4] in the previous subsection).[2]

Proposition 1. *Suppose that only the member directly above B can gather information about the proposed project and that M sends a report about the project to T under hierarchy. Suppose further that conditions* (2) *and* (4) *hold. Then M chooses the following* x^**contingent on the realized project proposed by B. If project* 1 *or* 3 *realizes, then M's report is truthful (*$x^* = 0$*). If project* 2 *realizes, M chooses* $x^*(c)$ *which is defined as follows:*

$$x^*(c) = \begin{cases} 1 & if\ \overline{v} > c \\ \overline{v}/c & if\ \overline{v} \leq c \end{cases}$$

T's expected payoff is then given as follows.

$$s_M\beta(\gamma\overline{v} - (1-\gamma)x^*(c)\,\underline{v}) \geq 0.$$

The proposition implies that while M's communication function is not perfect, it improves the performance of the hierarchy. There is an incentive problem in communication when project 2 is discovered. M prefers to implement the project while T wants to implement no project. The precision of M's report then is determined by the tradeoff between the marginal benefit $\overline{v}$ from increasing the probability of implementing project 2 and the marginal cost *cx*. As *c* is larger and hence the marginal cost of distorting information is higher, the probability of imprecise communication decreases. The implementation of project 2 is then less likely and T's expected payoff is higher. Communication reduces the cost from loss of control.

Based on Proposition 1, we can compare the expected payoffs to T between hierarchy and centralization, and obtain the following result.

Theorem 2. *Suppose that only the member directly above B can gather information about the proposed project and that M sends a report about the project to T under hierarchy. Suppose further that conditions* (2) *and* (4) *hold. The expected payoff is strictly higher under hierarchy than under centralization if and only if the following condition holds:*

$$(s_M - s_T)\beta\gamma\overline{v} > s_M\beta(1-\gamma)\,x^*(c)\,\underline{v} \tag{7}$$

Comparing condition (7) with (6) in the previous theorem 1 reveals that the right-hand side decreases and hierarchy is more likely to be optimal. This is because the correct information is communicated with probability $1 - x^*$ and hence the cost from loss of control is reduced. However, if cost parameter *c* is sufficiently small ($c < \overline{v}$), M has no

[2] We omit the proof of Proposition 1 as well as the analysis for the case of $\gamma\overline{v} - (1-\gamma)\underline{v} < 0$. Interested readers should contact the authors.

incentive to report truthfully ($x^* = 1$), and hence conditions (6) and (7) coincide.

3. Conditions for Middle Management

The advantage of hierarchy rests on monitoring and communication by the middle manager with high information gathering capacities. Hierarchy is costly, however, because the top loses direct control over the bottom.

We now discuss the roles of the middle manager and the conditions for utilizing middle management, based on Theorem 2. Table 3 summarizes project implementation under each organizational structure.

First, for hierarchy to be more desirable than centralization, the middle manager must have higher information gathering/monitoring capacities than the top ($s_M > s_T$). Only the manager who has higher abilities to collect information about the bottom can perform effective monitoring functions—proposing project 1 while rejecting project 3—to improve the performance of the organization. Without such capacities hierarchy is only costly due to loss of control. In fact, if $s_M = s_T$ holds, then the left-hand side of condition (7) in Theorem 2 becomes zero and hence the condition is not satisfied.

Second, the middle manager must be able to send appropriate information to the top. Hierarchy is more likely to be optimal as the probability that the middle manager sends correct information is higher (x^* is lower) and hence project 2 is less likely to be implemented. In particular, the communication process must be sufficiently standardized (c sufficiently large).

The third condition is that the interests of the middle manager and the top must be sufficiently congruent. As γ is higher and hence the preferences over the projects are more aligned, the conflicting project 2 is less likely to be implemented, and the loss of control in hierarchy is less damaging. Careful screening of managers at the time of recruiting, and/or introduction of performance-based pay could partially alleviate the conflict of interest.[3]

Let us repeat two main points we have made so far. (a) There is no role for the middle manager if he does not have an advantage in gathering information over the top. (b) If he has an advantage, the middle manager serves monitoring and communication functions.[4]

[3] Of course, being excessively loyal to the boss can bring negative effects into the organization, such as "yes men" who do not send valuable but unpleasant information to the boss (Prendergast and Topel 1993). This "yes men" problem is theoretically similar to the problem of the distorted information we study, and there is a conflict of interest behind the problem.

[4] In this paper we derive these two results from the incomplete contracting framework in which internal incentive schemes are abstracted away. Similar results can be obtained in the complete contracting framework. See Baron and Besanko (1992), Gilbert and Riordan (1995), McAfee and McMillan (1995), Melumad, Mookherjee, and Reichelstein (1992, 1995), and Mookherjee and Tsumagari (2004) for the communication function, Baliga and Sjostrom (1998) and Mookherjee and Tsumagari (2004) for the monitoring function, and Mookherjee (2006) for an overview.

Table 3. Organizational Structures and Project Implementation

	With information (s_T or s_M)			No information
	Project 1	Project 2	Project 3	
Centralization	Do	Not	Not	Not
Hierarchy (no communication)	Do	Do	Not	Not
Hierarchy (with communication)	Do	Do with pr. $x^*(c)$	Not	Not

V. The Middle Manager's Dilemma

We have so far focused on the middle manager's functions that help the top make a final implementation decision. In this relationship with the top, the more the middle manager performs the monitoring and communication functions, the better the top's decision is and hence the higher organizational payoff she can attain.

However, the roles of middle managers in the Japanese firm are typically more complicated. It is often said that a stylized feature of the Japanese firm is in its organization emphasizing initiatives from the bottom, and hence the middle managers are supposed to play important roles for managing the bottom. For example, Kagono et al. (1985) show based on their survey data that while American firms tend to design hierarchical organizations that fit corporate strategies, Japanese firms tend to adopt flexible structures that tolerate initiatives and fine-tuning from the bottom. More recently, Numagami et al. (2007) argue that "the emergent strategies and organizations that create new products and businesses through dense interactions among middle managers at the group's basis have been the essence of the strength of the traditional Japanese firm" and this idea "has long been supported by researchers of the Japanese firm."

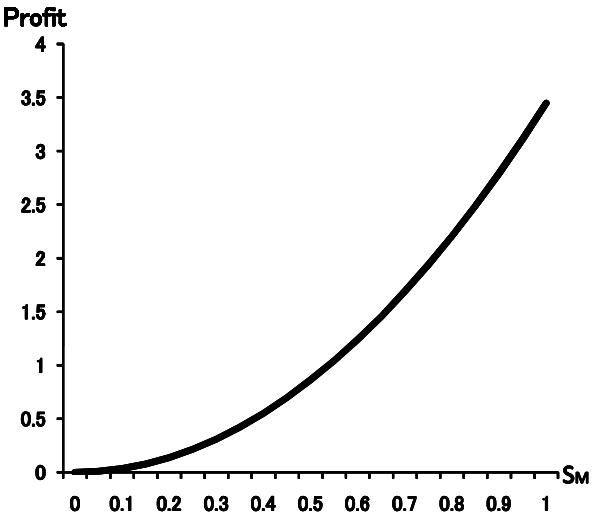
In this section, we introduce initiatives at the bottom into the model, and examine the middle manager's roles when such initiatives are important. B chooses effort (initiative) e with cost $de^2/2$ (where d is a positive constant). B then finds a new project with probability e but cannot find any project with probability $1 - e$. If B cannot find a project, there is no other decision and the payoffs are zero for T and M, and $-de^2/2$ for B. If B finds a project, the rest of the process is the same as before, as in Table 3.

Under hierarchy, project 1 is always implemented while project 2 is implemented with probability $x^*(c)$. The expected payoff to B is given as

$$es_M\beta[\gamma + (1-\gamma)x^*(c)]\overline{v}_B - \frac{de^2}{2}.$$

By the first-order condition, the optimal initiative is solved as follows:

$$e^H(c) = \frac{s_M\beta\left(\gamma + (1-\gamma)x^*(c)\right)\overline{v}_B}{d}.$$



(x^* = 0.6, s_T = 0.169 , β = 0.3, γ = 0.6, d = 1, $\overline{v}$ = 10, $\underline{v}$ = 6, v_B = 0.98)

Figure 1. Monitoring Capacity s_M and the Expected Payoff

The optimal initiative is increasing in the middle manager's monitoring capabilities s_M. Since B's incentive to take the initiative is stronger as his proposed project is more likely to be implemented, M's high ability to learn which project is realized is desirable for B as well.

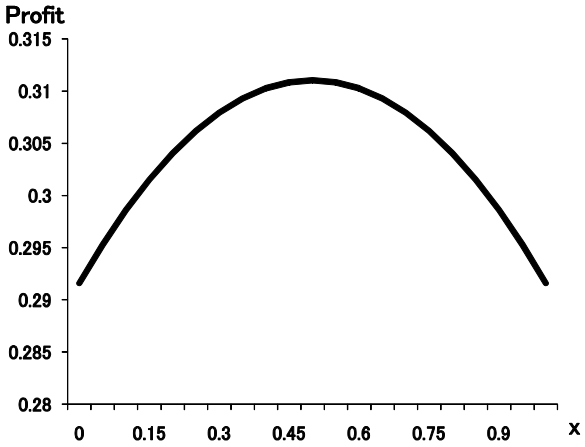
On the other hand, B's incentive is weaker as the middle manager's communication is more precise ($x^*(c)$ is lower). Since the role of the communication from M to T is to prevent project 2 from being implemented, communication has a negative effect on the likelihood of project implementation, which fact hinders B's initiative. We thus obtain the following result.

Theorem 3. *Suppose that only the member directly above B can gather information about the proposed project and that M sends a report about the project to T under hierarchy. Suppose further that conditions* (2) *and* (4) *hold. B's optimal initiative is higher as M's information gathering capacities (s_M) are higher or communication from M to T is less precise ($x^*(c)$ is larger).*

T's expected payoff is calculated as follows:

$$e^H(c)s_M\beta[\gamma\overline{v} - (1-\gamma)x^*(c)\underline{v}]. \tag{8}$$

Figure 1 shows the relationship between M's information gathering/monitoring capacities s_M and the expected payoff to T, which is monotone increasing: M's better expertise to gather information about the project benefits the organization. This monotone relationship is due to two positive effects. First, as we have pointed out in IV. 1, better mo-



(s_T = 0.169, s_M = 0.3, β = 0.3, γ = 0.6, d = 1, $\overline{v}$ = 10, $\underline{v}$ = 6, v_B = 0.98)

Figure 2. Communication Failure x^* and the Expected Payoff

nitoring prevents unprofitable project 3 from being implemented and increases the likelihood that M proposes a project aligned with T's interest. Second, better monitoring increases B's incentive to take the initiative, as we have shown in Theorem 3.

Figure 2, on the other hand, plots the relationship between the probability of communication failure x^* and the expected payoff to T. Now better communication (x^* approaching to zero) does not improve the expected payoff to the organization. This non-monotonic relationship is due to two conflicting effects. We have pointed out in IV. 2 that better communication reduces the probability of implementing project 2 and increases the expected payoff. However, better communication has a negative effect on B's initiative because the project proposed by B is less likely to be implemented. It is sometimes of value to the organization as a whole that the middle manager raise the bottom's incentive to take the initiative rather than pursue better communication.

Here comes the middle manager's dilemma. After B discovers a project, it is best for M to help T implement only the profitable project. However, to increase the ex ante incentive of B to take the initiative, M should have T implement a project more often, even if the expected payoff is negative, by not revealing the realized project. A subtle balance is demanded.

This dilemma offers an explanation for the problem in Omron we explain in the Introduction. In that case, the performance of some sections improved after the managers took leave. This can be understood as the situation where the managers engaged in excessive information transmission and discouraged the subordinates' incentives before they took their leave. The problem was mitigated by their absence through increase in the subordinates' initiatives.

VI. Initiatives at the Bottom and Japanese Management

In this section we analyze the optimal organizational structure given that B takes the initiative. As Table 3 shows, under centralization only project 1 is implemented given that T has perfect information. B's expected payoff is then given by

$$es_T\beta\gamma\overline{v}_B - \frac{de^2}{2}.$$

The first-order condition yields the optimal initiative under centralization:

$$e^C = \frac{s_T\beta\gamma\overline{v}_B}{d}.$$

Two features are worth noting. First, the optimal initiative under centralization does not depend on M's characteristics (s_M, x^*, c). Second, if M has higher monitoring capabilities than T ($s_M \geq s_T$), then B's optimal initiative is lower under centralization than under hierarchy ($e^H \geq e^C$). This is because the project proposed by B is more likely to be implemented under hierarchy when $s_M \geq s_T$ (see Table 3).

Using e^C, we can obtain the expected payoff to the centralized organization as

$$e^C s_T \beta\gamma\overline{v}. \tag{9}$$

Comparing (9) with (8) yields the following result.

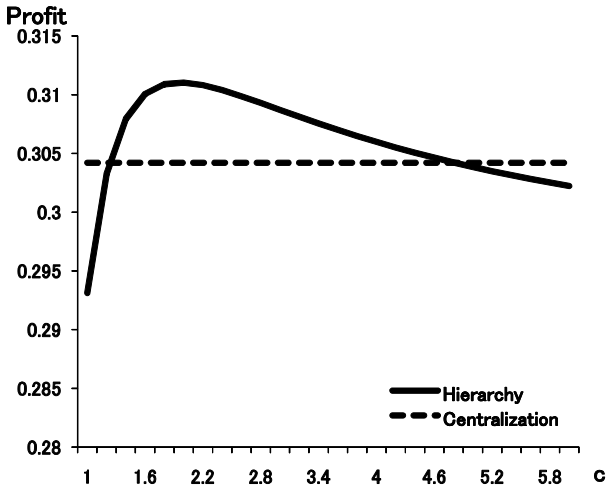
Theorem 4. *Suppose that only the member directly above B can gather information about the proposed project and that M sends a report about the project to T under hierarchy. Suppose further that conditions* (2) *and* (4) *hold. The expected payoff is strictly higher under hierarchy than under centralization if and only if the following condition holds:*

$$(e^H s_M - e^C s_T)\beta\gamma\overline{v} > e^H s_M \beta(1-\gamma)\, x^*(c)\, \underline{v}$$

Similar to Theorems 1 and 2, the tradeoff between the benefit from monitoring (the left-hand side) and the cost from loss of control (the right-hand side) determines the optimal organization. The difference from the previous results is that B's initiative matters for the comparison, since no project is implemented, regardless of the organizational structure, if B does not find a new project.

The theorem suggests that the middle managers have another important role of managing initiatives at the bottom. In fact, even if M has no advantage in terms of information gathering ($s_M = s_T$), hierarchy may become optimal.[5] Project 2 is more likely to be

[5] Substituting $s_M = s_T$ into the condition in the theorem yields $\frac{\gamma}{\gamma+(1-\gamma)x^*(c)}\overline{v} \geq \underline{v}$.



(s_T = 0.169, s_M = 0.3, β = 0.3, γ = 0.6, d = 1, $\overline{v}$ = 10, $\underline{v}$ = 6, v_B = 0.98)

Figure 3. Standardization c and the Expected Payoff

implemented under hierarchy than under centralization, and hence B's initiative increases ($e^H > e^C$). Since this increase in B's initiative in turn raises the likelihood that project 1 is discovered, hierarchy may generate a higher expected payoff than centralization. In other words, the middle manager raises incentives at the bottom exactly because he makes information transmission to the top difficult. It is often the case that IT investment does not affect the ratio of middle managers in the Japanese firm (Sato 2004). This finding is consistent with our result because the middle managers' role of motivating the bottom survives even though IT might reduce the information gap between the top and the middle managers.

Furthermore, Theorem 4 helps us understand stylized features of traditional Japanese management. Kagono et al. (1985) find that (a) managers lower than business unit managers have more influence on strategic decision making in the Japanese firm than in their U.S. counterparts; and (b) the organizational structure of the Japanese firm is less formalized/standardized than the U.S. firm. Here standardization is measured by the ratio of the firms adopting administrative systems like investment analysis, sales forecasting, and planning systems.

Our results are consistent with these findings. According to Theorem 4, hierarchy is preferred to centralization in terms of initiatives at the bottom ($e^H > e^C$). The Japanese firm that emphasizes initiatives at the bottom is hence more likely to adopt the organizational structure with more influence of the middle and bottom managers.

Furthermore, intermediate standardization in communication is desirable under hierarchy (c in the middle range). Figure 3 shows the relationship between the degree of standardization measure by c and the expected payoff to the organization. The expected payoff

is not monotone increasing in standardization. This corresponds to our middle manager's dilemma. If the communication is very standardized, it is very difficult for M to make up a subtle report, and hence M's report is very likely to reveal the project truthfully. The project is then less likely to be implemented, and hence the initiative at the bottom is undermined. If the "less formalized/standardized" structure of the Japanese firm implies "intermediate standardization in communication," then this feature can be understood as a way to keep initiatives at the bottom high, as our results suggest.

VII. Summary

Although it is often said that the strength of the stylized Japanese firm is in the emergent strategies based on initiatives at the lower-tier workers/managers, the analysis of organizational structures encouraging such initiatives has been scarce. In fact, Numagami et al. (2007) argue the need for research on organizational structures of the Japanese firm:

> Research on important organizational problems, in particular, those detrimental to the emergent strategies, has been underdeveloped in Japan. We strongly believe that when the performance of the Japanese firm was sound during the 1980s, many business researchers did not realize the problematic perception that "the organizational structure of the Japanese firm is good at performing day-to-day operations." ... Despite the possibility that good environments explain most of the high performance, neither Japanese firms nor researchers could escape from the misperception that the Japanese firms represented by Toyota were excellent and were in good condition. (pp. 13-14)

In this paper we summarize existing literature on hierarchy in organizational economics and analyze the roles of middle management and their relationships with organizational structures, in particular, by introducing "initiatives at the bottom" that have been emphasized by Japanese firms.

Setting up and analyzing a simple model of the organization that consists of top, middle, and bottom, we first show two functions of middle management, monitoring and communication. We then argue that the relationships between these functions and the organizational performance are monotonic: The more the middle manager performs the monitoring and communication functions, the better the top's decision is and hence the higher organizational payoff she can attain.

However, two features of the stylized Japanese firm in comparison with the U.S. firm are hard to explain: (a) lower-level managers have more influence on strategic decision making than business unit managers over their U.S. counterparts; and (b) the organizational structure of the Japanese firm is less formalized/standardized. More influence of middle management along with low standardization simply increases costs from "loss of control" and harms the organizational performance.

We thus introduce "initiatives at the bottom," an important feature of the Japanese firm, into the model and show that what we call the middle manager's dilemma arises. Better communication is not necessarily more desirable for the organization. The middle manager should sometimes refrain from communication in order to increase the incentives of the bottom to take the initiative. Two features of the Japanese firm mentioned above can be understood as those encouraging initiatives at the bottom.

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Careers and Abilities of Next-Generation Executive Candidates

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This study was conducted in order to answer two questions on fostering next-generation executive candidates. The first is whether there are specific abilities that are required of business executives that are not envisioned in intellectual skills theory, such as comprehensive judgment (Inoki 2002), and, if such abilities are indeed required, what they are and how they are learned. The second is whether, in fostering next-generation executive candidates, specialists are being developed by having them go through a wide range of careers as indicated by intellectual skills theory, generalists are being fostered by having them experience various non-complementary cross-functional jobs, or both. The study was conducted by interviewing 22 next-generation executive candidates of A Corporation, an electronics manufacturer.

As a result, it was found that while A Corporation focused on the development of specialists through both broad and narrow ranges of careers, it allowed for the acquisition of non-function-specific abilities including "organizational operation," "corporate structure," "corporate strengths and weaknesses" and "trust and networks," all of which are required of executive candidates. Furthermore, there were indications that these abilities are cultivated through analogical learning based on comparisons triggered by the recognition of differences in business operations as a result of internal transfers not taken into account in intellectual skills theory. This led to the hypothesis that a broad career system involves multiple learning, encompassing not only the capability to deal with function-specific uncertainties envisioned in intellectual skills theory, but also the non-function-specific abilities required of management that are acquired through analogical learning. The hypothesis further included the mechanism, as well as the significance, of multiple learning.

I. Identification of Problems

The recognition in recent years of the importance of the early selection and cultivation of next-generation executive candidates resulted in the implementation of selective cultivation programs by numerous companies. According to a survey (2007) by the Japan Productivity Center for Socio-Economic Development of its 1600 supporting corporate members (valid response from 202 companies), 58.7% of the companies are engaged in the selective education of human resources with the percentage increasing yearly.

Yet, there is not much accumulation of knowledge on the abilities[1] expected of Japanese corporate management, which next-generation executive candidates are aspiring to become, as well as how these abilities are developed. However, when studies on next-generation executive candidates and white collar workers in general are included, there are

[1] As used herein, "abilities" collectively refer to expertise, technology and skills based on experience or leaning that serve as foundation for an action.

mainly two different concepts. One assumes that function-specific abilities, etc., are learned, and the other holds that leadership and corporate management abilities that are not related to any specific function are learned.

Koike (2002a) and Inoki (2002) are representative of those adopting the former stance. Koike (2002a) claimed that intellectual skills theory (Koike 1987, 2002a, 2005) describing the skill formation processes and skill contents for blue collar workers is also applicable to white collar workers. That is, he held that following a "broad career path," wherein various duties are experienced within a single function or closely-related functions, enhances skills in inferring the causes and dealing with unexpected happenings in the workplace; in other words, the capability to deal with uncertainties.

Inoki (2002) identifies efficient skill acquisition and efficient skill combinations within an organization as the two criteria for determining the optimum career breadth. He holds that a transfer to a closely-related job adjoining the current job will eliminate the cost of skill acquisition and that human resources having a certain level of related work expertise enhance marginal productivity by increasing personnel substitutability within an organization. Inoki further claims that the more complementary the adjoining jobs are, the greater the effects that are achieved, and that the same applies to cross-functional skills. He also stated that the optimum number of functions to be experienced is determined based on the relationship between the additional learning costs generated by internal transfers and the productivity improvement effect thereof. Similar assertions are also made by Nakamura (1992) and Noda (1995). These concepts relate to white collar workers in general, including division managers, department general managers and other managerial workers.

