

# **Employee Voice, Silence, and Loyalty in the Post-Bubble Japan**

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# Employee Voice, Silence, and Loyalty in the Post-Bubble Japan<sup>1</sup>

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## Abstract:

This paper pursues to broadly exhibit the factors that made impacts on employees' "voice" retrogression and "silence" progression in Japan during the post-bubble period by observing changes in shareholding structures, employees' engagement in management decisions and their pursuit for better work conditions, weakening labour unions, and social recognition on job fluidity. The discussion concluded that overall change in corporate governance, labour economic, and organisation behaviour conditions have been roughly inducing retrogression of "voice" and progression of "silence" in Japan. On the other hand, some factors are considered to have certain push-back effects, namely recent attempts of introducing "voice" inducing policies.

**Keywords:** Voice, silence, loyalty, employee, Japan

## Introduction

Characteristics of Japanese companies has long been defined by their long-term employment, seniority wage, and forming labour union by companies (i.e. Dore, 1973). However, such accommodative employer-employee relations in Japan are on the verge of transformation, as various factors surrounding those characteristics are also changing in the past few decades. While Japan's coordinated employer-employee relations were the by-products of American occupation at the dawn of the Cold War, the current characteristics have been developed over time, going through the times of compromises from the labour side after the collapse of the Bretton Woods system in 1971, energy crisis in 1973, and the collapse of bubble economy and long-lasting downturn after the 1990s. Hisamoto (2015) pointed out the features of Japan's current employer-employee relations as, along with the history of building combined labour unions between blue and white collar workers and internal promotion systems, having almost identical ideologies between both parties, as well as popularisation of highly educated and segregation of non-regular employees. It raises three standing characteristics of Japan's recent employer-employee relations: 1) employers are increasingly lacking a sense of delicate consideration to their employees; 2) union members of large companies becoming highly educated, and; 3) lack of cultural gap between employers and employees, as many corporate managers have experiences

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as fulltime labour union staffs in their past.

From the perspective of corporate governance, decrease in company-bank mutual shareholdings and increase in foreign shareholders may have impacted retrogression of employees' "voice" behaviours under such circumstances, particularly after the Japanese economy started shrinking and companies have raced to streamline their asset holdings and labour forces in the 1990s. As Arikawa et al (2017) and other analyses shed light upon the fact that corporate profitability would decline if companies protect the rights of their employees, therefore, a hypothesis that employers relatively have stronger say in Japan's recent employer-employee relations and employees are gradually losing their power to exercise their rights can be laid out.

Under the deflationary period after the collapse of Japan's bubble economy after the 1990s, many companies started to hire non-regular employees by replacing regular workers. Therefore, the degree of employees' power to exercise their rights may have been decreasing in line with the decline of the labour unionisation rate.

Meanwhile, this paper does not take a stance to unilaterally vindicate employees' power, as excessive protection of their rights could impact negatively on business efficiency. Rather, it pursues to shed light on understanding the overview of structural features of employees' recent "voice" retrogression and "silence" progression in Japan.

The purpose of this paper is to provide logical explanation in Japanese employees' "voice" retrogression and "silence" progression after the 1990s by unravelling the relations among employees' "voice", "silence", and "loyalty" after the 1990s. Clarification will be done from three lenses: 1) the labour economic perspective, 2) the corporate governance viewpoint, and; 3) the organisation behaviour theory standpoint.

### *Formulation of and Skewing Primary Labour Market*

The modern Japanese capitalist state is considered to be established since the Meiji Restoration in the mid-19<sup>th</sup> century by generating the structure of mass scale consumption and mass scale production that also mobilised labour inputs at a massive scale. In addition, creation of primary labour market in Japan was beneficial for both workers and business owners: While workers sought for more stable income and foreseeable future, business owners wanted to reduce the contingent losses of losing skilled workers. However, creation of accommodative employer-employee relations, which is supposed to be fundamentally beneficial particularly for employers, did not happen overnight. Cases of labour disputes were relatively popular until the early 1970s, when the Japanese economy experienced certain setbacks almost for the first time after the end of World War II, namely the "Nixon Shock" in August 1971 (that led to the stronger Japanese yen thereafter) and the energy crises in 1973 and 1979. Because business environments were not favourable in such occasions, employees in Japan took cooperative and compromising stances in order not to lose their stable and

foreseeable futures. At the same time, both blue and white collar workers were united to take cooperative approach against their employers. Such characteristics of Japan's employer-employee relations, therefore, were the invention of long-term benefits and compromises of both parties.

However, as the macroeconomic environment deteriorates and the value systems of workers becoming diverse, the so-called "Japanese way of employment system" has also been facing the time of change, thereby recently causing the arguments on work practice reforms (*hatarakikata-kaikaku*) in the policymaking arena.

While Doeringer and Piore (1985) depicted the structures and effects of creating primary (in-house) and secondary (open) labour markets in the United States, this paper will take a stance that many Japanese workers were forced to step out from the primary labour market after the bubble collapse, when companies rushed selling off their assets at a massive scale and letting their workers go. Additionally, many workers were not able to join in, or were pushed out from, the primary labour market, as the Japanese government loosened the restrictions on non-regular employees, particularly from the early 2000s. These are the hypothetical backgrounds of the Japanese employees' loss in power to "voice" in their workplaces.

#### *The "voice" definition in this paper*

In this section, the typology of social choices by a German economist and thinker A.O. Hirschman's "Exit, Voice and Loyalty" will be applied to the recent behaviours of employees in Japan by also taking another option of "silence" into account. Hirschman laid out the norms of people's social options as "exits" and "voices" in conjunction with their "loyalty" to organisations, brands, and communities / countries (Hirschman, 1972). Various researches related to employees' "voice", or their commitment to management, have followed, such as Morrison et al., (2011), by studying employees' "voice" behaviours based on their "loyalty" to organisations.