Koike (2002a) also points out that those selected as central management candidates are transferred to other functions in the U.S., British and Japanese companies and that, while each country has generalist-type candidates, they are few in number. Inoki (2002) also defines the skill of white collar management as the ability to make judgment on how to deal with changes, claiming that the skills required vary depending on the type of change. He holds that the skills necessary to deal with "small changes" can be learned through a broad range of experiences in the field, while the "comprehensive judgment" deemed necessary in dealing with "large changes" may be acquired by experiencing a variety of areas or systematically studying a broad range of disciplines, such as MBA courses. Examples given of skills in dealing with small changes include the ability to analyze the discrepancy between the budget and the performance in managing budgets, which are said to be impacted by first-hand knowledge of a broad range of areas (e.g., production, logistics, organization, market). This concept is believed to be attributable to Nakamura (1992) and Noda (1995). Meanwhile, comprehensive judgment was defined as something that involves major actions, comparable to the skills related to the formulation of a plan on whether to select France or Germany as an investment destination, and cannot be broken down due to its comprehensive nature. In other words, it cannot be reduced to function-specific skills.

According to these concepts, while white collar workers are fostered mainly through

the mechanism described by intellectual skills theory, the mechanism encompasses the possibility of developing next-generation management candidates, though few in number, as it also cultivates unintended generalist skills, such as comprehensive judgment.

Meanwhile, examples of those taking the latter stance include Kanai and Furuno (2001) and Kanai (2002, 2008). By taking an approach similar to the one found in a study (McCall 1988) conducted by the Center for Creative Leadership (CCL; the United States), they elaborate on the work experience of relatively successful Japanese corporate managers and what the managers learned from the experience. Kanai (2002, 2008) states that corporate managers learn various things from their work experience to form a "personal leadership theory" that strongly impacts their subsequent leadership. He refers to an experience that shapes personal leadership theory as a "quantum leap experience, " claiming that it is experienced on the occasion of eight types of transfers and assignments. The eight types of transfers and assignments are (i) initial assignment upon joining a company, (ii) first managerial post, (iii) participation in a project team, (iv) transfer from a line to staff department or work, (v) development of a new businesses, markets, etc., from scratch, (vi) improvement or restructuring of a disastrous department or business operation, (vii) expansion of authorities due to promotion, and (viii) other internal transfers, assignments, etc. The relationship between the jobs before and after the transfer or assignment is not an issue here. Examples given of abilities learned from job experiences include, in the case of "(v) development of a new businesses, markets, etc., from scratch," overall related jobs, strategic mentality, establishment and utilization of organizations and management structures, negotiation strategies, resilience to adverse situations, and dealing with ambiguous circumstances. These abilities, all of which serve as a premise for managerial and leadership behavior, are not function specific.

In a survey conducted with respect to 8,000 randomly selected executive officers of major listed and unlisted life and non-life insurance companies, Tachibanaki (1995) and Ito and Teruyama (1995) reveal the abilities and qualities of corporate executives as recognized by the respondents themselves. Tachibanaki (1995) selected three factors from the results of factor analyses. The first factor was "cooperativeness, fairness and high credibility," the second was "mental strength, originality and adventurous spirit," and the third was "abundance of knowledge and ability to plan." Meanwhile, Ito and Teruyama (1995) calculated the average scores for the items relating to the abilities and qualities deemed important in corporate executives and concluded that generalist, rather than specialist, qualities are valued in executive officers, given the high average scores for four items; namely "fairness," "ability to build organizations and take leadership," "ability to process and integrate diverse information," and "comprehensive corporate and business knowledge."

The foregoing brings to attention the following two questions concerning the relationship between Japanese corporate career systems and the cultivation of next-generation executive candidates. The first is whether there are knowledge and abilities specific to the management level, such as the ability to make comprehensive judgments, and, if so, what

they are and how they are learned. The second concerns the career systems. Specifically, it is about whether, in fostering next-generation executive candidates, companies are developing specialists by having white collar workers follow a broad career path through transfers to different jobs within the same function and in complementary functions as indicated by intellectual skills theory, or cultivating generalists by having them experience various cross-functional jobs regardless of whether they are complementary in nature, or doing both. The first system that focuses on a broad range of careers within a single function gives rise to the questions of the selection criteria for next-generation executive candidates and the rationality of said criteria. Furthermore, it is necessary to confirm whether there are specialist next-generation executive candidates, given that it is said that generalist abilities are valued in management executives.

II. Survey

1. Outline of Survey

A survey was proposed in order to find answers to the two questions mentioned above. The subjects of the survey were 22 of the next-generation executive candidates directly managed by the Human Resource Development Office of A Corporation, a major electronics manufacturer that has its headquarters in Tokyo. Of the 22, 11 had engineering jobs and 11 had administrative jobs. In terms of academic background, one had a doctorate, four had a master's degree (one having acquired a doctorate while at A Corporation), 16 had bachelor's degrees, and one had a high school diploma. 20 were men and two were women. They had joined A Corporation in the period from 1983 (bachelor's degree) and 1997 (doctorate), and none had experience working for another company. The survey was conducted in March 2005. Two sets of survey data were collected; one being the career data provided by the Human Resources Development Office of A Corporation for the 22 subject to the survey, and the other being data collected from the individual interview survey of the 22. Following confirmation of their careers since joining the Corporation, the subjects were interviewed on the two business operations that they believe provided the most significant learning experience career wise and the details thereof. The interview lasted approximately 90 minutes per person. Each interview was recorded in its entirety, and the contents thereof were fully documented. According to an individual from the Human Resources Development Office, the career system at A Corporation places relative importance on specialization and internal transfers take place mainly within a single function.

2. Analytical Framework

The analytical framework for the survey for obtaining answers to the aforementioned two questions is examined here in this section. In respect to the first question, conceivable abilities required specifically of the management level are those pertaining to cross-functional administration and business management. Inoki (2002) lists the following as the

elements of the ability to make comprehensive judgment: (i) the ability to "quickly" grasp the essence of the theories and facts of other (or adjoining) professional disciplines, (ii) the ability to organize and connect the "facts" concerning immediate problems, (iii) the ability to predict and "profoundly interpret" unreliable human behavior, and (iv) the ability to "quickly" determine whether speculation based on uncertain information is satisfactory in terms of common sense and instinct. What these concepts have in common with the concepts presented in the personal leadership theory approaches of Kanai and Furuno (2001) and Kanai (2002, 2008) is that they are not limited to specific functions. Honda (Okitsu) (2002) classified white collar abilities into four categories by using two axes, which are "company specific – cross-company" and "fixed – non-fixed." Along the "fixed – non-fixed" axis, it is claimed that fixed skills include basic functional and technical knowledge and that non-fixed skills include both administrative/business management skills and function-specific skills, such as an assessment and judgment of a situation, a response to a new state of affairs, a prediction of the future and planning, and inter-personal abilities. In respect to the "company specific – cross-company" axis, it is held that company-specific skills include technical knowledge specific to products and goods handled by each company, processing methods unique to a company in such areas as accounting and financial affairs, and the human network within a company. On the other hand, cross-company skills are said to include basic functional knowledge, as well as broad knowledge, perspectives, and networks acquired by experiencing the businesses and operations of numerous companies. It is further said that abilities "increase in sophistication" as they move from fixed/cross-company to fixed/company specific, then to non-fixed/company specific, and finally to non-fixed/cross-company. Lepak and Snell (1999) point out the importance of company-specific skills even more strongly in their Human Resource Architecture. In their architecture, the classification axes for the group management of human resources are "human capital value" and "human capital uniqueness." Human resources are divided into four groups using these axes, with the group ranking high along both axes serving as the corporate core. The model has been corroborated by Lepak and Snell (2002). Here, "human capital uniqueness" signifies the possession of company-specific skills that were developed internally and are difficult for other companies to obtain, either through the market or emulation. Based on the concepts detailed in Resource Based View of the Firm by Barney (1991), it is assumed that corporate uniqueness guarantees the source of a company's sustainable competitive advantage.

Consequently, if there are abilities that are not function specific and are considered important for business management, it is believed that companies not only will develop more sophisticated skills for specific functions as assumed by intellectual skills theory, but will also be motivated to cultivate and select human resources having more non-function-specific abilities that will reinforce the overall sustainable competitive edge of the company. Furthermore, in terms of corporate uniqueness, which serves as the source of sustainable competitive advantage, it is believed that there is technical corporate uniqueness that be-

comes the foundation for differentiation of products and services and organizational corporate uniqueness for business management that involves, among other things, lowering transaction costs within an organization and promoting the development of competitive new products and services by determining competitive knowledge, technology and abilities that are unique to the company and combining them with other elements (Uchida 2008a, 2008b). If so, there is a possibility that companies, motivated to develop not only human resources having non-function-specific business management and administration abilities, but also function-specific human resources that develop company-specific technologies, are including the latter among their next-generation executive candidates.

Accordingly, it is necessary to classify the abilities learned by next-generation executive candidates in the course of their professional careers along the following three axes for review. The first is the "function specific – non-function-specific" classification axis. The second is the "company specific – general" axis. The third is the "organizational – technical" axis for the further classification of company-specific abilities.

In respect to the methods of developing the abilities of white collar workers prior to the attainment of corporate management positions, both intellectual skills theory and personal leadership development theory deem job experiences acquired in the course of professional careers as the main method. Furthermore, Honda (Okitsu) (2002) organized skill sources into external sources comprising education at academic institutions and experience working in other companies, and internal sources encompassing various off-the-job (off-JT) and on-the-job training, cross-functional teams, subordinates and colleagues, field experience, inter-level transfers within the organization, broad experience within a function, and experiences in multiple functions. Additionally, ideas on the correspondence relationship between these sources and the aforementioned four classes of white collar abilities are presented. Thus, a decision was made to investigate what abilities were learned or acquired and the opportunities therefor, including off-the-job experiences, referring to the scheme presented by Honda (Okitsu) (2002) for use as the analytical framework.

As for the second question concerning career systems, given the review thus far, it is probably necessary to verify not only the number of functional experiences, but also the level of the complementary nature between or among the different functions in cases where multiple functions were experienced. This is because, in the first place, a company is internalized as an organization, due to the need to place each element of its business systems under a single management for the purpose of achieving specific purposes. In other words, each element is complementary in nature to a certain extent, be it direct or indirect. This means that even if an external party were to explain the complementary relationship between any two functions ex-post facto, it is not possible to say definitively that an internal transfer was for the cultivation of human resources depicted in intellectual skills theory, since there is a certain degree of complementary relationship among all elements. Hence, it is necessary to verify in detail the relationship between jobs before and after an internal transfer. Furthermore, it was decided that in order to verify whether there are both general-

Table 1. Jobs Experienced through Internal Transfers, Complementary Relationship, Number of Business Offices, Technical Fields, Complementary Effect and Enrollment in Long-Term Training

Respondent No.	No. of jobs	Type of job	Complementary relations	Remarks	No. of offices	No. of tech. fields	Specific technical expertise	Complementarity effect	Long-term training
1	2	SE, consulting	Yes		2	2	SE, consulting	Yes	
2	1	Development			1	2	Software development, mainframe development	No	
3	1	Planning and development			1	1	Product planning and development		
4	2	Design, maintenance	Yes		2	3	Nuclear power, space, maintenance	Yes	
5	1	Development			3	3	LSI, inverter, battery control	Yes	
6	1	Development			1	3	Accelerator, MRI, linear	Yes	1
7	2	Design, planning	No		2	1	Designing		
8	3	Development, SI, product planning	No		3	2	Analog devices, SI	No	
9	1	Development			2	1	Memory development		
10	1	Research and development			1	1	DNA sequencers		1
11	2	Human resources, business promotion	Yes	Strategic personnel placement	7				1
12	3	Human resources, documents, general affairs	No		3				1
13	2	Human resources, legal affairs	No		3				1
14	2	Sales, planning	Yes		3				
15	3	Advertisement, general affairs, public relations	No		3				1
16	2	Human resources, business development	Yes	Commercialization of HR business	3				
17	1	Manufacturing, production technology			1				1
18	1	Accounting			3				
19	1	Finances			3				
20	1	Human resources			3				
21	1	Human resources			4				
22	1	Sales			1				
Average	1.59				2.45				

ists and specialists, transfer patterns should be analyzed not only based on the average number of cross-functional transfers, but also from the perspective of whether the individuals can be classified into those with numerous cross-functional transfers and those who are pursuing their career within the same function.

III. Results of Survey

1. Career System

Of the two questions, the analytical results regarding the career system are shown in Table 1. The average number of functions experienced by the 22 individuals was 1.59.

Among the multiple functions, there were some without complementary relationships. Of the 10 next-generation executive candidates in engineering positions, four had experienced multiple functions (Respondents 1, 4, 7 and 8 of Table 1), with two saying that there was no complementary relationship between or among the functions. In either case, the individual was transferred to a job with strong administrative elements, such as business planning and product planning. The remaining cases involved transfers to functions along a continuous sequence of processes.

Of the 12 administrative personnel, six had experienced multiple functions, with three (Respondents 12, 13 and 15 of Table 1) stating that there was no complementary relationship between or among the functions. Of the three, two (12 and 13) have been in jobs in the same specialized field as professionals in the functions (annuity and M&A-related legal affairs) that they were transferred to last. In other words, while their area of expertise switched from the function that they were assigned to when they first joined A Corporation to a different function, they have been working in that same function since. Of those in administrative jobs, there was only one person who experienced multiple functions with no complementary relationships. The details of the complementary relationships between or among the multiple functions experienced by the individuals are shown in Table 2. Based on the information, it is believed that three of the 22 individuals are following a generalist-type career path, experiencing multiple functions without complementary relationships. The remaining individuals were basically being transferred within the same function or within a range of strongly complementary functions. Of the 12 individuals who have never been transferred to another function, approximately half (five) had experience being transferred to three or four different business offices. On the other hand, there were six who have never been transferred either to different functions or business offices. Thus, it is believed that A Corporation basically cultivates specialists by providing broad and narrow career paths depicted by intellectual skills theory.

Characteristic of the analytical results of the data is the large number of transfers to different business offices in the case of administrative jobs. The number of transfers to different business offices totaled 54 for the 22 individuals, 36 for the 12 administrative personnel (three per person), and 18 for the 10 technical personnel (1.8 per person). While concrete cases of abilities learned or acquired will be indicated as appropriate for each analysis, only the top 10 of the 15 abilities learned or acquired will be shown due to limitations in space. The ratio of the number of cases (112) for the top 10 items to the total of 129 cases is 87%.

2. Abilities Learned or Acquired

(1) Function Specific/Non-Function-Specific

As a result of a review of the analytical framework, it was decided that the abilities learned or acquired should be classified and analyzed from three perspectives: namely (i) function specific/non-function-specific, (ii) company specific – general, and (iii) company

Table 2. Complementary Relationship among Jobs Experienced through Internal Transfers

Respondent No.	Complementary relations	Circumstances of internal job transfer
1	Yes	Following the development of systems for the company (or companies) for which I was in charge, I was assigned to a new business division established for system implementation consulting. I was able to take advantage of my experience as an SE.
4	Yes	I designed large-scale built-to-order facilities for about 8 years, worked with a U.S. partner in the business for 7 months, worked on maintenance for 8 months and after going back and forth between the development and maintenance of components for large-scale facilities a number of times, I am currently designing large-scale facilities again.
7	No	I was transferred from a job designing large machinery (engineer) to the Business Strategy Office (administrative work) and had difficulty attaining business management perspectives.
8	No	I was distressed over my career when I was working on the development of analog devices and became a system integrator. As a result, I gained an understanding of both technical and business perspectives and asked to be transferred to new business planning.
11	Yes	After working in human resources at multiple business offices, I studied corporate management through long-term training. After working on service planning and business promotion at an education and training subsidiary, I am engaged in human resources work aimed at promoting strategies.
12	No	I worked on personnel education at a business office, then compiled company history in the documents section, subsequently worked on general affairs, after which I worked on annuities and pensions. I have been in charge of annuities and pensions since.
13	No	After working on human resources at a business office, I went to a U.S. university to acquire an MBA and studied, among other things, M&A-related legal affairs. Upon return to Japan, I took charge of work relating to legal affairs.
14	Yes	I was transferred from device sales to planning within the same department, was subsequently transferred to systems sales and then moved to the sales planning division at the head office. My experience in multiple sales jobs that differ in nature is proving useful for my current job.
15	No	I was assigned to the advertising department (overseas advertising) and produced product advertisements and the like. Next, I enrolled in long-term training and studied about external corporate communication activities. Subsequently, I took charge of general affairs and accounting operations within the advertising department, after which I was transferred to the public relations department. I am in charge of workplace communication within the department. Advertising and public relations differ in both the substance and method of work.
16	Yes	After working in human resources at a business office, I spent one year at a U.S. subsidiary (human resources) and worked on labor affairs at a business office upon return. I subsequently took charge of personnel education at the head office. Some of the human resources operations were separated out as an internal operational support business and I was assigned there. I later took charge of human resources at the head office again.

specific/organizational – company specific/technical (if classified as being company specific in 2). Based on the content analysis of the interview data for the 22 individuals, 129 cases relating to the 15 areas of abilities learned or acquired were selected. The definitions of the 15 abilities learned or acquired are shown in Table 3. The classification results for the 129 abilities learned or acquired in 15 areas along the three axes are shown in Table 4.

First, it can be seen that non-function-specific matters, or matters that are not related to specific functions, are being learned or acquired at high frequencies. With 83 non-function-specific abilities and 46 function-specific abilities, non-function-specific abilities accounted for approximately two thirds of the total abilities learned or acquired.

Table 3. Definition of Abilities Learned or Acquired

Abilities Learned or Acquired	Definition
One's work	Matters concerning the characteristics of one's work and the department to which one belongs
Parties involved in work	Matters concerning the characteristics and methods of relating to customers, human resources of affiliated companies, etc.
One's subordinates	Matters concerning the characteristics and methods of relating to subordinates
Technology	Matters concerning technology specific to one's company
Decisions	Matters concerning technical decisions specific to one's company
General technology	Matters concerning technology that is not company specific and can be obtained by anyone
Organizational operation	Matters concerning expertise and the like for operating multiple departments within one's corporate organization
Corporate structure	Matters concerning the systems and management structures of one's company
Corporate strengths and weaknesses	Matters concerning the business strengths and weaknesses of one's company
Trust and networks	Establishment of relationship of trust and networks within the company
Work	Basic matters concerning work in general
Business decisions	Matters concerning methods and other aspects of making general business decisions
Companies	Matters concerning companies in general
Parties concerned	Matters concerning customers and affiliated companies in general
Methods of acquiring new knowledge	Matters concerning the attainment of new knowledge

Table 4. Classification and Occurrence Rate of Abilities Learned or Acquired

Function-specific 46			Non-function-specific 83		
Company specific 35			Company specific 54		
Organizational 24	Technological 11	General 11	Organizational 54	Technological 0	General 29
One's work (13) Parties involved in work (8) One's subordinates (3)	Technology (8) Judgment (3)	General technology (11)	Organizational operation (16) Corporate structure (15) Corporate strengths and weaknesses (13) Trust and networks (10)		Work (10) Business decisions (8) Companies (5) Parties concerned (3) Methods of acquiring new knowledge (3)

Non-function-specific abilities comprised “organizational operation,” corporate structure,” “corporate strengths and weaknesses” and “trust and networks,” which are company specific, and “work,” “business decisions,” “companies,” “parties concerned” and “methods of acquiring new knowledge,” which are general.

These company-specific abilities defined in Table 3 are necessary in business executives and organizational leaders. As was mentioned above, the career system of A Corporation is characterized in that A Corporation has its personnel take a so-called broad career path, yet attention should be directed to the fact that a majority of the abilities learned are non-function-specific abilities, many of which are expected of management. Concrete examples of each are shown below.

Example of “Organizational Operation”

(When A Corporation underwent an organizational reform earlier to shift emphasis from hardware to software) A Corporation adopted what one might say is a rather tough budget system, although I don’t know whether it is a good management index. For one thing, efforts were made to facilitate the transition somewhat through a complete reformulation of the budget, a re-write of the medium-term plan and revision of plans themselves to replace the numbers for hardware to those for software. In other words, the target values were changed. (18)[2]

Example of “Corporate Structure”

(Upon having been transferred from device development to system integration) Although A Corporation advocates technology and hires people who did academically well in engineering, I am extremely concerned about this practice. Business viability cannot be ensured that way.… Business cannot be conducted without individuals capable of conducting sales activities, especially in the case of consumer products. I believe the attainment of this perspective was extremely valuable for me. (8)

Example of “Corporate Strengths and Weaknesses”

Overall, (the strength of) A Corporation is nuclear power. There are instances where we market technical synergies, using the so-called synergy effect, and talk about the fact that water can cause the pump to rust, but push forward the fact that we also have the technology to prevent corrosion in the plumbing of the nuclear reactor. (5)

Example of “Trust and Networks”

Since there are a considerable number of people in our company, it is important to know the key persons well, especially when working on development …. It is extremely

[2] The number in parenthesis is the respondent number shown in Table 1. The same applies hereinafter to numbers in parenthesis indicated after a concrete example.

important to know these key persons well and have a network encompassing such people in terms of knowing where to obtain what information and who to consult for which matters. (4)

The first example on "organizational operation" is a case where the individual was thoroughly familiar with A Corporation's rigid budget system, which is a company-specific requirement, and had learned the importance of reforming the organization based on such premise. The example of "corporate structure" is a case where the individual began to recognize A Corporation's excessive emphasis on technology as a problem by experiencing both technology-oriented and customer-oriented jobs, which are completely different. The individual was thus learning the characteristics of the company's overall management. The example of "corporate strengths and weaknesses" is a case where the individual realized that it is possible to enhance the competitive edge of the products that his/her business group covers by utilizing the high-level technologies, etc., of other business groups. The individual is learning the management expertise that is important to diversified companies. Finally, the example of "trust and networks" talks about not being able to execute large projects without a network of key persons. Again, this is a skill required of management executives and executive candidates.

As previously stated, non-function-specific general abilities include "work," "business decisions," "company," "parties concerned" and "methods of acquiring new knowledge." Many of the concrete abilities learned or acquired were basic. They are probably considered general abilities, precisely because they are basic. None of the four is in the top 10 abilities.

(2) Company Specific – General

As indicated earlier, the non-function-specific abilities that are company specific (i.e., "organizational operation," "corporate structure," "corporate strengths and weaknesses," "trust and networks") were mainly abilities that are sought after in executive management, which are necessary in order to leverage the strengths of one's company while suppressing the weaknesses thereof, as well as efficiently coordinate an organization overall. On the other hand, there were five function-specific abilities that are company specific: namely "one's work," "parties involved in work," "one's subordinates," "technology" and "judgment." These involve developing, through the execution of one's business tasks, a deeper understanding of specific subjects, such as parts of a job that are related to company-specific requirements, parties concerned (customers and others), one's subordinates and subjects of research, in order to enable a more effective and efficient execution of business operations. The following are concrete examples of "one's work," "parties involved in work" and "technology."

Example of "One's Work"

Although we conduct surveys every year, what we often see are comments like "ex-

pensive" or "not user friendly," and it is difficult to unearth information like "this is the kind of function I'm looking for" through questionnaires. The best opportunity for direct communication with customers is at seminars and similar events, where we exhibit our products and explain them to customers. Asking for an opportunity on those occasions to listen to customer comments, such as "These discs are OK too, but don't you have something like this?" and "It would be nice if you could incorporate a Windows server into this," is undoubtedly the most common way of finding development ideas. (2)

Example of "Parties Involved in Work"

There has been an increase in cases where I have to ensure that a proposal is logically complete, since presenting half-baked proposals results in the customer overturning everything…. What is particularly true of banks (customers) is that even when I work things out in detail with the person in charge, there are cases where that person has to obtain approval on the customer side, and the person in charge may not be able to obtain approval, unless we both are clear on the logic of the proposal. (1)

Example of "Technology"

(The reason that it was possible to develop the ground-breaking technology that encouraged the transition from first-generation to second-generation DNA sequencers) has to do with the fact that (laser beam irradiation) results in the scattering of light, since the capillary is cylindrical…. On one occasion, it occurred to us that the desired result may be achieved by using multiple capillaries, and there was a moment in the course of routine experiments where it appeared as though they let light through. That led to the question of why this was…. We thought that the capillaries might be functioning in a manner similar to an array of multiple convex lenses, elicited the conditions (for the clean passage of light), tested the conditions, and found that they allowed for the clean passage of light. We attracted attention by applying for a patent on the conditions, presenting them at academic conferences and publishing them in academic journals…. Even during the times of old-generation flat-plate sequencers, A Corporation was employing the horizontal incidence method where the glass plate is horizontally irradiated (with a laser beam) to allow the beam to pass through gaps, while other companies were using the horizontal scan method. This is because it is more efficient, as it allows for the concurrent irradiation of the multiple DNA arrayed in all lanes…. Capillaries have to be laid perfectly flat (even more so than with the flat-plate method) in order for the sequencer to work. Arranging them in a perfect array is an operation that requires time and effort, which cannot be achieved without a certain production technology. There is no doubt that the technology is based on the production technologies that A Corporation has been developing. (10)

(3) Company Specific/Organizational – Company Specific/Technical

This involves differentiation between organizational and technical abilities within

Table 5. Occurrence Frequency and Ratio of Opportunities for Ability Acquisition

Opportunity	No. of Cases	(%)
Transfer: department	69	31
On the job (other departments)	40	18
On the job (content of work)	27	12
On the job (supervisors)	24	11
On the job (customers)	19	9
On the job (other companies)	16	7
On the job (colleagues and senior staff members)	12	5
Training	8	4
Transfer (level)	7	3
Total	222	100

company-specific abilities. Company-specific abilities that are organizational included "organizational operation," "corporate structure," "corporate strengths and weaknesses" and "trust and networks," which are non-function-specific, and "one's work," "parties involved in work" and "one's subordinates," which are function specific. These abilities allow for the effective and efficient operation of organizations and the execution of business operations based on a profound understanding of the characteristics of the company and the overall business or of the specific characteristics of individual business operations, as well as the human resources and other elements involved therein. On the other hand, "technology" and "judgment" were the company-specific abilities that are technical and related to the utilization, accumulation and development of technical expertise. These serve as the source of products and services that provide a competitive advantage through differentiation. There were no non-function-specific technical abilities that were company specific.

3. Opportunities for Learning or Acquiring Abilities

As a result of data analysis, a total of 222 concrete opportunities in nine types were confirmed with respect to 129 abilities learned or acquired in 15 areas. This is because more than one concrete opportunity is involved in the learning or acquisition of a single ability. The nine types of opportunities for learning or acquiring an ability and the number and percentage of concrete cases for each are shown in Table 5.

On-the-job learning accounted for approximately two thirds of the opportunities for learning or acquiring an ability, and transfers to other departments or levels accounted for the remaining approximately one third. Ranking high among on-the-job learning opportunities in terms of percentage were other departments (18%), content of work (12%) and supervisors (11%). On the other hand, learning or acquiring abilities through transfers involves developing an awareness of the differences and commonality between past and

present jobs in terms of content and approach, and subsequent comparative learning based on relativization and association. Of the nine types of opportunities for learning or acquiring an ability, the most common was “Transfer (department)” at 31%. The foregoing is an indication of the importance of comparative learning through internal transfers.

(1) Opportunities for Learning or Acquiring Abilities and Description of Corresponding Abilities

In respect to the relationship between the opportunities for learning or acquiring abilities and the description of the corresponding abilities, the most frequently occurring opportunity for each content (ability) learned or acquired is indicated in Table 6 and the relationships between the abilities learned or acquired and the opportunities therefore are indicated in Table 7.

In respect to the relationship between the ability learned or acquired and the opportunity therefor, data analysis indicated that specific abilities are acquired through specific opportunities. Occurrence Rate (A) in Table 6 is the average occurrence rate of an opportunity. Compared with the Occurrence Rate by Ability (B), there was a minimum difference of 6 points and as much as 24 points in some cases. However, no distinguishing factors were identified based on axes, such as “function specific - non-function specific” and “company specific – general.”

In respect to methods of acquiring company-specific abilities that are non-function-specific, which are believed to be sought after in management executives, the opportunity for acquiring “corporate structure” was “transfer (department),” that for “organizational operation” and “trust and networks” was “on the job (other departments), and that for “corporate strengths and weaknesses” was “on the job (customers).” “Corporate structure,” which signifies an overall understanding of one’s company or one’s business regardless of functions, involved gaining an understanding of the overall corporate structure and nature by relativizing past jobs in terms of conduct and approach as a result of having attained different perspectives through internal transfers, such as from a line department to a staff department. The following are concrete examples.

Example of Opportunity for “Corporate Structure”: Transfer (Department)

(I spent time in sales and subsequently was transferred to sales planning. There we had discussions on narrowing down target customers from a strategic perspective, but I had experience in the field of struggling to establish a relationship of trust with customers due to certain customers being included or excluded from our target every few years. Based on such experience,) I feel that, while there are cases where we have no choice but to focus our efforts on certain customers, it is not necessarily acceptable to discard a customer, if there is a person who is in charge of defending and protecting that particular customer. It boils down to the question of where to strike a balance between the two. We may find in the future that there are certain customers that we can in no way accommodate. However, we can’t just

Table 6. (Abilities) Learned or Acquired and Opportunities

Unit: %

Classification	(Abilities) Learned or Acquired	Opportunity	Occurrence rate (A)	Occurrence rate by ability (B)	(B)-(A)
Function specific					
Company specific-organization	・One's work	・Transfer (department)	31	50	19
	・Parties involved in work	・On the job (customers)	9	33	24
Company specific-technology	・Technology	・On the job (colleagues)	5	19	14
General	・General technology	・On the job (content of work)	12	29	17
Cross-functional					
Company specific-organization	・Organizational operation	・On the job (other departments)	18	42	24
	・Corporate structure	・Transfer (department)	31	41	10
	・Corporate strengths and weaknesses	・On the job (customers)	9	22	13
	・Trust and networks	・On the job (other departments)	18	24	6
General	・Work	・Transfer (department)	31	52	21
	・Business decisions	・Training	4	14	10

Table 7. Relationship between Abilities Learned or Acquired and Opportunities

(Abilities) Learned or Acquired	Opportunity	Relationship
One's work	Transfer (department)	Develop awareness of differences in the overall scheme and concept of work, as well as the way a department operates, by performing different business operations as a result of internal transfers, which serves as an opportunity to acquire knowledge of a new job.
Parties involved in work	On the job (customers)	Develop profound understanding of customers and collaborating companies through long-term relationship with them.
Technology	On the job (colleagues)	Understand technology by asking colleagues and senior employees questions, as well as by observing them work.
General technology	On the job (content of work)	Develop an awareness of the lack of knowledge on general technology in the course of performing business operations and learn the technology.
Organizational operation	On the job (other departments)	Acquire expertise on soliciting the action of other departments and organizations through activities aimed at attaining their cooperation for the successful execution of work.
Corporate structure	Transfer (department)	Acquire a broader perspective as a result of transfer from line work to staff work, while relativizing past operations and concepts, to develop an understanding of company-wide structures, etc.
Corporate strengths and weaknesses	On the job (customers)	Develop an awareness of the strengths and weaknesses of one's company through communication, etc., with customers.
Trust and networks	On the job (other departments)	Develop trust and networks based on track records achieved through contacts with the key persons of various departments necessitated by work.
Work	Transfer (department)	Develop a basic awareness of "the meaning of work" by recognizing the differences in the content of work before and after the transfer.
Business decisions	Training	Through training, learn the framework and concepts of management and business decisions that cannot be attained on the job.

deal with a few customers that we absolutely want to maintain a relationship with. Since it is possible to establish a broad range of give and take relationships, we must think about things in more ways than one…. We must give thought to both breadth and balance, even more than to importance and the degree of focus. (14)

Other company-specific abilities that are non-function-specific involved turning matters experienced or learned on the job into non-function-specific abilities by developing a more abstract understanding thereof that transcends functions. For example, in the aforementioned case of "corporate strengths and weaknesses" (opportunity: on the job [customer]), the individual knows from communication with customers what the market recognizes as A Corporation's strengths and understands that customer and market confidence can be enhanced by leveraging that fact.

On the other hand, it was confirmed that technical abilities that are company specific and serve as the source of product and service differentiation are learned or acquired through contact with colleagues on the job, such as research and development.

IV. Discussion

The following three points were clarified as a result of this study. The first concerns the career paths of next-generation executive candidates. The result was that they were mainly following a broad or a narrow specialist-type career path, with some following a generalist-type career path. Specifically, three out of the total of 22 individuals were essentially following a generalist-type career path, with experience in multiple functions. Of the 12 who have never been transferred to another function, about half (five) had experience being transferred to approximately three or four different business offices. On the other hand, there were six who have never been transferred either to different functions or business offices. The second is that abilities learned by next-generation executive candidates include non-function-specific abilities. Specific examples include "organizational operation," "corporate structure," "corporate strengths and weaknesses" and "trust and networks," which are company-specific organizational abilities. However, there also are company-specific technical abilities that are function specific, such as research and development that serves as the basis for product and service differentiation, and it was found that human resources having such abilities are also considered next-generation executive candidates. In other words, not only generalists who manage a company overall, but also specialists are considered executive candidates. The third concerns how the abilities sought after in these next-generation executive candidates are learned or acquired. First, company-specific technical abilities that serve as the source of differentiation are learned in the course of a career path within a single function. Half of the career paths within a single function were broad, with the remaining half being narrow. On the other hand, in respect to learning or acquiring company-specific organizational abilities that are non-function-specific, it became clear that it is necessary to experience multiple functions and business offices in order to promote

understanding of the company overall that are not related to specific functions. This included expanding one's perspective through a transfer from a line department to a staff department, while relativizing past jobs in terms of conduct and approach, thereby understanding the structures and conduct of the company overall. Furthermore, it was important for the jobs before and after the transfer to be different for this type of learning. Abilities for the precise operation of the company overall (organizational operations, corporate strengths and weaknesses, trust and networks) were being acquired as non-function-specific abilities by developing a generalized understanding of the relationship with customers and other business officers in the course of business operations within a single function.

As for the first finding concerning the breadths of career paths, they were comprised mainly of the broad career system envisioned in intellectual skills theory and narrower career systems, with an average of 1.59 cross-functional transfers. There also were a few who had experienced multiple functions. However, the average number of cross-functional transfers is small also in comparison with past studies. According to Morishima (2002) the average numbers of cross-functional transfers of section managers for human resources, sales and accounting were all over two. It is not known whether this is because A Corporation customarily adopts career systems designed to cultivate specialties or because very few who are qualified to become section managers have actually been appointed section managers.

The data for the second finding on abilities learned are quite interesting in that many non-function-specific abilities are being learned at A Corporation in spite of the fact that, as mentioned earlier, A Corporation mainly employs career systems that are typically used for the cultivation of specialists. It is believed that this is related to the third finding on opportunities and processes of learning. Furthermore, they are highly thought provoking in respect to the formulation of a theory concerning the mechanism for cultivating next-generation executive candidates. Until now, intellectual skills theory was considered the core mechanism for the cultivation of white collar workers. While there is no room for doubt concerning the foregoing, this study clearly indicates that there are some aspects of the cultivation of next-generation executive candidates and others that intellectual skills theory alone cannot adequately explain. While intellectual skills theory assumes the acquisition of profound function-specific skills for the execution of business operations within a principal function, the results of this study verifies the learning or acquisition of non-function-specific abilities that are also considered important for corporate management. It is believed that "corporate structure," a non-function-specific skill, is acquired mainly through analogical reasoning (Gentner 1983; Gentner et al. 1997; Markman 1997; etc.) attributable to transfers (department). Gentner (1983) and Gentner et al. (1997) propose the structure mapping theory, wherein a person, who is learning about a target in comparison with a base, performs cognitive representation in order to recognize the commonalities and differences with the base and proceed with analogical reasoning. Hirano, Uchida, and Suzuki (2008) claim that an internal transfer results in a discrepancy between the abilities necessary for the execution of a job and the abilities possessed, due to the differences in the contents of jobs

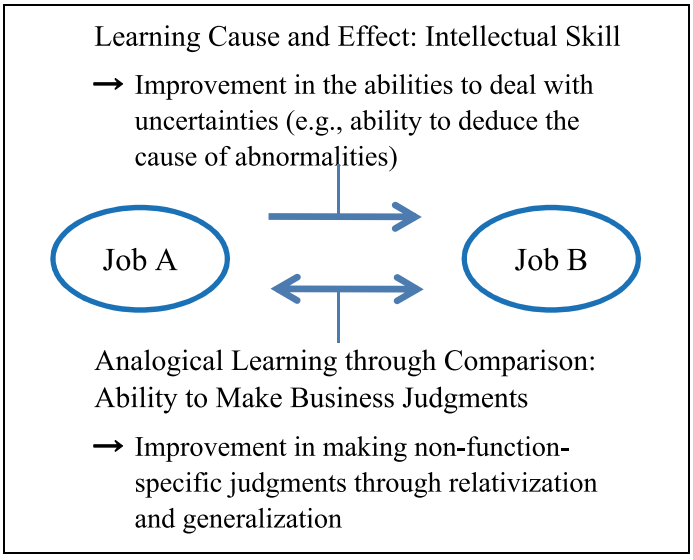

Figure 1. Coexistence of Multiple Learning Patterns in Internal Transfers

before and after the transfer, and that different learning strategies are taken depending on the state of the differences.

Intellectual skills theory asserts that, by developing a more profound understanding of principal function A in relation to auxiliary function B, the skill of dealing with uncertainties will be enhanced or principal function A can be performed more adequately by employing expertise relating to auxiliary function B. A and B do not have to be functions and may be different duties within a single function. The assumption here is that learning is based on cause and effect or on functional linkages. However, a learning pattern confirmed from the results of this study involves the recognition of the differences (and commonalities) thereof, which are subsequently relativized and generalized. It is believed that this results in the development of non-function-specific abilities, such as the ability to deal with diverse situations and make business judgments, which are not business abilities associated with a specific function (see Figure 1). In other words, two learning mechanisms exist in career systems for white collar workers; one being for learning function-specific contents through internal transfers, and the other being for learning abilities expected of non-function-specific generalists. The differences in the nature of learning based on differences between jobs within a single function and that based on differences between jobs in different functions have not been clarified. This is a subject that remains to be studied.

The hypothesis that an internal transfer results in multiple learning patterns is of prominent significance in terms of career systems. This means that the abilities necessary cannot be fostered in individuals prior to appointment as business division directors or other management executives by means of intellectual skills theory alone. According to the hypo-

thesis based on the results of this study, individuals are improving on their abilities relating to their principal function (function-specific abilities), while learning non-function-specific abilities pertaining to business management, etc., as they follow broad career paths. Realistically, it is highly likely that many of the next-generation executive candidates will not be appointed to the position of a management executive, given that there are few positions available. In view of this situation, establishing a system focused only on the development and selection of abilities necessary in next-generation executive candidates will be considered excessive investment, as a large number will not be selected. However, if function-specific abilities are also to be learned, it will not be considered excessive investment, since abilities as specialists in certain functions will also be provided concurrently. The author wishes to leave the examination and verification of this hypothesis as a subject for future studies. It is necessary to note that this study was conducted with respect to 22 individuals of a specific manufacturer, who possess qualifications equivalent to that of a section chief. Further studies are required for different industries and levels.

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Managerial Working Hours and Heavy Workloads

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This article uses microdata from the Japan Institute for Labour Policy and Training to explore the factors that might affect the long working hours and heavy workloads of management staff in Japan. Compared with rank-and-file employees, low-ranking section managers and middle management department managers have longer average working hours, and even when the effects of various attributes were kept constant, it was found that persons in managerial positions worked somewhat longer hours. Further, this article examines differences within management. In order to consider the issue of managing supervisors, who are excluded from the application of company-controlled working hours, this article studies the effects that their freedom to decide their office arrival and departure times has on their heavy workloads, but our analysis found that this factor has no influence. Regardless of whether they can freely decide their office arrival and departure times, many people in managerial positions work long hours, and one might speculate that their exclusion from the application of controlled working hours as managing supervisors has very little meaning in reality, in the sense of any autonomous selection of the length of their working hours. Meanwhile, it was found that personnel-related work such as recruitment and placement affected management's heavy workloads. This point can be considered an issue that is unique to management and is not seen among rank-and-file employees.

I. Nominal Management

Article 41, Item (ii) of the Labor Standards Act sets forth a working-hour exemption for managing supervisors. Since a company, in principle, is not required to pay these persons for overtime work, except for late-night work, it can save labor costs by making them work long hours (See Yashiro [2009]). Whether convenience store managers or fast-food restaurant managers fall under this category was a significant issue in the past, and even today, this issue of "nominal management" is featured in the news from time to time (See Ouchi [2008] and K. Takahashi [2005]).

According to the Basic Survey on Wage Structure (2008), the total number of persons in non-managerial positions and those at the levels of assistant manager, section manager, and department manager came to 11,600,970 among corporations with a workforce of 100 or more. Of this total, persons at the section manager level came to 907,820, accounting for 7.8% of the total, and those at the department manager level came to 380,720, accounting for 3.3%.[1] Needless to say, section managers and department managers in this survey are

[1] In the Basic Survey on Wage Structure, the definitions of "people at the department manager level" are as follows: (i) people who are in a position of what is called department (bureau) manager, who control, coordinate and supervise business and technical teams that are engaged in business

not necessarily the same as the managing supervisors provided for in the Labor Standards Act and in administrative notifications. It is likely that there are considerable numbers of people who are put in managerial positions by their companies, but who, in reality, cannot be described as being managing supervisors. That is to say that many such persons are a part of the "nominal management."[2]

It is difficult to determine the exact number or percentage of persons in nominal management, as there has been no survey that addresses this issue. That said, it would be difficult to conduct such a survey in the first place, since it would require capturing the diverse realities of management, such as the job descriptions, authority, work hours, and treatment of such managers, with a high level of reliability.

Fortunately, there is a survey that was conducted with this issue in mind, a survey by the Japan Personnel Research Institute (2005), which sent out survey forms to the human resources departments and managing supervisors at 10,000 business establishments. While the collection rates were low—6.9% for survey forms for business establishments (human resources departments) and 6.8% for survey forms for managing supervisors—possibly due to a deterioration in the survey environment in recent years, the survey form was well thought out by legal, human resources, and labor experts.

The Japan Personnel Research Institute (2005) looked at the proportion of "management" who fell under the category of managing supervisors as set forth in Article 41, Item (ii) of the Labor Standards Act. It then divided them into persons in line jobs and staff jobs, and asked human resources departments about their numbers, their authority (type of business operation and extent of involvement), assessment of their working hours, their wages, etc. In addition, it asked managing supervisors about the extent of their involvement in business operations, their working hours, their income, etc.

This survey noted the following points as its main results (Japan Personnel Research Institute 2005):

(i) Most section managers and higher-ranking managers were said to be "managing su-

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management, including sales, human resources, accounting, production, research and analysis, and who are engaged in the operation of the departments for which they are responsible, as well as persons who are engaged in duties of equivalent responsibility and importance; and (ii) people who are usually referred to as "department manager" or "bureau manager" in their business establishments, and who head a team comprising two or more sections, or a team with 20 or more members (including the department or bureau manager). Similarly, the definitions of "people at the section manager level" are as follows: (i) people who are in a position of what is called section manager, who control, coordinate, and supervise business and technical teams that are engaged in business management, including sales, human resources, accounting, production, research and analysis, and who are engaged in the operation of the departments for which they are responsible, as well as people who are engaged in duties of equivalent responsibility and importance; and (ii) people who are usually referred to as "section manager" in their business establishments, and who head a team comprising two or more sub-sections, or a team with 10 or more members (including the section manager).

[2] Oi (2005) showed the paucity of line managers from official statistics.

pervisors" (74% according to the survey of business establishments and 85% according to the survey of managing supervisors).

(ii) Assistant department managers and higher-ranking managers held authority regarding important decisions at their business establishments, while persons at the section manager level were involved in the decision process (but not the decision itself). Meanwhile, authority over matters concerning the status of workers (subordinates) and decisions on their working conditions was held by persons at the department manager level or higher.

(iii) At least 90% of business establishments kept track of management's office arrival and departure times, irrespective of whether they were line managers or staff managers.

(iv) In the survey of managing supervisors, 54% responded that attendance was a subject of discipline and penalties.

(v) Overall, the working hours of managing supervisors were not excessively long, and there was little late-night work.

(vi) The issue of whether executive perquisites were paid was not unique to managing supervisors; it was also seen among managers who were not managing supervisors.

(vii) An analysis of 29 judicial cases found that treatment which gave a person a comparative advantage over rank-and-file employees was considered important as a criterion for judging whether he/she was a managing supervisor, while freedom of time management was a secondary criterion.

The survey by the Japan Personnel Research Institute (2005) is excellent in that it reveals the specific characteristics of persons in nominal management. While many people understand that the tasks involved in management are varied, few are actually aware of their details.

The survey data used in this article has the following three advantages over those used in the Japan Personnel Research Institute's survey. The first advantage is the large survey size: questionnaires were mailed to a research company's paid survey-takers, with 8,000 subjects at the time of sampling. The second advantage is the decent sampling and collection conditions: 8,000 survey-takers were extracted[3] from a total of approximately 300,000 people[4] so as to match Japan's overall structure, and the simple collection rate came to 88.2%.[5] Third, the survey asked about the characteristics of management roles,

[3] This corresponded to the gender and age bracket distribution of "employees" who are "mostly working" aged 20-59 according to the 2005 national census. For details, see the Japan Institute for Labour Policy and Training (2009).

[4] The parameters of the paid survey-takers were roughly in line with Japan's demographic structure.

[5] Of the collected responses, those of 6,430 survey-takers were used in the survey after excluding respondents who were judged as not being "regular employees" at the time of the survey. For details, see the Japan Institute for Labour Policy and Training (2009).

such as freedom in office arrival and departure times and the degree of involvement in personnel matters. The main themes of this survey (Japan Institute for Labour Policy and Training 2009) were regular employees' working hours and workplace flexibility; however, since there was also an interest in the issue of nominal management that has emerged in recent years, a few related questions were included as well.

This article uses individual data from the survey by the Japan Institute for Labour Policy and Training (2009) and, instead of merely looking at nominal titles such as section manager and department manager, aims to explore factors that might affect managerial working hours and heavy workloads by shedding light on the relationship between positions and degrees of job discretion, workplace flexibility, freedom of deciding office arrival and departure times, and degrees of involvement in personnel matters. It is clear that management cannot be lumped together, a point that was actually confirmed by the Japan Personnel Research Institute (2005); however, since there are few similar research projects,[6] estimating the types of management that exist in Japan as a whole and their numbers, as well as finding out the actual working hours and affecting factors, is a certain contribution to discussions on management.

II. Diversity of Management

The survey by the Japan Institute for Labour Policy and Training (2009) divided position titles into five classifications: (i) rank-and-file employee, (ii) assistant manager/supervisor, (iii) section manager level, (iv) department manager level, and (v) other (board member, etc.). The breakdown of the 6,430 respondents were: (i) 61.8%, (ii) 23.0%, (iii) 9.8%, (iv) 3.9%, and (v) 1.5%.[7] Persons falling under the three categories of (iii), (iv) and (v) were asked the question: "Does your company's system allow you to freely decide your office arrival and departure times?" The choices of answers were "Yes, it does" or "No, it does not." Persons who responded "yes" were further asked the question: "In that case, do you actually decide your office arrival and departure times by yourself?" The choices of answers were "Yes, I do" or "No, I do not." In addition, persons falling under (iii), (iv), and (v) were asked about their degree of involvement in personnel matters. With regard to each

[6] Y. Takahashi (2005) looked at the relationship between unpaid overtime work and people at the section manager level with subordinates, people at the assistant department manager level, and people at the department manager level. Ogura (2007) examined the long work hours of workers with a relaxed system of time management such as those in managerial positions and those working under a discretionary labor system. Ogura and Fujimoto (2007) looked at the worker demographic that might become subject to white collar exemptions by income bracket. Kuroda and Yamamoto (2009) focused on white collar exemptions and analyzed, from panel data, the impact of working hour regulations on the working hours and wages of management, etc.

[7] People in the position of board member, etc. were excluded from further calculation and analysis due to the difficulty of judging whether they were employed.

of (a) recruitment of regular employees, (b) placement of regular employees, (c) recruitment of non-regular employees, and (d) placement of non-regular employees, they were asked to choose one from among four choices: “heavily involved,” “somewhat involved,” “not very involved,” or “not involved.” Furthermore, they were asked the question: “Do you receive management perquisites?” Of the choices “Yes, I do” and “No, I do not,” those who responded “yes” were further asked: “How much do you receive per month?” and were asked to enter the specific amount in units of 10,000 yen.

Table 1 through Table 8 show the results of cross tabulation regarding the above. In Table 1, 73.9% of people at the section manager level and 63.0% of people at the department manager level responded that they were not able to freely decide their office arrival and departure times. Since these responses were judged by the workers themselves, it was not clear whether they really were not free to decide this under their companies’ personnel systems. Table 1-1, which was added as a supplement, shows that many respondents at the section manager and department manager levels said they worked under an “ordinary working hour system,” while few responded that their “company does not control workers’ hours” which was the expected response from managing supervisors. Even so, since these were responses from individuals, there remained a possibility that they were not consistent with their actual treatment under the personnel system (in which they were treated as “managing supervisors” in accordance with laws, notifications, and judicial precedent). Nevertheless, in reality, many people in managerial positions believed that they were not working under a system in which they were able to freely decide their office arrival and departure times.

Table 2, which focuses only on those respondents who responded “yes” in Table 1, shows that 58.4% of people at the section manager level and 59.1% of people at the department manager level actually decided their office arrival and departure times freely. Thus, just under 60% of those who were able to freely decide their office arrival and departure times under their company systems responded that they actually did so.

Table 3 through Table 6 show degrees of involvement concerning the recruitment and placement of regular and non-regular employees. Throughout the four tables, it is evident that people at the department manager level responded that they were “heavily involved” or “somewhat involved” in higher percentages than people at the section manager level. While the extent of the authority of the management is likely to differ from company to company, this result is consistent with common belief.

In Table 7, which focuses on whether the subjects received management perquisites, no large difference was found between people at the section manager level and the department manager level, with the majority responding that they received such perks. Table 8, which shows the distribution of the amount of management perquisites among those who received such perks, reveals higher percentages at the section manager level for the relatively lower amounts of “less than 30,000 yen” and “less than 50,000 yen,” while higher percentages for higher amounts of “100,000 yen or more” were revealed at the department

Table 1. Does Your Company's System Allow You to Freely Decide Your Office Arrival and Departure Times? (%)

	Yes, it does.	No, it does not.	Total	N
Section manager level	26.1	73.9	100.0	(621)
Department manager level	37.0	63.0	100.0	(243)
Total	29.2	70.8	100.0	(864)

Table 1-1. What Is the Working Hour System at Your Workplace? (%)

	Rank-and-file employees	Assistant managers/ supervisors	Section manager level	Department manager level	Total
Ordinary working hour system (In the case where none of the choices at right are applicable)	70.3	68.4	66.1	63.7	69.2
Flex-time	9.0	11.2	14.2	12.2	10.2
Variable working hour system	3.3	3.6	1.1	4.1	3.2
Shift system	12.5	10.0	2.9	1.2	10.5
Discretionary labor system/ conclusive presumption system	3.3	4.4	5.0	4.5	3.8
Company does not control workers' hours	1.5	2.4	10.7	14.3	3.1
Total	100.0	100.0	100.0	100.0	100.0
N	(3885)	(1447)	(619)	(245)	(6196)

Table 2. Do You Actually Decide Your Office Arrival and Departure Times by Yourself? (%)

	Yes, I do.	No, I do not.	Total	N
Section manager level	58.4	41.6	100.0	(161)
Department manager level	59.1	40.9	100.0	(88)
Total	58.6	41.4	100.0	(249)

Table 3. Degree of Involvement in the Recruitment of Regular Employees (%)

	Heavily involved	Somewhat involved	Not very involved	Not involved	Total	N
Section manager level	9.7	15.9	15.9	58.4	100.0	(616)
Department manager level	32.2	26.9	12.4	28.5	100.0	(242)
Total	16.1	19.0	14.9	50.0	100.0	(858)

Table 4. Degree of Involvement in the Placement of Regular Employees (%)

	Heavily involved	Somewhat involved	Not very involved	Not involved	Total	N
Section manager level	9.3	25.1	18.8	46.8	100.0	(613)
Department manager level	31.8	36.4	12.0	19.8	100.0	(242)
Total	15.7	28.3	16.8	39.2	100.0	(855)

Table 5. Degree of Involvement in the Recruitment of Non-Regular Employees (%)

	Heavily involved	Somewhat involved	Not very involved	Not involved	Total	N
Section manager level	14.0	21.7	13.4	50.9	100.0	(613)
Department manager level	30.8	26.3	14.2	28.8	100.0	(240)
Total	18.8	23.0	13.6	44.7	100.0	(853)

Table 6. Degree of Involvement in the Placement of Non-Regular Employees (%)

	Heavily involved	Somewhat involved	Not very involved	Not involved	Total	N
Section manager level	13.4	23.4	14.9	48.4	100.0	(612)
Department manager level	30.3	27.4	15.8	26.6	100.0	(241)
Total	18.2	24.5	15.1	42.2	100.0	(853)

Table 7. Do You Receive Management Perquisites? (%)

	Yes, I do.	No, I do not.	Total	N
Section manager level	58.0	42.0	100.0	(621)
Department manager level	54.3	45.7	100.0	(245)
Total	56.9	43.1	100.0	(866)

Table 8. The Amount of Management Perquisites (%)

	Less than ¥30,000	Less than ¥50,000	Less than ¥100,000	¥100,000 or more	Total	N
Section manager level	16.9	26.2	40.2	16.6	100.0	(343)
Department manager level	6.3	15.7	44.9	33.1	100.0	(127)
Total	14.0	23.4	41.5	21.1	100.0	(470)

manager level. However, as pointed out by the Japan Personnel Research Institute (2005), since the issue of whether a person receives management perquisites and their amount requires relative comparisons with employees in other positions within the company, data in this item should be regarded more as reference indicators.

III. Decision on Office Arrival and Departure Times

Table 9 compares the total actual working hours by position. The average hours were longer as the positions became higher. The percentages of people at the section manager level and department manager level working shorter hours of “80-160 hours” and “161-180 hours” were relatively low; on the other hand, they were high for longer hours of “221-240 hours,” “241-280 hours,” and “281 hours or more.”

Next, Table 10 shows the total actual working hours of people at the section manager and department manager levels in combination with the question on office arrival and departure times described earlier. Those who were allowed to freely decide their office arrival and departure times under the company system and actually did so fell under “I am free to decide,” those who were allowed to decide under the company system but did not actually do so fell under “I am free to decide, but do not,” and those who were not allowed to decide under the company system fell under “I am not free to decide.” The average hours were slightly longer for people at the section manager level who responded “I am free to decide”

Table 9. Distribution of Total Actual Monthly Working Hours by Position (%)

	80-160 hours	161-180 hours	181-200 hours	201-220 hours	221-240 hours	241-280 hours	281 hours or more	Total	N	Average (hours)
Rank-and-file employees	11.8	25.0	23.1	15.7	9.1	8.9	6.4	100.0	(3653)	203.5
Assistant managers/supervisors	10.3	22.1	23.0	16.9	9.8	10.9	6.9	100.0	(1393)	206.5
Section manager level	7.3	17.5	20.8	21.3	13.0	12.0	8.0	100.0	(600)	213.6
Department manager level	7.7	15.9	18.9	24.9	10.7	12.0	9.9	100.0	(233)	216.1
Total	10.8	23.2	22.7	16.9	9.7	9.8	6.8	100.0	(5879)	205.8

Note: The table shows the total actual working hours for the month of July 2008, including overtime work, etc. (hours worked beyond scheduled working hours, hours worked from home, etc.)

Table 10. Distribution of Total Actual Monthly Working Hours of Management by Freedom of Office Arrival and Departure Times (%)

	80-160 hours	161-180 hours	181-200 hours	201-220 hours	221-240 hours	241-280 hours	281 hours or more	Total	N	Average (hours)
Section manager level										
I am free to decide	8.6	15.1	19.4	21.5	16.1	9.7	9.7	100.0	(93)	216.3
I am free to decide, but do not	9.4	9.4	23.4	29.7	9.4	14.1	4.7	100.0	(64)	212.5
I am not free to decide	6.8	19.3	20.9	20.0	12.9	12.0	8.2	100.0	(441)	213.0
Total	7.4	17.6	20.9	21.2	13.0	11.9	8.0	100.0	(598)	213.5
Department manager level										
I am free to decide	16.3	14.3	12.2	22.4	10.2	16.3	8.2	100.0	(49)	210.8
I am free to decide, but do not	2.9	28.6	11.4	31.4	8.6	2.9	14.3	100.0	(35)	212.7
I am not free to decide	5.6	14.0	21.0	25.2	11.9	13.3	9.1	100.0	(143)	218.7
Total	7.5	16.3	17.6	25.6	11.0	12.3	9.7	100.0	(227)	216.1

Notes: 1. Same as Table 9.
2. See the main text with regard to freedom of office arrival and departure times.

and, on the contrary, for people at the department manager level who responded "I am not free to decide." While the distribution of total actual working hours of people at the section manager level failed to show a clear difference, people at the department manager level who responded "I am free to decide" showed a high percentage in the shortest "80-160 hours" category.

Frankly speaking, Table 10 fails to show a clear trend. This means that whether or not management staff can freely decide their office arrival and departure times is unlikely to have a strong influence on their working hours. Could there be other characteristics of management that might affect working hours? Table 11 and Table 12 were designed to answer this question.

Table 11 shows working hours by the degree of job discretion. The degree of job discretion was judged by asking the question "How much discretion do you have in deciding your work schedule and protocol?" Four answers were available: "A high degree," "some degree," "not much," or "very little." Since this question is applicable to rank-and-file employees and assistant managers/supervisors as well, the results are shown for all positions.

By position, among the rank-and-file employees, no clear difference could be found in terms of average hours or distribution of total actual working hours. Among assistant managers/supervisors, the average hours of those who responded "very little" appeared to be slightly shorter. Among people at the section manager level, those who responded "a high degree" and "some degree" showed slightly higher percentages in the "80-160 hours" category, while those who responded "not much" or "very little" showed higher percentages in the longer categories of "221-240 hours," "241-280 hours," and "281 hours or more." The average hours of those who responded "very little" also appeared to be longer. The picture was somewhat different for people at the department manager level; while those who responded "a high degree" showed a higher percentage in the short-hour category, those who responded "some degree" as well as "not much" showed higher percentages in the longer categories.

Compared to the freedom to decide office arrival and departure times, it seems that the degree of job discretion was on the whole more closely related to the length of working hours of people at the section manager and department manager levels. In particular, for people at the section manager level, those who responded as having lower degrees of discretion in deciding their work schedules and protocols tended to work longer hours.

Table 12 shows working hours by the possibility of performing job duties in places other than the office (or "workplace flexibility," below). This was judged by asking the question "To what degree is it possible for you to perform your job duties in places other than the office, such as at home, on the train, or in a coffee shop?" The four possible answers were: "A high degree," "some degree," "not much," or "virtually impossible." The results for this question are also shown for all positions.

Among rank-and-file employees, assistant managers/supervisors and people at the department manager level, those who responded "a high degree" showed the longest average

Table 11. Distribution of Total Actual Monthly Working Hours by Degree of Job Discretion (%)

	80-160 hours	161-180 hours	181-200 hours	201-220 hours	221-240 hours	241-280 hours	281 hours or more	Total	N	Average (hours)
Rank-and-file employees										
A high degree	10.8	25.0	22.0	14.2	11.0	10.5	6.4	100.0	(591)	206.0
Some degree	12.2	25.5	23.0	16.9	8.2	8.3	5.9	100.0	(1885)	201.6
Not much	11.9	24.1	24.1	14.3	9.4	9.4	6.7	100.0	(847)	204.3
Very little	11.0	23.9	23.6	15.1	10.1	8.5	7.9	100.0	(318)	207.9
Total	11.8	25.0	23.2	15.7	9.1	8.9	6.4	100.0	(3641)	203.5
Assistant managers/supervisors										
A high degree	10.5	19.6	23.5	16.9	10.8	11.4	7.2	100.0	(332)	206.7
Some degree	10.6	22.8	22.6	17.0	9.7	10.4	6.9	100.0	(795)	206.9
Not much	8.0	22.6	23.6	17.5	9.4	12.3	6.6	100.0	(212)	206.3
Very little	14.3	28.6	26.5	10.2	4.1	10.2	6.1	100.0	(49)	198.0
Total	10.3	22.2	23.1	16.8	9.7	11.0	6.9	100.0	(1388)	206.5
Section manager level										
A high degree	8.8	17.5	21.7	21.2	11.1	11.5	8.3	100.0	(217)	214.4
Some degree	7.3	16.5	19.9	23.1	13.3	13.0	7.0	100.0	(316)	212.6
Not much	4.2	20.8	29.2	10.4	12.5	12.5	10.4	100.0	(48)	214.6
Very little	0.0	23.5	5.9	23.5	29.4	0.0	17.6	100.0	(17)	219.6
Total	7.4	17.4	20.9	21.4	12.9	12.0	8.0	100.0	(598)	213.6
Department manager level										
A high degree	11.6	13.2	17.8	21.7	14.7	14.0	7.0	100.0	(129)	211.9
Some degree	3.3	18.7	20.9	29.7	4.4	9.9	13.2	100.0	(91)	221.1
Not much	0.0	23.1	15.4	23.1	15.4	7.7	15.4	100.0	(13)	221.7
Very little	—	—	—	—	—	—	—	—	—	—
Total	7.7	15.9	18.9	24.9	10.7	12.0	9.9	100.0	(233)	216.1

Notes: 1. Same as Table 9.

2. See the main text with regard to the degrees of job discretion.

Table 12. Distribution of Total Actual Monthly Working Hours by the Degree of Possibility of Performing Job Duties in Places Other Than the Office (%)

	80-160 hours	161-180 hours	181-200 hours	201-220 hours	221-240 hours	241-280 hours	281 hours or more	Total	N	Average (hours)
Rank-and-file employees										
A high degree	12.9	13.7	23.4	14.5	12.9	11.3	11.3	100.0	(124)	215.1
Some degree	12.6	22.4	22.9	16.0	10.0	10.0	6.1	100.0	(689)	203.7
Not much	10.3	24.9	24.1	18.2	8.1	8.6	5.8	100.0	(892)	203.5
Virtually impossible	12.1	26.6	23.0	14.5	9.0	8.5	6.3	100.0	(1925)	202.6
Total	11.8	25.0	23.3	15.7	9.1	8.9	6.3	100.0	(3630)	203.4
Assistant managers/supervisors										
A high degree	12.1	13.6	21.2	25.8	4.5	13.6	9.1	100.0	(66)	213.8
Some degree	10.4	20.5	23.4	16.9	11.9	11.6	5.3	100.0	(337)	205.0
Not much	7.2	23.6	24.8	16.2	7.6	11.6	9.0	100.0	(432)	210.7
Virtually impossible	12.7	23.0	21.9	16.3	10.7	9.6	6.0	100.0	(553)	203.1
Total	10.4	22.1	23.1	16.9	9.7	10.9	6.9	100.0	(1388)	206.4
Section manager level										
A high degree	5.7	14.3	34.3	14.3	8.6	11.4	11.4	100.0	(35)	214.7
Some degree	8.5	16.1	20.1	25.1	10.1	12.6	7.5	100.0	(199)	212.3
Not much	6.0	19.4	19.9	18.9	13.4	13.4	9.0	100.0	(201)	215.5
Virtually impossible	8.0	17.3	20.4	21.6	16.0	9.9	6.8	100.0	(162)	212.7
Total	7.4	17.4	20.9	21.4	12.7	12.1	8.0	100.0	(597)	213.6
Department manager level										
A high degree	9.1	27.3	0.0	0.0	45.5	0.0	18.2	100.0	(11)	224.0
Some degree	9.6	14.5	19.3	26.5	9.6	10.8	9.6	100.0	(83)	213.2
Not much	5.1	14.1	17.9	29.5	6.4	17.9	9.0	100.0	(78)	219.1
Virtually impossible	8.3	16.7	23.3	21.7	11.7	8.3	10.0	100.0	(60)	215.4
Total	7.8	15.5	19.0	25.0	10.8	12.1	9.9	100.0	(232)	216.3

Notes: 1. Same as Table 9.

2. See the main text with regard to the degrees of possibility of performing job duties in places other than the office.

hours. With regard to people at the department manager level, however, it might be better to reserve judgment, as the sample size was small. Among people at the section manager level, while those who responded “a high degree” did not show the longest average hours, they showed higher percentages in the longer categories of “241-280 hours” and “281 hours or more.” These results indicate a trend of those who responded that they were able to perform work in places other than the office tending to work longer hours.

From these results, it can be speculated that characteristics such as the degree of job discretion and workplace flexibility have a greater influence on the length of working hours than the freedom to decide office arrival and departure times.

IV. Degree of Involvement in Personnel Matters

Next, we looked at the influence of the degree of involvement in the recruitment and placement of regular and non-regular employees on working hours. Table 13 shows the total actual working hours by degree of involvement in the recruitment of regular employees. Among people at the section manager level, those who responded that they were “not very involved” showed the longest average hours and a relatively high percentage in the “241-280 hours” category. Among people at the department manager level, those who responded that they were “heavily involved” showed the longest average hours and a slightly higher percentage in the “281 hours or more” category.

Table 14 shows working hours by degree of involvement in the placement of regular employees. The trend was similar to that of Table 13; among people at the section manager level, those who responded that they were “not very involved” showed the longest average hours, as did people at the department manager level who responded that they were “heavily involved.”

Table 15 shows working hours by degree of involvement in the recruitment of non-regular employees. The trend was also similar to that of Table 13; among people at the section manager level, those who responded that they were “not very involved” showed the longest average hours, as did people at the department manager level who responded that they were “heavily involved.”

Table 16 shows working hours by degree of involvement in the placement of non-regular employees. Again, the trend was similar to that of Table 13; among people at the section manager level, those who responded that they were “not very involved” and among people at the department manager level, those who responded that they were “heavily involved” showed the longest average hours.

The results that people at the department manager level who were “heavily involved” in the recruitment and placement of regular and non-regular employees tended to work longer hours make it possible to assume some manner of cause-and-effect relationship. That is, there is a possibility that work related to personnel matters is making people at the department manager level work longer hours. However, the same cannot be said for people

Table 13. Distribution of Total Actual Monthly Working Hours by the Degree of Involvement in the Recruitment of Regular Employees (%)

	80-160 hrs	161-180	181-200	201-220	221-240	241-280	+ 281	Total	N	Average (hrs)
Section manager level										
Heavily involved	8.5	20.3	15.3	22.0	10.2	13.6	10.2	100.0	(59)	214.4
Somewhat involved	5.2	15.5	20.6	21.6	16.5	12.4	8.2	100.0	(97)	217.7
Not very involved	8.6	10.8	21.5	16.1	15.1	20.4	7.5	100.0	(93)	220.2
Not involved	7.5	19.4	21.7	22.3	12.2	9.0	7.8	100.0	(345)	210.4
Total	7.4	17.5	20.9	21.2	13.1	11.8	8.1	100.0	(594)	213.5
Department manager level										
Heavily involved	6.9	15.3	12.5	20.8	15.3	15.3	13.9	100.0	(72)	224.8
Somewhat involved	8.1	9.7	24.2	29.0	9.7	12.9	6.5	100.0	(62)	213.7
Not very involved	3.3	10.0	20.0	36.7	16.7	6.7	6.7	100.0	(30)	217.1
Not involved	9.2	26.2	18.5	21.5	4.6	10.8	9.2	100.0	(65)	207.1
Total	7.4	16.2	18.3	25.3	10.9	12.2	9.6	100.0	(229)	215.8

Note: Same as Table 9.

Table 14. Distribution of Total Actual Monthly Working Hours by the Degree of Involvement in the Placement of Regular Employees (%)

	80-160 hrs	161-180	181-200	201-220	221-240	241-280	+ 281	Total	N	Average (hrs)
Section manager level										
Heavily involved	5.3	14.0	17.5	31.6	12.3	8.8	10.5	100.0	(57)	220.5
Somewhat involved	7.5	16.3	22.4	21.1	13.6	10.9	8.2	100.0	(147)	212.9
Not very involved	7.1	13.4	17.9	15.2	15.2	21.4	9.8	100.0	(112)	225.8
Not involved	8.0	20.7	21.8	21.8	12.0	9.1	6.5	100.0	(275)	207.1
Total	7.4	17.6	20.8	21.3	13.0	11.8	8.0	100.0	(591)	213.4
Department manager level										
Heavily involved	9.7	15.3	13.9	20.8	15.3	13.9	11.1	100.0	(72)	219.4
Somewhat involved	3.7	11.0	23.2	28.0	11.0	14.6	8.5	100.0	(82)	218.4
Not very involved	6.9	13.8	13.8	31.0	13.8	13.8	6.9	100.0	(29)	216.7
Not involved	10.9	28.3	19.6	23.9	2.2	4.3	10.9	100.0	(46)	204.9
Total	7.4	16.2	18.3	25.3	10.9	12.2	9.6	100.0	(229)	215.8

Note: Same as Table 9.

Table 15. Distribution of Total Actual Monthly Working Hours by the Degree of Involvement in the Recruitment of Non-Regular Employees (%)

	80-160 hrs	161-180	181-200	201-220	221-240	241-280	+ 281	Total	N	Average (hrs)
Section manager level										
Heavily involved	10.8	14.5	12.0	33.7	10.8	10.8	7.2	100.0	(83)	214.5
Somewhat involved	3.8	15.4	26.9	17.7	19.2	7.7	9.2	100.0	(130)	215.4
Not very involved	8.6	9.9	17.3	16.0	16.0	24.7	7.4	100.0	(81)	223.9
Not involved	7.7	21.2	21.5	21.2	10.1	10.4	7.7	100.0	(297)	209.5
Total	7.4	17.4	20.8	21.5	13.0	11.8	8.0	100.0	(591)	213.5
Department manager level										
Heavily involved	8.6	10.0	12.9	25.7	12.9	15.7	14.3	100.0	(70)	226.3
Somewhat involved	0.0	15.0	26.7	26.7	16.7	11.7	3.3	100.0	(60)	212.4
Not very involved	6.1	9.1	24.2	27.3	12.1	12.1	9.1	100.0	(33)	217.3
Not involved	12.3	27.7	13.8	23.1	3.1	9.2	10.8	100.0	(65)	207.9
Total	7.0	16.2	18.4	25.4	11.0	12.3	9.6	100.0	(228)	216.1

Note: Same as Table 9.

Table 16. Distribution of Total Actual Monthly Working Hours by the Degree of Involvement in the Placement of Non-Regular Employees (%)

	80-160 hrs	161-180	181-200	201-220	221-240	241-280	+ 281	Total	N	Average (hrs)
Section manager level										
Heavily involved	7.5	13.8	12.5	36.3	11.3	10.0	8.8	100.0	(80)	218.7
Somewhat involved	7.2	17.3	25.9	13.7	16.5	12.2	7.2	100.0	(139)	212.1
Not very involved	6.8	12.5	15.9	18.2	14.8	21.6	10.2	100.0	(88)	227.0
Not involved	7.8	20.1	22.3	21.9	11.3	9.2	7.4	100.0	(283)	208.5
Total	7.5	17.5	20.8	21.4	13.1	11.9	8.0	100.0	(590)	213.5
Department manager level										
Heavily involved	8.6	10.0	12.9	27.1	12.9	15.7	12.9	100.0	(70)	225.2
Somewhat involved	0.0	15.5	24.1	20.7	19.0	13.8	6.9	100.0	(58)	218.2
Not very involved	2.6	10.5	28.9	28.9	7.9	13.2	7.9	100.0	(38)	214.6
Not involved	14.5	27.4	12.9	25.8	3.2	6.5	9.7	100.0	(62)	204.6
Total	7.0	16.2	18.4	25.4	11.0	12.3	9.6	100.0	(228)	216.1

Note: Same as Table 9.

at the section manager level. Looking back at Table 3, as much as 58.4% of people at the section manager level were "not involved" in the recruitment of regular employees in the first place, compared with 28.5% of people at the department manager level. Combining those who responded that they were "heavily involved" and "somewhat involved," the percentage of people at the section manager level stood at 25.6% while that of people at the department manager level came to 59.1%. This shows that there are significant differences between people at the section manager level and people at the department manager level in their degrees of involvement in recruitment and placement. Might this difference affect their working hours?

V. Degree of Job Discretion, Workplace Flexibility, and Working Hours

The results of cross tabulation showed differences in the length of working hours depending on work characteristics such as the degree of job discretion and workplace flexibility. However, it is possible that these have been distorted by the influence of other attributes. We therefore considered whether these results could be established even when the influence of various attributes was held constant.

Table 17 shows the results of analyzing the determining factors of total actual working hours. Using annual income directly as an explanatory variable of working hours may lead to a simultaneous decision problem in which the cause-and-effect relationship remains unclear. Thus, estimates were worked out with the two-stage least squares method by using academic background, industry classification, and occupation as instrumental variables of annual income in the first stage.

Annual income, age, gender, marital status, size, labor union, and preferred work and leisure balance were perceived as variables for controlling these attributes, and were not considered in depth in this article. First, the coefficient of people at the section manager level was significantly positive. In other words, their total actual working hours were long. The coefficient of people at the department manager level was also positive, albeit weak, thus not significantly different from the results of the simple average value. The degree of job discretion was consistent with the results of cross tabulation; those who had discretion showed shorter total actual working hours (and those who did not have discretion showed longer total actual working hours).[8] Workplace flexibility differed from the results of cross tabulation, and a significant outcome could not be obtained.[9] However, those who worked in places other than their usual workplace showed significantly longer working hours. Taken together, these results suggested that persons with relatively lower degrees of job discretion

[8] In the multivariate analysis, the responses "a high degree" and "some degree" were combined as "yes," and "not much" and "very little" were combined as "no."

[9] In the multivariate analysis, the responses "a high degree" and "some degree" were combined as "flexible," and "not much" and "virtually impossible" were combined as "not flexible."

Table 17. Determining Factors of Total Actual Working Hours

Explained variable: Total actual working hours Method: 2SLS	N=5418 adj. R^2=0.12 F= 18.88 (P=0.00) Sargan χ^2= 135.53 (P=0.00) Basmann χ^2= 137.71 (P=0.00)		
Explanatory variable	Coefficient	Standard error	Z value
Annual income (logarithm)	0.006	0.013	0.480
Age (logarithm)	-0.057	0.007	-7.900 **
Male	0.108	0.007	16.440 **
Married	0.001	0.007	0.150
Size{29-99 employees}			
100-999 employees	-0.013	0.007	-1.810 *
1000 employees or more	-0.044	0.008	-5.670 **
Has a labor union	-0.023	0.007	-3.610 **
Works in places other than the usual workplace	0.068	0.006	11.860 **
Work/leisure balance preference {About the same}			
Fully committed to work	0.086	0.019	4.480 **
I need some leisure	0.038	0.007	5.460 **
I prefer leisure	-0.018	0.007	-2.620 **
I live for leisure	-0.030	0.011	-2.680 **
Degree of work discretion {Yes}	-0.013	0.008	-1.690 *
Workplace flexibility {Flexible}	-0.001	0.008	-0.100
Position {Rank-and-file employee}			
Assistant managers/supervisors	0.005	0.015	0.370
Section manager level	0.046	0.027	1.710 *
Department manager level	0.097	0.061	1.600
Position×Degree of job discretion {Rank-and-file employee×No}			
Assistant managers/supervisors×Yes	0.012	0.016	0.710
Section manager level ×Yes	-0.019	0.028	-0.690
Department manager level ×Yes	-0.085	0.063	-1.340
Position×Workplace flexibility {Rank-and-file employee×Not flexible}			
Assistant managers/supervisors×Flexible	-0.019	0.015	-1.240
Section manager level×Flexible	-0.008	0.019	-0.420
Department manager level ×Flexible	-0.020	0.029	-0.680
Constant	5.401	0.085	63.730 **

Notes: 1. Estimates calculated by the author based on the survey data of the Japan Institute for Labour Policy and Training (2009). *: P<0.1, **: P<0.05.

2. { } shows the reference group of each dummy variable.

3. Academic background, industry classification and occupation were used as instrumental variables of annual income.

and higher workplace flexibility tended to work longer actual hours. In other words, if a person has a low degree of discretion at his/her job, such as in relation to work schedule, and if it is possible for him/her to perform his/her work anywhere, the result is that this will extend his/her working hours. This result is convincing when we look around ourselves.

However, neither the cross-term between degree of job discretion and position nor the cross-term between workplace flexibility and position were significant. No marked difference was apparent when people at the section manager and department manager levels were divided into those who had job discretion and those who did not, or into those who had workplace flexibility and those who did not.

VI. Where Does the Difference among Persons in Management Lie?

Differences in working hours could not be found between persons in managerial positions who had job discretion and workplace flexibility and those who did not. Thus, as the next step, this study takes the issue of differences within management one step further by using a variable unique to people at the section manager and department manager levels.

As described in section 2, approximately 74% of people at the section manager level and 63% of people at the department manager level responded that they were not free to decide their office arrival and departure times under their companies' systems. From the results of cross tabulation, being able to freely decide office arrival and departure times did not appear to be closely related to working hours. However, the fact that managing supervisors are excluded from the application of ordinary controls on working hours suggests that their office arrival and departure times, in principle, are left to their own discretion. Does the freedom of deciding office arrival and departure times really not affect management's working hours?

In addition, persons with greater degrees of involvement in the recruitment and placement of regular and non-regular employees tended to work longer hours, although the trend was slight.

Thus, this section explores the part of management who considered their workload to be heavy, among people at the section manager and department manager levels, by using the variables of freedom to decide office arrival and departure times as well as those concerning recruitment and placement.

To the question "Do you work beyond scheduled working hours?" four choices of answers were provided: "often," "sometimes," "rarely," and "never."[10] Those who responded "often" or "sometimes" were then asked the reason, and one of the possible answers was a heavy workload or, to be precise, "because the amount of work I have cannot

[10] The percentages of (i) "often," (ii) "sometimes," (iii) "rarely," and (iv) "never" were as follows: (i) 60.2%, (ii) 24.2%, (iii) 13.4%, and (iv) 2.3% for people at the section manager level (N621); and (i) 57.5%, (ii) 25.9%, (iii) 15.4%, and (iv) 1.2% for people at the department manager level (N247).

be completed within scheduled working hours."

Among the twelve choices of reasons that the subjects exceeded their scheduled working hours (multiple responses were possible), "because the amount of work I have cannot be completed within scheduled working hours" was selected the most (60.2% among people at the section manager level and 53.4% among people at the department manager level). This reason has always come in at the top (selected by 60% in simple tabulation) in past surveys conducted by this author (Japan Institute for Labour Policy and Training 2005, 2006), who considers it to be the greatest reason why Japanese workers work overtime. As such, it seems meaningful to find out the attributes of management who selected this reason.

Put simply, "because the amount of work I have cannot be completed within scheduled working hours" means "the workload is heavy." It is, in a way, not surprising that a person would not be able to finish his/her work within scheduled working hours because of a heavy workload. Recently, however, this author has been questioning what a "heavy workload" actually means. Ongoing research studies looking at the size of people's workloads from a qualitative standpoint by directly interviewing workers in various occupations and positions seem to show various causes that increase a person's workload depending on occupation, rank, specific work protocols, experience, human relations, and individual personality. While an analysis incorporating these factors cannot be conducted here, a large-scale survey is under consideration for the next fiscal year, which could generalize these issues to some extent.

Here, probit analysis was conducted for people at the section manager and department manager levels who worked beyond scheduled working hours, with the explained variable being the dummy variable of selecting or not selecting "because the amount of work I have cannot be completed within scheduled working hours" ("the workload is heavy" or "heavy workload," below), and the main explanatory variable being the freedom to decide office arrival and departure times and involvement in the recruitment and placement of regular and non-regular employees.

Table 18 shows the results of the analysis. Trends were detected to some extent according to factors such as industry classification, company size, and occupation. Persons in managerial positions in the fields of education and learning support, medical and welfare services, and public service (academic research and specialized or technical service to some extent) tended to choose "heavy workload." In terms of company size, people who worked at larger companies tended to choose "heavy workload" more than those at smaller companies. With regard to occupation, administrative professionals such as research analysis and patent law service professionals, as well as medical service and education-related professionals, were significantly negative. That is, persons in management in these occupations worked beyond scheduled working hours but their likelihood of selecting "heavy workload" was relatively low.

Management who worked in places other than the usual workplace tended to select "the workload is heavy." Among management who worked beyond scheduled working

Table 18. What Are the Types of Management

Explained variable: Selection of "because the amount of work I have cannot be completed within scheduled working hours"=1, non-selection=0 Method : Probit	Estimate 1 N=649 pseudo R^2=0.13 Loglikelihood= -380.10			
Explanatory variable	Coefficient	Standard error	Z value	
Annual income (logarithm)	0.102	0.104	0.970	
Age (logarithm)	0.394	0.428	0.920	
Male	-0.263	0.263	-1.000	
Married	-0.137	0.213	-0.640	
Academic background {Junior high school/high school graduate}				
Junior college/technical college/special training school graduate	0.001	0.204	0.000	
University/Graduate school graduate	0.169	0.146	1.160	
Total actual working hours (logarithm)	1.606	0.304	5.280	**
Industry classification {Manufacturing}				
Construction	0.095	0.240	0.400	
Electricity, gas, water and heat supply	-0.238	0.410	-0.580	
Information and telecommunication	-0.235	0.280	-0.840	
Transportation and postal service	0.242	0.276	0.880	
Wholesale and retail	0.177	0.228	0.780	
Finance and insurance	0.231	0.252	0.920	
Academic research and specialized or technical service	0.491	0.310	1.580	
Lodging, restaurant, life services, and entertainment	0.008	0.476	0.020	
Education and learning support	1.192	0.374	3.180	**
Medical and welfare service	0.970	0.328	2.960	**
Service	0.203	0.243	0.840	
Public service	0.591	0.271	2.180	**
Other service	-0.346	0.406	-0.850	
Other	0.133	0.317	0.420	
Size {29～99 employees}				
100～999 employees	0.332	0.149	2.230	**
1000 employees or more	0.501	0.168	2.980	**
Occupation {General clerical work}				
General affairs, human resources, accounting, etc.	0.213	0.224	0.950	
Sales and marketing	0.304	0.207	1.470	
Customer service	-0.133	0.313	-0.420	
Administrative professional such as research analysis and patent law service	-0.963	0.439	-2.190	**
Technical professional such as R&D, design and SE	-0.012	0.232	-0.050	
Medical service and education-related professional	-0.814	0.327	-2.490	**
Field management/superintendent	0.083	0.275	0.300	
Manufacturing and construction work	-0.184	0.267	-0.690	
Transportation and driving	-0.269	0.323	-0.830	
Security and cleaning	-0.371	0.629	-0.590	
Other	0.002	0.257	0.010	

Who Have Heavy Workloads?

Estimate 2 N=646 pseudo R^2=0.13 Loglikelihood= -380.47				Estimate 3 N=646 pseudo R^2=0.13 Loglikelihood= -381.81				Estimate 4 N=645 pseudo R^2=0.13 Loglikelihood= -381.36			
Coefficient	Standard error	Z value		Coefficient	Standard error	Z value		Coefficient	Standard error	Z value	
0.093	0.105	0.890		0.091	0.104	0.870		0.098	0.104	0.940	
0.371	0.421	0.880		0.356	0.420	0.850		0.392	0.422	0.930	
-0.291	0.263	-1.110		-0.271	0.264	-1.030		-0.286	0.265	-1.080	
-0.160	0.213	-0.750		-0.161	0.213	-0.760		-0.173	0.213	-0.810	
0.030	0.203	0.150		0.063	0.203	0.310		0.070	0.203	0.350	
0.184	0.145	1.270		0.185	0.146	1.270		0.192	0.146	1.320	
1.545	0.306	5.050	**	1.592	0.304	5.240	**	1.598	0.306	5.230	**
0.101	0.240	0.420		0.137	0.240	0.570		0.136	0.239	0.570	
-0.280	0.410	-0.680		-0.228	0.412	-0.550		-0.235	0.413	-0.570	
-0.219	0.279	-0.780		-0.163	0.278	-0.590		-0.160	0.279	-0.570	
0.230	0.277	0.830		0.296	0.276	1.070		0.304	0.276	1.100	
0.182	0.229	0.790		0.239	0.229	1.040		0.242	0.229	1.050	
0.227	0.252	0.900		0.276	0.252	1.090		0.270	0.252	1.070	
0.513	0.307	1.670		0.542	0.307	1.770	*	0.559	0.308	1.820	*
0.037	0.475	0.080		0.089	0.471	0.190		0.095	0.471	0.200	
1.217	0.373	3.270	**	1.206	0.369	3.270	**	1.270	0.372	3.410	**
0.983	0.329	2.990	**	1.038	0.328	3.170	**	1.028	0.329	3.130	**
0.279	0.241	1.160		0.317	0.242	1.310		0.319	0.242	1.320	
0.606	0.270	2.240	**	0.645	0.271	2.380	**	0.646	0.270	2.390	**
-0.303	0.404	-0.750		-0.302	0.404	-0.750		-0.287	0.402	-0.710	
0.152	0.317	0.480		0.157	0.318	0.490		0.179	0.317	0.560	
0.295	0.148	1.990	**	0.311	0.147	2.110	**	0.296	0.147	2.010	**
0.433	0.166	2.610	**	0.457	0.166	2.750	**	0.437	0.166	2.630	**
0.172	0.225	0.770		0.194	0.223	0.870		0.184	0.223	0.820	
0.287	0.207	1.390		0.288	0.207	1.390		0.283	0.207	1.370	
-0.165	0.313	-0.530		-0.126	0.316	-0.400		-0.146	0.318	-0.460	
-0.970	0.439	-2.210	**	-0.937	0.435	-2.150	**	-0.923	0.435	-2.120	**
-0.010	0.232	-0.040		0.021	0.231	0.090		0.012	0.232	0.050	
-0.834	0.326	-2.550	**	-0.837	0.325	-2.570	**	-0.836	0.326	-2.560	**
0.067	0.276	0.240		0.071	0.275	0.260		0.062	0.275	0.230	
-0.186	0.265	-0.700		-0.134	0.266	-0.500		-0.145	0.266	-0.540	
-0.319	0.321	-0.990		-0.279	0.321	-0.870		-0.290	0.320	-0.910	
-0.395	0.633	-0.630		-0.402	0.629	-0.640		-0.401	0.635	-0.630	
0.015	0.258	0.060		0.003	0.257	0.010		-0.006	0.257	-0.020	

Table 18 *(Continued)*

Explained variable: Selection of "because the amount of work I have cannot be completed within scheduled working hours"=1, non-selection=0 Method: Probit	Estimate 1 N=649 pseudo R^2=0.13 Loglikelihood= -380.10			
Explanatory variable	Coefficient	Standard error	Z value	
Has a labor union	-0.051	0.130	-0.390	
Works in places other than the usual workplace	0.290	0.116	2.490	**
Work/leisure balance preference {About the same}				
Fully committed to work	0.026	0.314	0.080	
I need some leisure	-0.029	0.131	-0.220	
I prefer leisure	0.076	0.162	0.470	
I live for leisure	-0.595	0.260	-2.290	**
Degree of job discretion {Yes}	-0.089	0.189	-0.470	
Workplace flexibility {Flexible}	-0.096	0.114	-0.840	
Department manager level	-0.485	0.134	-3.610	**
Office arrival and departure times {I am not free to decide}				
I am free to decide	0.134	0.154	0.870	
I am free to decide, but do not	-0.026	0.171	-0.150	
Involvement in recruitment of regular employees {Not involved}				
Heavily involved	0.453	0.182	2.490	**
Somewhat involved	0.229	0.151	1.520	
Not very involved	0.199	0.161	1.230	
Involvement in placement of regular employees {Not involved}				
Heavily involved				
Somewhat involved				
Not very involved				
Involvement in recruitment of non-regular employees {Not involved}				
Heavily involved				
Somewhat involved				
Not very involved				
Involvement in placement of non-regular employees {Not involved}				
Heavily involved				
Somewhat involved				
Not very involved				
Constant	-10.874	2.567	-4.240	**

Notes: 1. Estimates calculated by the author based on the survey data of the Japan Institute for Labour Policy and Training (2009). *: P<0.1, **: P<0.05.

2.{ }shows the reference group of each dummy variable.

3.The targets are people at the section manager and department manager levels who work beyond scheduled working hours.

Estimate 2 N=646 pseudo R^2=0.13 Loglikelihood= -380.47			Estimate 3 N=646 pseudo R^2=0.13 Loglikelihood= -381.81			Estimate 4 N=645 pseudo R^2=0.13 Loglikelihood= -381.36		
Coefficient	Standard error	Z value	Coefficient	Standard error	Z value	Coefficient	Standard error	Z value
-0.058	0.130	-0.450	-0.085	0.130	-0.660	-0.095	0.129	-0.730
0.258	0.116	2.230 **	0.266	0.116	2.300 **	0.259	0.116	2.240 **
0.060	0.312	0.190	0.095	0.311	0.310	0.114	0.311	0.370
-0.041	0.131	-0.310	-0.018	0.131	-0.140	-0.014	0.131	-0.110
0.061	0.162	0.380	0.025	0.160	0.160	0.054	0.161	0.330
-0.587	0.261	-2.250 **	-0.565	0.259	-2.180 **	-0.559	0.259	-2.150 **
-0.078	0.189	-0.410	-0.111	0.189	-0.590	-0.095	0.189	-0.510
-0.077	0.114	-0.680	-0.059	0.114	-0.520	-0.067	0.114	-0.590
-0.430	0.132	-3.270 **	-0.419	0.129	-3.240 **	-0.411	0.130	-3.160 **
0.170	0.155	1.100	0.157	0.153	1.020	0.150	0.154	0.980
-0.032	0.171	-0.190	-0.037	0.171	-0.210	-0.045	0.171	-0.260
0.266	0.180	1.480						
0.200	0.137	1.460						
0.297	0.162	1.830 *						
			0.247	0.158	1.570			
			0.120	0.136	0.890			
			0.062	0.174	0.360			
						0.166	0.160	1.040
						0.124	0.138	0.900
						-0.008	0.168	-0.050
-10.341	2.552	-4.050 **	-10.517	2.547	-4.130 **	-10.686	2.559	-4.180 **

hours, those who had multiple workplaces tended to have heavy workloads. The likelihood of selecting "heavy workload" was low among management who "lived for leisure," even if they worked beyond scheduled working hours. Discontent was expected to be high among these people as they worked beyond scheduled working hours in spite of their strong preference for leisure.

The freedom to decide office arrival and departure times in question failed to obtain a significant value in all of the four estimates. What this result suggested was that management's freedom to decide their office arrival and departure times did not affect their heavy workloads. As described in section 1, according to the Japan Personnel Research Institute's (2005) analysis of judicial cases, freedom of time management was a secondary criterion in court decisions, and the results of this article's analysis supported this point.

With respect to the recruitment and placement of regular and non-regular employees, the four items were analyzed separately on the assumption that they were strongly correlated. As a result, it was found that those who were heavily involved in the recruitment of regular employees and those who were not very involved in the placement of regular employees tended to select "the workload is heavy." Since the benchmark was that they were "not involved," "not very involved" could be interpreted as "involved, even if only slightly." In other words, it can be said that management who were at all involved in the recruitment and placement of regular employees tended to select "heavy workload." While the coefficients were positive for management heavily involved in the recruitment and placement of non-regular employees, they were not statistically significant. Thus, it can be inferred that the recruitment and placement of regular employees had a greater influence on the size of the workload than the recruitment and placement of non-regular employees.

What do these analysis results suggest? While the freedom to decide office arrival and departure times was considered as a variable for finding out the influence of exclusions from the application of company-controlled working hours, a factor for managing supervisors, this element did not affect management's heavy workloads. However, personnel-related work such as recruitment and placement (of regular employees in particular) did have an effect. In many cases, the recruitment and placement of human resources, as well as the coaching and fostering of subordinates, are important jobs for persons in managerial positions. If these personnel-related jobs are tough, they are likely to lead to heavy workloads.

Furthermore, people at the department manager level tended to select "the workload is heavy" less than people at the section manager level. Even when the various variables included in the analysis were kept constant, people at the section manager level were more likely to select "heavy workload." However, this result cannot be explained merely by the nominal difference between people at the section manager and department manager levels. In other words, it suggests that other factors that were not included in this analysis might

have an influence on the difference between people at the section manager and department manager levels.[11] Although it would be very interesting to find out what those factors might be, unfortunately, further analysis is not possible due to the constraints of survey data. For now, as Sato (2004) has pointed out,[12] this author shall adopt the "playing-manager hypothesis" (that the workload becomes heavier as the degree of being a player-manager increases) with the intention to further pursue this issue in the future.

VII. Conclusion and Issues

According to a simple comparison of average values, people at the section manager and department manager levels tended to work longer hours than rank-and-file employees. Furthermore, even when the influence of various attributes was kept constant, it was found that persons in management worked somewhat longer hours.

In order to consider the issue of management's exclusion from the application of company-controlled working hours, the effect of the freedom to decide office arrival and departure times on the size of their workloads was studied, but this article's analysis found that this factor did not have an influence. Regardless of whether they are free to decide their office arrival and departure times, many people in managerial positions work long hours, and their exclusion from the application of controlled working hours due to their status as managing supervisors can be speculated as having very little meaning under current circumstances, in the sense of any autonomous selection of the length of working hours.

Meanwhile, it was found that personnel-related work such as recruitment and placement affected the size of the workload. This point can be considered as an issue that is unique to management and is not seen among rank-and-file employees.

While this article's analysis is exploratory and first-stage, since the effect of some personnel-related work has been suggested, further study into the content of management's work is necessary as a future task. If factors such as the content of work, the degree to which a person is a playing-manager, the number of subordinates, and how many of them stand in the way to his/her success can be found, the possibilities for research could expand.

The issue of long working hours is a big problem, and the fundamental questions of "What kind of person works long hours?" and "Why do they work long hours?" remain mostly unanswered.[13] While the issue of working hours is a matter of legal systems and

[11] A separate analysis was conducted using cross-terms between degrees of involvement in the recruitment and placement of regular and non-regular employees on the one hand and people at the section manager and department manager levels on the other, but no clear difference could be found.

[12] Sato (2004) pointed out that management staff were becoming more like playing-managers.

[13] Ogura (2008) described the issues for research on working hours. Genda (2009) organized research work on long working hours and found, by analyzing the Employment Status Survey, a growing trend for long working hours among workers with short lengths of service in recent years. This is an important finding in terms of detecting change.

each working individual, it is also a matter of organizations' personnel systems and their operations, as well as a matter of management.[14]

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[14] Sato (2003) pointed to the importance of managers' actions at the workplace level in order for a discretionary labor system to function properly. In addition, Sato (2008) described workplace-level management issues concerning long working hours.

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Legal Issues Concerning Nominal Supervisors and Managers

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Under Japan's Labor Standards Act, a person who falls under the category of a supervisor or manager is excluded from application of that Act's provisions concerning working hours. There are some Japanese businesses which, on the basis of these, do not apply the provisions of law that are related to working hours to persons who have been appointed to management, and do not pay such managers increased wages no matter how many hours they are made to work. The scope of supervisors and managers is limited, however, both by case law and by administrative notification, and most such handling is likely to be in violation of the Labor Standards Act. Since one of the things at the root of these breaches of law is the defectiveness of such legislation, it is only reasonable that such laws be revised.

I. What Has Made "Supervisors and Managers" an Issue

The January 28, 2008, judgment rendered by the Tokyo District Court was widely reported by the mass media; the court had decided that a manager at a McDonald's Japan location did not fall under the category of a supervisor or manager (*McDonald's Japan* case, Tokyo District Court, Jan. 28, 2008, 953 *Rodohanrei* 10). Supervisors and managers in legal term (hereinafter "supervisors and managers"), according to Article 41 of the Labor Standards Act, are not subject to the regulations on working hours under the same Act. However, as a legal concept, the term is not the same as the conventionally-used words "manager" and "supervisor." A person does not necessarily come to fall under the category of a supervisor or manager as defined in the Labor Standards Act as soon as he/she becomes a low-level section manager.

Japan's Labor Standards Act has fairly meticulous regulations on working hours; specifically, they prescribe a maximum of 40 working hours a week, with an 8-hour-a-day upper limit (Article 32). Businesses that have their employees work in excess of these limits (meaning those that have their employees work overtime) must enter into an agreement (below, a "labor-management agreement") with a labor union which has been organized by a majority of the workers at the workplace, or with a person who represents the majority of the workers if there is no such labor union, and then must notify the Director of a Labor Standards Inspection Office of this agreement (Article 36, Paragraph 1). Additionally, businesses must pay their employees' wages for overtime work at the rate of at least 25% over and above their base wages, and from April of 2010, this increased to a minimum rate of time-and-a-half if the employee's overtime work exceeds 60 hours in one month. If a labor-management agreement is in place, however, payment under this new increased rate can be substituted for vacation time (Article 37).

Businesses are subject to penalties for having their employees work overtime if labor-

management agreement are not in place, nor has been reported to the Director of a Labor Standards Inspection Office, or if increased wages are not being paid (Article 119, Item [i]). Further, when an employer has failed to pay these increased wages, the court can, at the worker's request, order the employer to pay additional monies over and above the amount owed to the worker, up to the value of the amount it failed to pay (Article 114).

This summarizes the provisions related to working hours. Further, employers are under obligation to provide their employees with rest periods during working hours: a 45-minute rest period for each period of work in excess of 6 hours and a 60-minute rest period for 8 or more working hours (Article 34). Regulations on days off also oblige the employer to give their employees one day off a week or 4 days off out of each 4-week period (Article 35).

Conversely, Article 41 of the Labor Standards Act stipulates that these regulations on working hours do not extend to the categories set forth in the items under that Article. Namely, Item (i) provides for the exclusion of persons engaged in farming, livestock business, and fishing from the scope of such regulations. This is because these industries are heavily impacted by natural influences, such as the weather and the season. Item (iii) excludes "Persons engaged in monitoring or in intermittent labor, with respect to which the employer has obtained permission from the relevant government agency." According to administrative notification,[1] "persons engaged in monitoring" refers to "those for whom monitoring from a defined location constitutes their essential duties, and who ordinarily undergo little physical or mental strain" (Sep. 13, 1947, *Hatsuki* No. 17; Mar. 14, 1988, *Kihatsu* No. 150), and "persons engaged in intermittent labor" refers to "persons who do not have many periods of rest, but who do spend long periods of time idle." People engaged in monitoring and intermittent work are acknowledged as being outside the scope of application of the legal provisions on working hours because they either undergo little physical or mental strain or because even though they are at work for a continuous period of time, they have long idle periods.

Item (ii) of Article 41 prescribes "persons in positions of supervision or management or persons handling confidential matters, regardless of the type of enterprise" as those excluded from application of the provisions on working hours. To be accurate, the term "supervisors and managers," as we discuss it here means, in the words of the law, "persons in positions of supervision or management." According to administrative notification, the phrase "persons handling confidential matters," included alongside "supervisors and managers," indicates "secretarial or other duties which are an integral part of the activities of the proprietor or a person in a position of management or supervision who does not fit in with strictly regulated working hours" (Sep. 13, 1947, *Hatsuki* No. 17).

The real meaning of the failure of these regulations on working hours to extend to

[1] Internal administrative guidelines on interpretation which are issued in order to ensure the smooth and unified progress of regulatory administration at Labor Standards Inspection Offices, the administrative organs that monitor the enforcement of the Labor Standards Act.

such persons is that since no legal working hours are specified for them (Labor Standards Act, Article 32), even if they work in excess of legal working hours (8 hours a day, 40 hours a week), they will not be working overtime. The particular material effect of the fact that such persons do not work overtime is that it puts their employers under no obligation to pay them increased wages (Labor Standards Act, Article 37). Night work is not exempt from the regulations that oblige the payment of increased wages (*Kotobuki* case, Second Petty Bench, Supreme Court Judgment, Dec. 18, 2009, 1000 *Rodohanrei* 5); however, administrative notification states that "when a fixed wage that includes increased wages for night work has clearly been provided for in a collective labor agreement, work rules, or otherwise, increased wages need not be paid separately for night work" (Mar. 31, 1999, *Kihatsu* No. 168), which effectively waters down these regulations.

Be this as it may, under the Labor Standards Act (Article 9), "supervisors and managers" are still workers, and protection under that Act should be extended to them as such by law. Even if this is limited to regulations on working hours, it should be an exceedingly exceptional case in which these are not applied. From the viewpoint of keeping down labor costs, a system that makes use of "supervisors and managers" may be an attractive one to a company, but the conditions under which such a system is applied must be strictly assessed.

This having been said, no definition for the term "supervisors and managers" has been provided in the letter of the law, and it is not clear exactly who falls under this category. In an average business firm, once a person becomes a low-level section manager, he/she takes on a managerial role. It might even be natural for some businesses to treat an employee who has been promoted to section manager as a supervisor or manager in legal term. However, anyone with a little bit of legal knowledge on personnel and labor should know that a cautious examination is necessary before treating an employee as such a supervisor or manager. Instead, some companies have begun to use the fact that the term has no clear definition under law as an opportunity to pad the rolls of their managerial staff, making employees into section managers in title alone and having them go about their normal duties. This is what has created the societal issue of the "nominal supervisor or manager"—the manager who is such in title alone.

II. Evaluation Criteria for "Supervisors and Managers"

First of all, administrative notifications provide fairly concrete evaluation criteria for "supervisors and managers" (Sep. 13, 1947, *Hatsuki* No. 17; Mar. 14, 1988, *Kihatsu* No. 150). These notifications say, regarding the general criteria for "supervisors and managers," that the terms "mean a department head, foreman, or other such person, who works in an integrated position with that of the proprietor regarding decisions on working conditions and other aspects of labor management, and whether a person falls under the category should be judged according to actual conditions, irrespective of his title." If we consider that "supervisors and managers" are people who work "in an integrated position with that of the

proprietor," the scope of these titles becomes a rather limited one. These general criteria are further embodied as follows.

First, "supervisors and managers" are recognized as being limited to, "from among the persons in the organizational structure who are in positions of responsibility, those persons who hold positions which carry essential job duties and responsibilities, in which the actual working terms do not fit with the regulations on working hours, etc., and for which there is no other choice but to request operation outside the scope of the regulations on working hours, breaks, and days off." Further, decisions on this scope are not made based on qualifications or job title, but instead "it is necessary to focus on the details of the person's job duties, his/her responsibilities and authority, and the actual working terms."

Moreover, wages are treated as an aspect that is not to be ignored, "in such a case, it is important to bear in mind whether the regular salary that makes up the base wages and the perquisites for roles with responsibility are being treated as befits the position, and whether there is favorable treatment in comparison to ordinary employees who are not in positions of responsibility in regard to the rate of bonuses and other lump-sum payments and the basis for calculation of such wages."

Recently, at a time when this issue of people who are managers in title alone is being frequently reported, a new notification entitled "On the Proper Scope of 'Supervisors and Managers'" was released, with the purport of making these previous notifications more familiar to all (April 1, 2008, *Kikanhatsu* No. 0401001).

The court has also indicated evaluation criteria that are essentially the same as that of the notifications. While there is as yet no Supreme Court precedent, the initial McDonald's Japan judgment followed existing judicial precedent in indicating the following evaluation criteria for "supervisors and managers."

First, as a generality, "the provisions of the Labor Standards Act concerning working hours do not apply to "supervisors and managers" (Article 41, Item [ii] of that Act); however, in terms of their integrated position with the proprietor, "supervisors and managers" are given essential duties and authority such as will leave no choice other than requesting that they carry out business operations outside the scope of the provisions on working hours, etc. under the same Act, as business management necessitates. Since "supervisors and managers" are treated preferentially in comparison to ordinary employees in the handling of their wages, etc. and in their actual working terms, even though they are exempt from application of the provisions on working hours, etc., such treatment prevents violations to the basic principles mentioned above, and the lack of application of such provisions is understood to be based on the purport that there is no lack of protection for the worker."

The McDonald's Japan case was as follows.

Worker X, the plaintiff, was recruited by Company Y, a stock corporation which has as its purpose the sale, etc. of hamburgers, etc., in February of 1987. In ascending degree of authority, Company Y's management was made up of the ranks of manager in training, second assistant manager, first assistant manager, restaurant manager, operations consultant

(OC), operations manager, sales manager, and general manager of sales promotion (who was also the representative director). At this time, the person who directed the overall manufacture and sale of products during each shift at a shop was called the "shift manager," and Company Y made it necessary for there to be a shift manager at the restaurant during each shift. The people who were able to work as the shift manager were the swing manager (a part-time employee), the restaurant manager, and the first and second assistant managers.

Worker X was first hired as a manager in training, became a second assistant manager in July of 1987, a first assistant manager in November of 1990, and then was promoted to restaurant manager in October of 1999. At the end of 2007, Company Y had 277 employees working in positions above that of restaurant manager, 1715 people working as restaurant managers, 2555 employees working as managers in training or assistant managers, and also had part-time employees.

Under Company Y's employment regulations, restaurant managers and others were considered to be "persons in positions of supervision or management," (see the Labor Standards Act Article 41, Item [ii]), and were exempted from application of legal provisions regarding working hours, rest periods, days off, and increased wages for overtime work and work on days off. Worker X filed suit, as a restaurant manager who did not come under the category of a supervisor or manager in legal term, demanding to be paid two years' worth of unpaid increased wages. The judicial decision, which applies the previously-mentioned general evaluation criteria to the matter at hand in this case, reads as follows.

"In order to say that a person is a supervisor or manager in legal term, it must be determined that not only his/her title as a restaurant manager, but also his/her position, is one that substantially fulfills the purport of the previously-mentioned Act, and an evaluation must be made of the concrete features of (i) how he/she is involved in important matters regarding the business management of the enterprise as a whole, including labor management, in light of the contents of his/her duties, authority, and responsibility; (ii) whether the actual terms under which he/she works truly do not fit in with the regulations on working hours, etc.; and (iii) whether he/she is being treated as befits the supervisor or manager in terms of salary (base wages, perquisites for roles with responsibilities, etc.) and bonuses."

Further, in regard to each of these features it was found that (i) though it could be said that a McDonald's Japan's restaurant manager assumes great responsibility in the operations of the restaurant, his duties and authority are limited to matters within the relevant restaurant, and it cannot be acknowledged that he is involved in essential duties or that he holds authority in an integrated position with that of the proprietor; that (ii) the duties undertaken by a restaurant manager are carried out based on no more than policies which are provided for informational purposes at any number of meetings and in the manual distributed by the company, and these duties cannot be said to have the quality or the content of failing to fit in with the regulations on working hours, etc.; and that (iii) there is no considerable disparity between a restaurant manager's yearly salary and that of a senior assistant manager, who is not a supervisor or manager and in regard to the actual working terms of a restaurant

manager as well, this is not sufficient as treatment toward a supervisor or manager in legal term. It was upon these grounds that, as its conclusion, the court disavowed Worker X as having the qualities of a supervisor or manager.

The court acknowledged only half of the unpaid additional monies. This may have been due to the court's assessment of circumstances which indicated that the fault did not lie solely with the company in this case.

As can be seen from this decision, as well as from judicial precedent, just as it is stated in administrative notification, the scope of supervisors and managers is a limited one. A review of past judicial precedents also reveals that there are very few examples of a person having been acknowledged as a supervisor or manager in legal term. One such example is the recent judicial precedent set in the Feb. 8, 2008, Kobe District Court Himeji Branch judgment in the *Banshu Shinyo Kinko* Case (958 *Rodohanrei* 12), in which the court disavowed that the bank's branch manager had the quality of the supervisor or manager.

In a different judicial precedent by a regional court, the assistant sales manager of a taxi company was acknowledged as having the quality of the supervisor or manager. In this case, circumstances were such as that (i) through roll calls at the end of the shift and upon dispatch, he was in a position to directly manage and oversee a large number of crew members; (ii) in terms of recruitment, he was involved in interviewing crew members and played an important role in deciding whether or not to hire them; (iii) although it was acknowledged that he had little free time because of his busy workday, conditions were such as allowed him to return home from his destination simply by contacting the company without receiving any kind of direction from the managing director, his only boss, and no particular restrictions were put on his working hours; (iv) in comparison to other employees he was receiving a large amount of compensation, at over 7 million yen [approx. US$61,000 at the time] including his base salary and service benefits, and this was the highest amount among employees of the company; (v) he was a member of the management council, whose meetings were attended by company officers and other key employees; and (iv) he would attend meetings and appear in place of the managing director as the company's representative (*Meinohama Takushi* case, Fukuoka District Court Judgment, Apr. 26, 2007, 948 *Rodohanrei* 41). When conditions such as these converge, a person may fall under the category of a supervisor or manager in legal term (another example of this is the affirmation of a branch manager of a securities company as a supervisor or manager, the *Nippon Fasuto Shoken* case, Osaka District Court Judgment, Feb. 8, 2008, 959 *Rodohanrei* 168).

In other evaluations of whether a person falls under the category of a supervisor or manager in legal term the most difficult criterion to satisfy is that such a person works in "an integrated position with that of the proprietor," and as in the case involving the taxi company, when the company size is not so large, if an employee is being materially entrusted with important authority in the area of management, this means that he/she could be found to be the supervisor or manager.

III. Regulations on Working Hours for White Collar Workers

Even if there are some such exceptions, it bears repeating that an employee falls under the category of a supervisor or manager in legal term only in the most circumscribed cases. A person being promoted to management in the company where he/she works does not mean that it automatically becomes legally permissible to deviate from working hour regulations under the Labor Standards Act. To begin with, when any person from among the employees is to be promoted to management and how many of them are to be promoted are decisions that can be made at a company's discretion. The fact that the application of the provisions on working hours under the Labor Standards Act fully depends on a company's discretion goes against the principle of that Act, which applies irrespective of any of the parties' intentions. The true significance of the compulsory provisions of the Labor Standards Act is that conditions which are more disadvantageous to the employee than the standards prescribed in the Labor Standards Act cannot be taken up for decision within a company through its employment regulations, nor can they be decided between a company and an employee through an agreement reached in an employment contract. As stated at from the beginning, from the perspective that the supervisor or manager is also a worker, working hour regulations under the Labor Standards Act must be applied as a rule, and exclusion of application must, by law, be limited to persons who are objectively found to be "supervisors and managers".

There is simply no justification for companies to prototypically have their employees promoted to manager in title alone, merely with the objective of keeping down their labor costs. There is also a sufficient possibility that even if a worker is actually promoted to management, he/she still will not coincide at all with the category of "supervisor and manager" under the Labor Standards Act.

A company's use of a management staff that does not sufficiently fulfill the legal requirements for "supervisors and managers" and its failure to apply the provisions related to working hours are materially the same as that company making its staff work free overtime, and from the standpoint of compliance, this cannot be permitted.

This is not, however, to say that there are no points on which we may sympathize with such a company.

No one is likely to deny that there do exist groups of workers to whom working hour regulations are not suited. Discretionary work systems have been established within existing laws for such groups of workers; namely, one for professional work and one for management-related work (provided under Article 38-3 and Article 38-4 of the Labor Standards Act, respectively). Both types of discretionary work system allow for regulations for a way of regarding working hours under a fixed set of requirements in cases where it is necessary, due to the nature of a worker's duties, to leave the manner in which those duties are carried out largely to the discretion of the worker engaged therein. These hours a worker is deemed to have worked are not connected to his/her actual working hours, but are treated by law as

a fixed period of hours that he/she has worked. Hours that workers are deemed to have worked are provided for in labor-management agreements with a person representing the majority of the workers under the discretionary work system for professional work, and by resolution of the labor-management committee under the discretionary work system for management-related work. If these hours are provided for so that an employee will be deemed to have worked within the scope of 8 hours a day and 40 hours a week, it will avoid giving rise to overtime work and the employer will bear no obligation to pay the employee increased wages, regardless of how many hours that employee works.

Discretionary work systems are particularly adaptable for working hours for workers for whom performance-based wages have been introduced. Although increased wages for overtime work are paid in proportion to the hours worked, where the base salary being paid is dependent on performance, due to the mixture of hourly wages and performance wages, there is no conformity within the wage system, and in this point is less than desirable. In the system for increased wages, one of the aims is to curtail overtime work. However, workers who have discretion in the performance of their duties and to whom performance-based wages apply may decide on their own judgment to work longer hours in order to produce results, and being compelled to curtail their overtime hours could become rather an annoyance.

Although such a discretionary work system may be necessary as a system of working hours for a fixed set of workers, the requirements for its application under the law are exceedingly rigid. The discretionary work system for professional work only admits professional work set forth in the Ordinance for Enforcement of the Labor Standards Act (Article 24-2-2)—such as that of attorneys, CPAs, university professors, architects, real-estate appraisers, and certified tax accountants—and as previously stated, an agreement must be concluded with the representative of the majority of the workers to adopt this system. The discretionary work system for management-related work accepts "work in planning, drafting, investigating, and analyzing matters related to the operation of the business," and as the process for this system to be accepted, a resolution by a four-fifths or greater majority of the labor-management committee is necessary. In particular, the numerical requirements of the latter are exceedingly strict, and in actuality, the discretionary work system for management-related work has hardly been introduced at all (according to the Ministry of Health, Labour and Welfare's General Survey on Working Conditions 2009, the percentage of businesses that have introduced this system has come to a halt at 1.0%, and the rate of introduction is also low for the discretionary work system for professional work, at 2.1%).

This is one reason why recently the introduction of a white collar exemption is being so actively advocated in financial circles.

In politics, as well, the introduction of a "self-managed labor system," which could also be thought of as Japan's version of a white collar exemption, was conceived in the Outline of the Bill for the Act for Partial Revision of the Labor Standards Act, which was deliberated on by the Labour Policy Council on January 25, 2007. Naturally, just as in the dis-

cretionary work system for management-related work, there were strict requirements for the introduction of the self-managed labor system, such as the necessity of a resolution by at least a four-fifths majority of the members of the labor-management committee. Further, this system was rather limited in regard to the workers who would have been subject to its application; namely, (i) persons engaged in work whose results could not be adequately appraised in working hours; (ii) persons who were in positions which were appropriately commensurate with the significant authority and responsibilities of their duties; (iii) persons who did not receive concrete direction from their employers on decisions regarding the means by which they were to perform their duties and the distribution of their hours; and (iv) persons with appropriately high yearly incomes (it was envisaged that the workers to whom this would apply would be persons in positions just under that of "supervisors and managers"). Additionally, although the scope of work that would have been excluded from application under this system covered everything subject to working hour regulations, including night work, days off would have had to be strictly observed at the rate of at least four or more days off in a four-week period and the number of days equivalent to at least one year's worth of two-day weekends (104 days), and failure to observe these would have been subject to penalty.

In the end, this system was withdrawn, but it is the opinion of this author that it is necessary to introduce into Japan a white collar exemption in which workers are fully excluded from application of working hour regulations under fixed requirements, and that also, it is necessary to make the requirements for introducing such an exemption more lenient than those conceived under the self-managed labor system.

From its inception, the Labor Standards Act was the offspring of the Factories Act, and the provisions related to working hours, as well, were envisaged as being hours worked by blue collar workers in factories, where labor was bound under the control and supervision of superiors. However, the number of white collar workers has increased, and as such, the number of people who are working differently from blue collar workers is also increasing. It is because of this that today we are starting to see these working hour regulations—which have factory labor as their premise—come apart at the seams. In actuality, revisions to the Labor Standards Act in recent years have one after another progressively allowed more flexibility in working hour regulations. For instance, the variable working time system (Labor Standards Act, Article 32-2, Article 32-4, and Article 32-5), the flextime system (Labor Standards Act, Article 32-3), a system for work outside the workplace (Labor Standards Act, Article 38-2), and introduction of discretionary work systems (Labor Standards Act, Article 38-3 and Article 38-4) are examples of this. This is also evidence that the fundamental framework of regulations on working hours no longer fits the actual conditions of a society in which the majority of people are employed workers. The introduction of flexible regulations on working hours that are more compatible with actual white collar working conditions has become a pressing issue.

However, it goes without saying that it would not do for companies to arbitrarily in-

troduce new standards on flexible working hours to suit themselves; it is necessary to constantly consider the fact that regulations on working hours have the essential role of ensuring the worker's health. Although the system of supervisors and managers is, in actuality, a system with the same results as a white collar exemption, this is with the unbending precondition that the supervisor or manager be in a management position, and it is not permitted to treat employees who are not in such positions as "supervisors and managers," no matter how much they do not fit in with the regulations on working hours. Even less needless to say is how impermissible it is to treat an employee who does fit in with regulations on working hours as a supervisor or manager with the sole aim of circumventing the burden of increased wages.

In a country governed by the law, as long as the law contains certain rules and regulations, they must be upheld. It is only natural for society to denounce those companies that fail to comply.

IV. Companies Are Not the Only Ones at Fault

This having been said, this author feels hesitant, in looking at the actual conditions in which violations of the Labor Standards Act have proliferated in the form of these nominal "supervisors and managers," to place the blame on the companies alone. When the law is universally not being upheld, it is not only because there is weakened awareness of compliance; we also need to consider whether perhaps there is some deficiency in the law that is not being upheld. Attaining awareness on this kind of issue can also be what gives rise to constructive legislative policy.

So, is it that there is some problem in existing laws and regulations concerning "supervisors and managers"? In regard to this point, the following factors are particularly noteworthy.

Apart from the case under Article 41, Item (iii) of the Labor Standards Act, exclusion of "supervisors and managers" from application of the provisions related to working hours does not necessitate advance permission from the Director of a Labor Standards Inspection Office. In regard to what kind of worker falls under the category of a supervisor or manager, although, as already mentioned, judicial precedents and notifications indicate criteria for this, in the end there is no other recourse but to judge each case on an individual basis in accordance with actual conditions, and this is problematic in terms of clarity. A business enterprise may often have difficulty in judging which type of employees it is legally permissible to treat as "supervisors and managers."

Such vagueness seems to be the principle cause that has produced the nominal "supervisors and managers." Let us examine this point in comparison to the discretionary work system, to use an example. In this system, at the very least, it is made clear before the fact which employees are subject to its application. In the discretionary work system for professional work, as previously mentioned, the types of profession to which the system applies

are specified in laws and regulations (Ordinance for Enforcement of the Labor Standards Act, Article 24-2-2), the concrete duties that are subject to its application are to be decided in a labor-management agreement (Labor Standards Act, Article 38-3, Paragraph 1, Item [i]), and a notification of that labor-management agreement is to be submitted to the Director of a Labor Standards Inspection Office (Labor Standards Act, Article 38, Paragraph 2 and Article 38-2, Paragraph 3).

Guidelines are also set forth for the work to which the discretionary work system for management-related work applies, the specific jobs to which the system applies are to be decided by a resolution of the labor-management committee (Labor Standards Act, Article 38-4, Paragraph 1, Item [ii]), and a notification of that resolution is to be sent to the Director of a Labor Standards Inspection Office (main paragraph of the same Article).

In this way, the legal system has made it so that companies are unable to arbitrarily decide what work is subject to application of the discretionary work system. No such ex-ante regulation exists, however, in regard to "supervisors and managers." The lack of regulations under the law may have caused companies to establish individual, loose sets of standards for themselves, setting off the institution of workers who are "supervisors and managers" in title alone.

V. A Desirable Legal System

Well, then, what kind of legal system would be more desirable? The truth is that it is exceedingly difficult to define a supervisor or manager under the law, and it may prove to be a challenge to ask for criteria that are more concrete than what we have from existing judicial precedent and notifications.

One concept similar to "supervisors and managers" is that of the representative of a company's interests. Article 2 of the Labor Union Act sets forth that "[a group] which admits to membership officers; workers in supervisory positions having direct authority with respect to hiring, firing, promotions, or transfers; workers in supervisory positions having access to confidential information relating to the employer's labor relations plans and policies so that their official duties and responsibilities directly conflict with their sincerity and responsibilities as members of the labor union; and other persons who represent the interests of the employer" shall not be acknowledged as a labor union under that Act (Labor Union Act, Article 2, Item [i]). If it does not fall under the category of a labor union under the Labor Union Act, a group cannot make use of the protections and remedies against unfair labor practices under that Act (see Article 5, Paragraph 1).

The scope of representatives of a company's interests is not concretely set forth in the law. However, the scope of union members is often decided in a collective labor agreement between a business and a labor union, and usually, in terms of actual duties, people in and above the level of a low-ranking section manager are made nonunion workers. The scope of the treatment of nonunion workers in a collective labor agreement and the scope of repre-

sentatives of a company's interests under the Labor Union Act are not, strictly speaking, in conformity on all points, but in substance, there is the aspect that the scope of the representatives of a company's interests are defined in the labor agreement.

As a legal policy, it is sufficiently worth considering that employer-employee autonomy determines the scope of "supervisors and managers," just as it does for representatives of a company's interests. As previously mentioned, in the current systems for discretionary working hours, although the method is different from a collective labor agreement, the scope of persons subject to application of the system is determined beforehand in a labor-management agreement or by the resolution of a labor-management committee, and a notification is sent to the Director of a Labor Standards Inspection Office. It is sufficiently possible to also make the system for "supervisors and managers" one in which the concrete scope of this category is decided in a labor-management agreement, and where a Labor Standards Inspection Office is notified of the agreement and the agreement undergoes a series of checks. Companies may find this to be a bit of an annoying process in comparison to the provisions of existing laws and regulations, but this kind of ex-ante regulation is vital in the dramatic results it would bring about in exclusions from application of provisions on working hours. Further, this would bring balance to the current system where permission from the Director of a Labor Standards Inspection Office is to be obtained so as to exclude persons engaged in monitoring or intermittent labor from the application of the provisions on working hours under Article 41, Item (iii) of the Labor Standards Act. This would also have the merit of making it easy to avoid any ex-post facto conflict concerning "supervisors and managers."

In its essence, the point at issue is that, in comparison to other similar legal systems, the system for "supervisors and managers" has not been sufficiently endowed with the necessary procedural requirements for its adequate operation. It is reasonable to argue that those using the loophole in the law are at fault. One might also argue, however, that the government has an obligation to ensure that there are as few loopholes as possible. As it exists, the current system for "supervisors and managers" is much too vulnerable, and this is highly likely to have triggered violations of the Labor Standards Act.

Study on Trends in Diversification of Employment: Customized Calculations in the Ministry of Health, Labour and Welfare's General Survey on Diversified Types of Employment

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I. Introduction

The Japan Institute for Labour Policy and Training (JILPT) is engaged in ongoing research into non-regular employment. As part of this, JILPT has implemented customized calculations on individual data collected as part of the Ministry of Health, Labour and Welfare's General Survey on Diversified Types of Employment (hereinafter referred to as the D-Survey), in order to work towards an integrated understanding and analysis of non-regular employment trends in Japan.[1] This paper selects and introduces themes from among those results that are considered to be of potential interest to people outside Japan.

II. Concerning the D-Survey

1. Outline of the Survey

The D-Survey is a government statistical survey implemented by the Ministry of Health, Labour and Welfare approximately once every four years. It comprises a Survey of Workplaces, which looks at randomly selected private companies engaged in industries other than agriculture, forestry and fisheries, with five or more regular employees, and a Survey of Individuals, which focuses on people working in such workplaces.

The customized calculations were performed on survey results data collected in October 2003 and October 2007.[2] The 2003 survey was implemented in regard to approximately 16,000 workplaces and approximately 30,000 workers, and responses were collected from 71.6% of workplaces and 71.0% of workers. The 2007 survey was implemented in regard to approximately 15,600 workplaces and approximately 56,000 workers, and responses were collected from 69.0% of workplaces and 51.2% of workers.

The main areas covered by the D-Survey are, for workplaces, numbers of workers (categorized by employment type) and increases or reductions in structural ratio of each type, reasons for utilizing non-regular employment, and issues or problems arising. The

[1] The research was conducted jointly by four researchers at JILPT (Ogura, Takahashi, Fujimoto, and Asao) and was compiled as JILPT Research Report No. 115 "Transition of Diversification of Employment II: 2003-2007." However, Asao assumes responsibility for the wording of this paper.

[2] This is the third time that JILPT has performed customized calculations on the D-Survey. This was previously done in regard to 1994, 1999 and 2003. This paper is a continuation of that previous work.

Survey of Individuals, on the other hand, asked about occupational attributes, the reason for selecting the worker's current employment type, his or her hopes regarding future employment type, qualifications held that are relevant to current work, etc.

2. Definition of Employment Type for Purpose of Survey

The D-Survey uses the following categorizations of employment type. Definitions are given here as in the survey document.

- Regular employees: Full-time, "typical employees," in other words, those employees who are employed without a fixed term attached to their employment conditions, other than those who work part time or are transferred from other companies
- Contract employees: Those employed in designated occupations, who are subject to a fixed-term contract with the objective of utilizing their specialist knowledge
- Entrusted employees: Those employed by contract with the purpose of re-hiring employees who have reached retirement age, for a fixed period of time
- Transferred employees: Those transferred from another company according to a transfer contract (regardless of whether or not they still have employment status at the originating company)
- Dispatched workers: Those dispatched from another source based on the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers
- Dispatched fixed-term employed workers: Those who, while being dispatched workers, are also registered as staff with a dispatch company
- Dispatched permanent employed workers: Those who, while being dispatched workers, are also permanent employees of a dispatch company
- Temporary workers: Those employed on a short-term or daily basis (applicable to workers with an employment period of one month or shorter)
- Part-time workers: Those with a shorter working day than regular employees, or who work for fewer days of the week
- Others: Workers not covered by any of the above (including those working for similar hours or number of days to regular employees, and who are referred to as "part time workers" or other similar terms)

The only distinction made between dispatched fixed-term employed workers and dispatched permanent employed workers is in the Survey of Individuals.

3. Some Comments on Definitions of Employment Types

When implementing a survey based on the categories above, there are some employment types that seem to cause a strong awareness of the problems of non-regular employment, and some that do not. Transferred employees, for example, maintain regular employee status at the company to which they are transferred, and in many cases are required to work the same hours, and receive the same benefits, as the regular employees in their workplace,

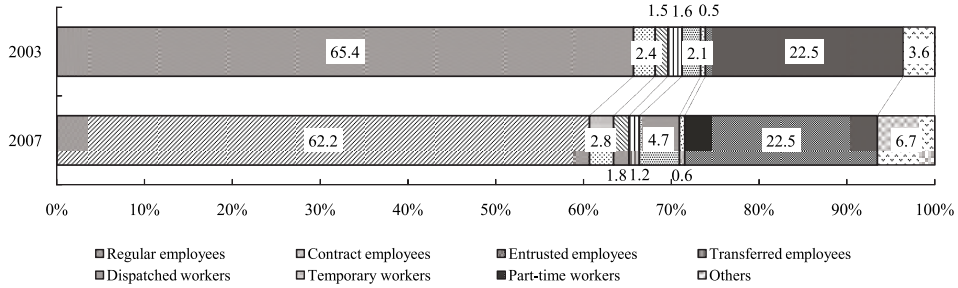


Figure 1. Trends in Composition of Employment Type

while entrusted employees, who were formerly regular employees, continue to be employed in the same workplace even after reaching retirement age. In the latter case, there tend to be more issues arising relating to employment of the elderly than relating to "non-regular employment."

It is also necessary to add a comment relating to the issue of "part-time workers." As in the D-Survey above, part-time workers are defined as workers whose working hours are shorter than regular employees in the same workplace. This could be described as a definition based on the relative shortness of working hours. There are, on the other hand, two alternative definitions of this type. One is any person who works for less than 35 hours per week. This definition has the proxy attributes of the definition based on the relative shortness of working hours. Let us call this the 35-hour week criteria definition. The second definition is anyone who is called a "part-timer," "part-time worker" or any other similar name in the workplace. This is a definition that depends on labeling.

The difference between these three definitions cannot be discussed in detail here, but the following points need to be noted, (i) when using the 35-hour week criteria definition, if one was to judge not by the defined working hours but by the actual length of hours worked, then if a "part-time worker" (viewed from a relative time perspective) works overtime, then he or she cease to be a "part-timer," and similarly, if a regular employee happens to take a short break, then he or she may essentially end up being included in the "part-timer" bracket, and (ii) when using the labeling criteria, then as can be understood by reading the above definition of "Others" in the D-Survey, a broad spectrum of workers who are not covered by the relative definition of "part-time worker" may also be included in what is referred to as "part-timers."

It seems to have finally become widely understood that in Japan, for a long time, the definition of "part-time" has not necessarily always been understood to be "shorter hours." The definition that depends on the relative shortness of working hours has been used in statistical surveys for many years together with the 35-hour week criteria definition or the labeling definition. In such cases, workers were not referred to as "part-time workers" but

rather "workers with shorter working hours."[3] It is therefore always necessary to check which definition is being used when looking at a Japanese statistical survey that deals with information relating to "part-time" work.

III. The Increase in Non-Regular Employment, and Reasons Companies Utilize Non-Regular Employment

1. The Increase in Non-Regular Employment

From the results of the Survey of Workplaces, it can be seen that, including dispatched workers, the proportional composition of employment types in 2007 was 62.2% for "Regular employees," showing that more than one third of all employees were in non-regular employment. During 2003, the proportion of "Regular employees" was 65.4%, showing an increase in non-regular employment among the labor force during the intervening four years (Figure 1).

Among non-regular employment types, the category "Part-time workers" was the largest one, accounting for 22.5%. This group, however, had neither increased nor decreased in size during the four years in question. The group showing the largest increase during the four-year period was "Dispatched workers," which went from 2.1% in 2003 to 4.7% in 2007. Furthermore, "Contract employees" rose from 2.4% to 2.8% and those covered by "Others" rose significantly, from 3.6% to 6.7%, but unfortunately, the D-Survey does not clarify the details for this. Judging from the definitions above, "Others" would seem to refer to workers who are employed full-time, for one month or longer on a fixed-term contract, and who do not have a specific occupation. This can be understood as including contracted workers in manufacturing workplaces, and the type of work known in Japan as *arubaito*.

It is thought that the relaxing of regulations prohibiting the involvement of labor dispatch businesses with regard to the services of manufacturing products in 2006 was a significant factor in the increase in "Dispatched workers" between 2003 and 2007. The data shows that the proportion of "Dispatched workers" in manufacturing industries rose swiftly, from 2.0% in 2003 to 9.8%.[4]

For the reference of the reader, the breakdown by industry, given in order of indus-

[3] In regular statistical surveys designed to understand trends, the definition dependent on labeling began to be used relatively late, around the 1980s.

[4] The background to this also includes the general expansion in Japan's economy as of 2007, and the fact that manufacturing industries were increasing production activities at this time. The facts exceed the scope of this paper, but the subsequent financial crisis in the autumn of 2008 and the resulting economic depression, which saw, in the immediate aftermath, many contracts being terminated mid-term in regard to dispatched workers even in major manufacturing companies, caused a debate as to whether or not it had been a good thing that manufacturing industry prohibitions on dispatched business had been lifted. There are moves to re-impose the ban, but no decision had been reached at the point at which this paper was written.

tries with the largest relative proportions of non-regular employees, is as follows. Firstly part-time workers: Eating and drinking places, and accommodations industry (55.6%, 2007), Wholesale and retail trade industry (36.9%, 2007), and Service industry (27.4%, 2007), etc. All of these are industries that experience fluctuation. Industries with relatively large proportions of contract employees include the Education and learning support industry (9.6%, 2007), Information and communications industry (5.0%), Medical, health care and welfare industry (3.9%), and the Transportation industry (3.9%). These are industries with relatively higher proportions of specialist skills. In terms of dispatched workers, in addition to the manufacturing industries mentioned above, the Information and communications industry (9.9%), Finance and insurance industry (9.5%), Transportation industry (4.1%), Service industry (4.0%), etc., all have relatively high proportions. These may be considered industries that both experience strong fluctuations, and where specialist skills are required.

2. Reasons for Utilizing Non-Regular Employment

Let us take a look at the reasons why companies (workplaces) utilize non-regular employment. In the D-Survey, respondents were given 13 choices to explain their reasons for utilization of non-regular employment, with multiple answers possible. Hereinafter, when considering the issue by employment type, we will divide workers into three categories – part-time workers, contract employees and dispatched workers.

Firstly, let us look at part-time workers. In the 2007 survey, the most common reason selected by workplaces was “Reducing wage costs,” at 41.1%, followed by “In order to respond to fluctuations in workload in each day or week” (37.2%), “In order to respond to longer business hours” (21.7%), and “In order to reduce labor-related costs other than wages” (21.3%), etc. These could be seen to indicate that the main factors are those related to reducing labor-related costs, and those related to dealing with fluctuations in workload. Compared to 2003, however, the number of workplaces giving factors related to reducing labor-related costs is proportionally lower.

In regard to contract employees, the reason indicated most frequently was “In order to respond to specialist needs,” at 43.6%, followed by “In order to ensure employees with adaptable potential or other specialist abilities” (38.3%), while “Reducing wage costs” came third, but indicated by only 28.3% of respondents. Furthermore, in terms of dispatched workers, the most common answer was “In order to ensure employees with adaptable potential or other specialist abilities,” indicated by 35.2% of respondents, followed by “Because we cannot acquire regular employees” (26.0%), with “In order to adjust employment in accordance with economic changes” (25.7%) in third place. Only 18.8% of workplaces responded that they used dispatched workers in order to “Reduce wage costs” (Table 1).

As can be seen, there has been an increase in the use of part-time workers for reasons related to reducing wage costs, but when looking at the industries using a high proportion of part-time workers listed above, in the case of Eating and drinking places, and accommodations industry, 39.8% responded that “Saving wage costs” was one of their reasons, but

Table 1. Main Reasons for Utilizing Non-Regular Employment

(M.A. %)

	Part-time workers		Contract employees		Dispatched workers	
	2003	2007	2003	2007	2003	2007
Cannot acquire regular employees	12.4	17.6	14.3	18.2	16.9	26.0
In order to allow regular employees to engage in specialist activities	12.8	15.3	15.4	10.6	17.2	20.4
In order to respond to specialist needs	10.1	12.7	44.9	43.6	25.9	20.2
In order to ensure employees with competitive or other specialist abilities	12.3	11.8	37.9	38.3	39.6	35.2
In order to adjust employment in accordance with economic changes	23.4	18.0	21.7	15.6	26.4	25.7
In order to respond to longer business hours	20.4	21.7	8.9	6.4	2.8	3.4
In order to respond to fluctuations in workload in each day or week	35.0	37.2	3.5	4.5	8.0	13.1
In order to respond to temporary or seasonal fluctuations	15.4	14.5	9.0	5.0	14.4	20.3
Reducing wage costs	55.0	41.1	30.3	28.3	26.2	18.8
In order to save on labor-related costs other than wages	23.9	21.3	11.9	8.1	26.6	16.6
In order to re-employ elderly workers	6.4	7.9	7.3	11.0	1.7	2.6
In order to provide cover for employees on maternity leave, or those caring for elderly or infirm relatives	2.1	1.6	2.1	2.4	8.8	6.5
Other	2.4	10.6	1.8	13.2	1.7	7.0

Note: Figures indicate the proportion of workplaces that responded that they have workers in these types.

52.0% responded “In order to respond to fluctuations in workload in each day or week,” indicating that not only issues related to reducing wage costs, but also factors related to the type of work being undertaken also play a significant role.

Furthermore, there has been an increase in the number of workplaces indicating the need to ensure competitive employees as a factor in their use of contract employees or dispatched workers. Within this, it is also noticeable that there has been an increase in the number of workplaces indicating the need to adjust employment with economic changes as a factor. In particular, within the manufacturing industry, 42.5% of workplaces said that they used the employment of dispatched workers due to factors related to adjusting employment.

IV. How Many People Are Involuntarily Engaged in Non-Regular Employment?

The involuntary nature of non-regular employment often comes under debate. In other words, there is a question over how many workers may have wished to be hired as regular employees, but were in fact unable to secure such a position and have ended up being

hired in a non-regular type. Let us take a look at the results of the D-Survey's Survey of Individuals in this area.

1. Reason for Selecting Current Employment Type

The results of the 2007 survey question that asks people in non-regular employment their reason(s) for selecting their current employment type (multiple answers possible) show that 31.5% of contract employees, 37.9% of dispatched fixed-term employees, and 36.6% of dispatched permanent employees, responded "Because there were no companies in which I could work as a regular employee," indicating that around one third of such workers selected their employment involuntarily. In comparison with this, only 12.2% - a relatively low proportion - of part-time workers responded with the same answer. In addition, dispatched workers showed the highest level of reluctance in regard to their reasons for employment selection, while on the other hand, the largest proportion (37.0%) of contract employees responded "Because it allowed me to utilize specialist qualifications or skills" and the largest proportion (55.9%) of part-time workers responded "Because I can work hours to suit myself."

Consolidating the reasons for selecting the current employment type into three types, and further dividing part-time workers into "young part-timers" (single and aged 35 or under), "married women part-timers" (married women aged between 25 and 59), and "older part-timers" (aged 60 and above) gives the results shown in Table 2.[5] From this, we can see that in comparison with contract employees and dispatched workers, the proportion of part-time workers considering their reasons as "reluctant" is smaller. However, such proportion is relatively higher among young, mainly male, part-timers. Among married women part-timers and older part-timers, a higher proportion selected "personally convenient" reasons, with a small proportion selecting "reluctant" reasons.

In addition, a large proportion of dispatched fixed-term employees selected "reluctant" reasons overall, out of which the proportion of male employees was relatively high, while a higher proportion of female employees selected "personally convenient" reasons.

Overall, the proportion of people selecting "reluctant" reasons fell between 2003 and 2007, and it is thought that economic trends have a relationship to the increase and decrease in proportion of people expressing "reluctance."

2. Employment Type Hoped for in the Future

Next, let us take a look at the proportion of people currently in non-regular employment who hope to change over to a position as a regular employee (Table 3). In 2007, 39.0% of contract employees, 40.6% of dispatched fixed-term employees and 38.3% of

[5] Due to the consolidation of categories and the processing of non-responses, the above figures may be smaller than when viewing the proportions for the total of men and women.

Table 2. Reasons for Selecting Current Employment Type

(%)

		Total	Reluctant	Prioritizing income and/or specialization	Personally convenient	No-response
Male						
Young part-timers	2003	100.0	28.3	14.5	55.2	2.1
	2007	100.0	29.6	13.2	44.3	12.8
Older part-timers	2003	100.0	8.2	11.5	44.9	35.4
	2007	100.0	4.0	23.2	56.3	16.4
Contract employees	2003	100.0	28.8	45.0	13.6	12.6
	2007	100.0	28.8	38.9	20.7	11.6
Dispatched fixed-term employees	2003	100.0	45.3	26.5	19.3	8.9
	2007	100.0	42.4	25.4	29.4	2.8
Regular dispatched workers	2003	100.0	32.7	37.3	20.1	9.8
	2007	100.0	30.4	25.8	24.7	19.1
Female						
Young part-timers	2003	100.0	27.4	11.8	49.8	11.0
	2007	100.0	8.7	5.3	82.9	3.2
Married women part-timers	2003	100.0	14.7	9.6	69.7	6.0
	2007	100.0	8.0	8.9	81.9	1.1
Older part-timers	2003	100.0	16.2	6.2	74.2	3.4
	2007	100.0	13.5	6.0	75.4	5.2
Contract employees	2003	100.0	36.6	26.8	31.2	5.4
	2007	100.0	29.1	28.5	37.6	4.8
Dispatched fixed-term employees	2003	100.0	37.0	19.1	40.5	3.4
	2007	100.0	34.9	19.9	44.2	0.9
Regular dispatched workers	2003	100.0	39.9	15.3	36.1	8.7
	2007	100.0	32.9	20.0	41.0	6.1

Notes: 1. “Reluctant” indicates people who responded “Because there was no company where I could work as a regular employee.” “Prioritizing income and/or specialization” includes the responses “Because I wanted to work in a job with higher income” and “Because I wanted to use my specialist qualifications or skills.” “Personally convenient” reasons include “Due to short working hours or fewer work days,” “Because the work is simple with little responsibility,” “Because the commute time is short,” “Because I’m not physically able to work as a regular employee,” in other words, any response that did not demonstrate reluctance or prioritize income or specialization.

2. The survey allowed multiple answers, but the three types of reasons have been created to be exclusive, so that the processed answers add up to 100%. Specifically, when any “reluctant” reason was selected alongside other answers, the “reluctant” reason took priority. Furthermore, if a respondent did not select any “reluctant” reasons, but selected multiple other answers, their reasons relating to “prioritizing income and/or specializations” were given priority. If a respondent did not select either a “reluctant” reason or one prioritizing “income and/or specializations, “their responses were considered to indicate “personal convenience.”

dispatched permanent employees—around 40% of all these categories—stated that they would like to become regular employees. In the case of part-time workers, while around the same high proportion of young part-timers (36.5%) stated that they would like to change over to being regular employees, only 12.8% of married women part-timers and 2.2% of older part-timers responded this way, indicating a significant proportion of such workers who are hoping to continue in their current work type (part-time). The detailed data are omitted here, but when asked for their reasons for wishing to change over to regular employment status, the highest proportion of respondents stated that they wanted to increase

Table 3. Employment Type Hoped for in the Future

(%)

	Hope to continue in current employment type		Hope to change current employment typet		Of which, hope to become regular employees	
	2003	2003	2003	2007	2003	2007
Young part-timers	41.1	29.4	43.2	37.8	42.5	36.5
Male	27.0	7.6	63.6	50.3	63.6	50.2
Female	48.9	62.9	31.8	18.5	30.9	15.5
Married women part-timers	81.1	74.7	10.6	13.8	7.5	12.8
Older part-timers	86.1	66.4	2.1	4.7	1.6	2.2
Male	82.8	56.8	1.3	5.8	0.7	0.9
Female	88.8	76.5	2.8	3.5	2.4	3.5
Contract employees	55.8	40.8	32.1	41.8	29.5	39.0
Male	56.2	43.5	30.2	40.1	28.7	38.0
Female	55.5	38.4	33.7	43.3	30.2	39.8
Dispatched fixed-term employees	53.5	37.1	32.1	44.6	28.7	40.6
Male	37.5	32.9	46.1	45.3	43.7	43.4
Female	55.7	39.1	30.2	44.3	26.6	39.4
Dispatched permanent employees	53.3	42.5	29.3	41.3	25.2	38.3
Male	47.3	40.6	33.9	41.6	31.2	39.2
Female	56.8	46.1	26.7	40.9	21.7	36.7

Note: Each employment type is shown in proportions totaling 100. In addition to "Wish to continue current employment type" and "Would like to change to another employment type," the choice of responses included "Would like to start own independent business," "Would like to give up work altogether" and "Other," but are omitted here.

their income and improve employment stability.

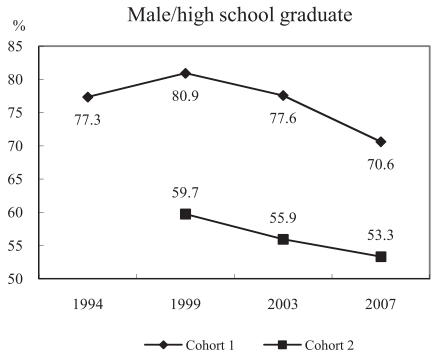
The proportion of people hoping to become regular employees rose in general between 2003 and 2007, reflecting the increase in opportunities for people to become regular employees in line with the economic recovery.

Based on the above, it is fair to say that 40% of full-time non-regular workers and 20% of part-time non-regular workers in Japan are unwillingly employed in non-regular types.

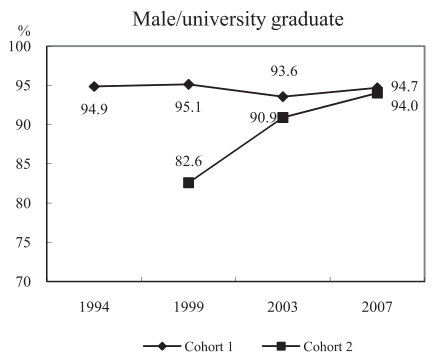
V. Changing over from Non-Regular Employment

It is clearly of interest to what extent employees in non-regular employment types are able to switch over to regular employment. Unfortunately, there is no data within the D-Survey that allows such conclusions to be drawn directly. For this reason, the author used data from the Survey of Individuals and performed cohort analysis in order to approach this problem as closely as possible.

It is not possible to give details of these results in this paper, but Figure 2 and Figure 3 show some primitive results (trends in proportion of regular employees by cohort). Firstly, looking at two cohorts aged in their 30s in 2007 shows that more than 90% of cohort 1 (males who graduated university around the mid-1990s, on the right of Figure 2) became regular employees on graduation, and this proportion continued to remain similarly high. At the same time, only around 80% of cohort 2, who graduated around the late 1990s, were

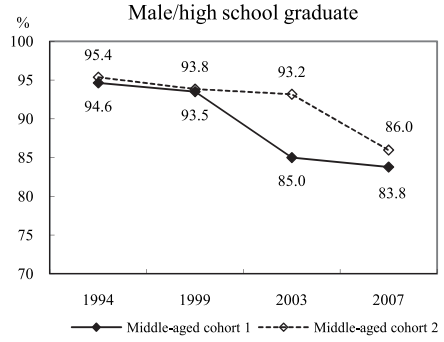


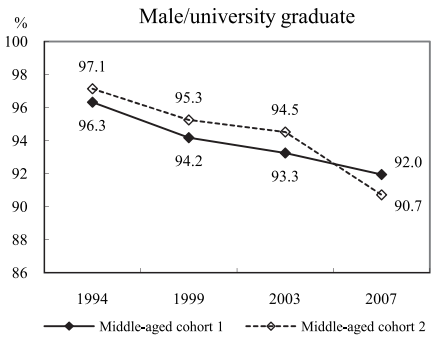
Notes: 1. Cohort 1 is the cohort aged between 30 and 34 in 2007.
2. Cohort 2 is the cohort aged between 25 and 29 in 2007.



Notes: 1. Cohort 1 is the cohort aged between 35 and 39 in 2007.
2. Cohort 2 is the cohort aged between 30 and 34 in 2007.

Figure 2. Trends in Proportion of Regular Employees among Young Male Cohort





Note: Cohort 1 is the cohort aged between 50 and 54 in 2007; cohort 2 is the cohort aged between 45 and 49 in 2007.

Figure 3. Trends in Proportion of Regular Employees among Middle-Aged Male Cohort

able to become regular employees, although this proportion gradually rose, and by 2007 had reached approximately the same level as that of cohort 1.[6] Compared to this, however, both cohorts of high school graduate males (on the left of Figure 2) experienced declining proportions of regular employees going into the 21st century.

Furthermore, cohorts of middle-aged university and high school graduates both

[6] It is necessary to bear in mind, however, that in terms of employment conditions, cohort 2 may not have reached the same standard as cohort 1. For example, looking at the scale composition of the companies where they are employed, in 2007 cohort 1 reached 45.4%, but cohort 2 remained at 32.2% in the companies with 1,000 or more regular employees.

showed declining trends in terms of the proportion of regular employees (Figure 3).

Cohort trends do not directly show the flow from regular to non-regular, or non-regular to regular employment, they only demonstrate the result of subtracting one from the other. Within this, the fact that a larger number of people moved from non-regular to regular employment is unmistakably identified. The net results, shown in the cohort trends, make it possible to state that in the period of economic recovery up until 2007, there was an increasing trend towards relatively young university graduates making the transfer from non-regular to regular employment, but that no significant trend towards similar progress was made in the same period by younger high school graduates or middle-aged employees.

At the same time, the data demonstrates an increase in the number of workplaces introducing systems that allow non-regular workers (in particular contract employees) to register as regular employees.[7] It is considered an important policy measure to promote workplaces hiring non-regular workers who so desire as regular employees, as far as possible, through proactive support for such measures, including abilities training for non-regular workers.

VI. Particular Japanese Attributes of the Disparity between Regular and Non-Regular Employment

The final point to be made in this paper is an introduction of the results of analysis of the difference in wages between regular and non-regular employment. This was achieved by performing estimates of the disparity in wages, using all available data acquired from the Survey of Individuals. Firstly, in regard to regular employees, the author estimated wage function regressed by age (including terms to the power of 2), by sex, educational history and occupation, substituted each of the attributes of non-regular workers for this function, and calculated the wages of regular employees in work equivalent to workers in each type of non-regular employment. This gave figures for the level of wages actually paid to each type of non-regular worker, based on the equivalent regular employee's wages, which are represented as 100 (the disparity index). Figure 4 shows the average disparity indexes calculated in this manner, by sex and employment type.

There is not room to discuss this in detail here, but results showed that for workers in their 20s, there was no significant disparity between regular and non-regular employment, and that for full-time male non-regular workers, it was rather the case that non-regular workers were paid more highly than regular employees.[8] However, once workers reach

[7] For example, the proportion of contract employees working in a workplace that has a regular employee registration system rose between 2003 and 2007 from 34.4% to 51.7% for males and from 47.5% to 55.2% for females.

[8] It is important to remember, however, that the wages calculated here were monthly payments,

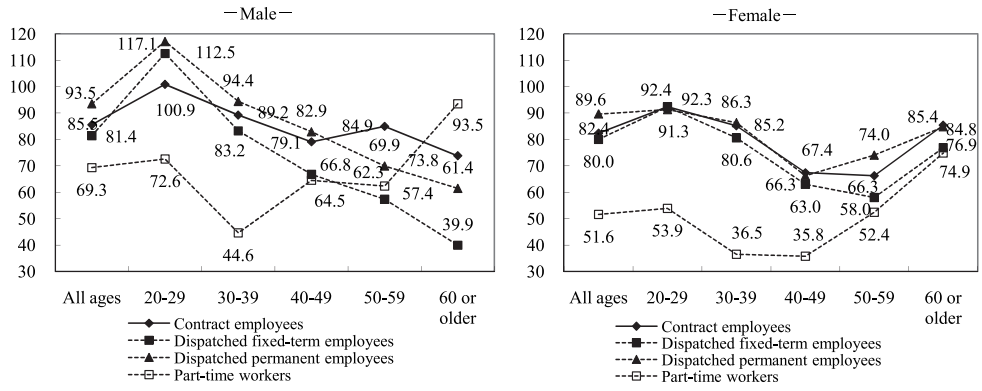


Figure 4. Wage-Disparity Index of Non-Regular to Regular Employee (average based on non-regular employee)

their 30s and beyond, a significant disparity becomes apparent. For workers in their 40s, for example, the level is between 70-80% for males, and around two third for females.

From this data we can theorize the following about the disparity in wages between regular and non-regular employment in Japan. (i) Wage levels for non-regular employment appear to be set in reference to the level expected by regular employees hired on graduation, with that for part-time workers being slightly lower, and that for contract employees or dispatched workers being slightly higher. (ii) There are definite limits to any rise in wages received by non-regular workers, even after they have worked several years in the same post, and therefore, as time goes on, the disparity between them and regular employees, who receive significant pay rises, becomes greater.[9] (iii) Where non-regular workers are employed intermediately in middle age, the standard detailed in (i) above is applied to their wage levels.

As a result, there are some ways in which the wages of regular and non-regular workers may be considered balanced, in terms of (i) above. Outstanding issues, however, remain, in terms of questions regarding the appropriateness of wages paid at subsequent levels in a worker's career, and whether or not a person employed as a non-regular worker has the opportunity to create an appropriate career.

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and did not include bonuses, etc. Part-time workers, on the other hand, showed a significant disparity, but this is thought to be largely due to differences in actual length of hours worked. The 2007 survey did not record data relating to working hours.

[9] For regular employees in Japanese companies, many of whom develop their business skills through employee training after entering a company, it is considered common sense that the longer a regular employee works for a company, the more his or her duties will come to differ from a non-regular employee. It is therefore expected to be difficult to evaluate equivalence along an axis of commonality of duties.

VII. Conclusions: The Nature of Non-Regular Employment Problems

This paper seeks, within a limited volume, to introduce the results of the author's latest research, based on a discussion of the issues surrounding non-regular employment. Reviewing these results reveals, at least to the best knowledge of the author, various issues that appear to be shared by people in countries other than Japan.

If one of these issues relating to non-regular employment was to be selected as the most pressing, it must surely be that of how to respond to economic fluctuations. The economic fluctuations spoken of here are not relatively predictable, cyclical changes such as those to daily working hours, days of the week or seasons during the year, but rather changes to the economy as a whole, even accepting differences between different sectors. The single biggest problem relating to non-regular employment lies in the fact that such fluctuations are unavoidably coped with through labor adjustment by the use of non-regular employment. As long as there is a possibility that companies are required to carry out employment adjustment, they may remain reluctant to take measures encouraging non-regular employees' career development.

It is important to consider labor policy responses based on skills development in the name of proactive recruitment strategies. At the same time, it is perhaps more important to consider ways in which economic fluctuations can be alleviated, through the information of appropriate policy.

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