Kato (2001) defined the two types of employees' participation in management: financial and non-financial participations. Financial participation includes employees' stock purchase plans and result-oriented payments (Kato, 2001: 101-103). Urabe (1977) explained that financial participation ("ownership participation" in his words) would not have significant causal relations on any business functionalities and therefore cannot be considered as a viable measure as a "voice". This paper will also hold the same attitude not to take financial participation as a way of "voice".

Rather, non-financial participation is taken into account as employees' "voice". Measures of non-financial participation include employer-employee consultative councils (permanent organs to discuss management, production, work conditions, corporate welfare, and others) that is not legally enforced in Japan, workplace meetings or commissions to discuss workflows and work environment, and small group activities and movements (quality control and customer satisfaction working groups).

Considering the past discussions noted above, "voice" is defined as follows in this paper: Employees' behaviour to ask for improving their own future employment

conditions, as well as commitment to engaging in improvement of their organisations in the longer-run, backed by their sense of “loyalty” to where they belong to.<sup>2</sup>

### **“Exit”, “voice”, “loyalty”, and rethinking “silence”**

Meanwhile, as employees do not have their options to “voice” or “exit” ready at any time, another option needs to be considered on top of Hirschman’s three typological social behaviours. The combination of “exit” and “voice” as employees’ options could be possible as long as the relations with their employers are in equal footing. Despite the legal conditions that workers have equal rights as their employers, it is simply misleading to consider that they are on a level playing field under the contemporary employment conditions. It is because while the employers’ side can take eclectic approach against workers, employees’ option to “exit” would sometimes become very costly, particularly in Japan where mid-career job market has been, and still is, shallow. Moreover, the “voice” option is also not always realistic, as it would risk their job security and therefore may have to take “silence” behaviours.

Hirschman also refers to “silence”. He exhibited three options of “exit”, “voice” and “loyalty” when consumers or employees bear complaints, and if they have strong “loyalty”, “silence” is something they tend to “suffer” (Hirschman, 1972). It means that “silence” was not taken as a behavioural option for Hirschman but was a temporary passing place before “exiting” or “voicing”. This paper, on the other hand, focuses on the employer-employee relations and thus need to take employees’ dilemma of individual freedom versus organisational coordination into account. Therefore, each influencing factor is examined in this paper under the condition that the option of “silence” is treated equally as “exit” and “voice”, as well as their conjunctions with organisation “loyalty” (or group cohesiveness in the socio-psychological terms).

Regarding an alternative after Hirschman’s three options, various arguments have been focusing on “neglect” rather than “silence”. Having the “neglect” choice implies that the person in question does not face critical situation even if he/she chooses to “neglect”. Since employees are in weaker position compared to employers, however, it is much more rational and natural to consider that their alternative is rather “silence” than “neglect”.

### **Employee “silence”**

In this paper, “silence” is defined as a behaviour that is opposite to the “voice”, just as Dowding et al (2000) extensively articulated that the opposite items of “exit” and “voice” are “silence” and “non-exit” (Dowding et al, 2000: 482). “Silence” is considered as a behaviour when employees are pushed to the situation that “voicing” or “exiting” are not viable options. In addition, while “voice” behaviours are fundamentally backed

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<sup>2</sup> As the author intends to conduct surveys and interviews in multiple organizations in Japan, case studies will focus on realistic mid-tier “voices” that would influence on the improvement of their organizations, because low-level day-to-day workplace “voices” do not have much impact on organizational improvement, while “voices” to top-level management do not occur frequently.

by certain degree of organisational “loyalty”, “silence” by itself cannot make any logical relations with “loyalty”. It is because employees choose to be “silent” regardless of any sense of “loyalty”.

In the following sections, labour economic and corporate governance-related backgrounds after the 1990s that could made certain impacts on employees’ “voice” and “silence” behaviours are argued.<sup>3</sup>

### *The objective of this paper*

The objective of this paper is to provide provisional explanation of the trend in employee’s “silence” behaviours in Japan after the 1990s by examining from labour economic and organisational theory viewpoints.

## **Analysis**

### *Hypothesis*

Changes in labour market and corporate governance structures may have influenced on progression of employees’ “silence” behaviours after the 1990s in Japan.

### *Analytical framework*

This paper pursues to apply holistic approach in explaining the hypothesis above through the lenses of corporate governance theories (i.e. corporate ownership), organisational behaviour theories (i.e. organisational voice encouragement, silence behaviours), and labour economic conditions (i.e. labour union trends, regular and non-regular employments, job turnover ratio).

The following five components are taken into consideration in this paper in analysing employees’ recent trends of “exit”, “voice”, “loyalty”, and “silence” through inductive explanations, namely:

1. Corporate ownership (corporate governance): Decreasing cross-shareholdings and increasing foreign shareholders; Bank of Japan as a major shareholder
2. The “voice-silence-loyalty” relations (labour economics and organisation behaviour theory):
  - A. “Voice”, “silence”, and “loyalty” from the labour economics viewpoint
  - B. On “silence” behaviours in the organisation behaviour theory
3. Weakening labour unions (labour economic backgrounds)
4. Social recognition on job fluidity, or “exit” (labour economic backgrounds)

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<sup>3</sup> Various organizational structural conditions of employees’ “silence” behaviours could be found in Morrison and Milliken (2000), Huang et al. (2005), DeHart-Davis and Jiang (2019).

The period of timeframe in question is, as noted above, after the 1990s until recent, when Japanese companies had to go through economic and financial downturn. Employees are hypothetically considered to have gradually lost their power to “voice” and increased their “silence” behaviours.

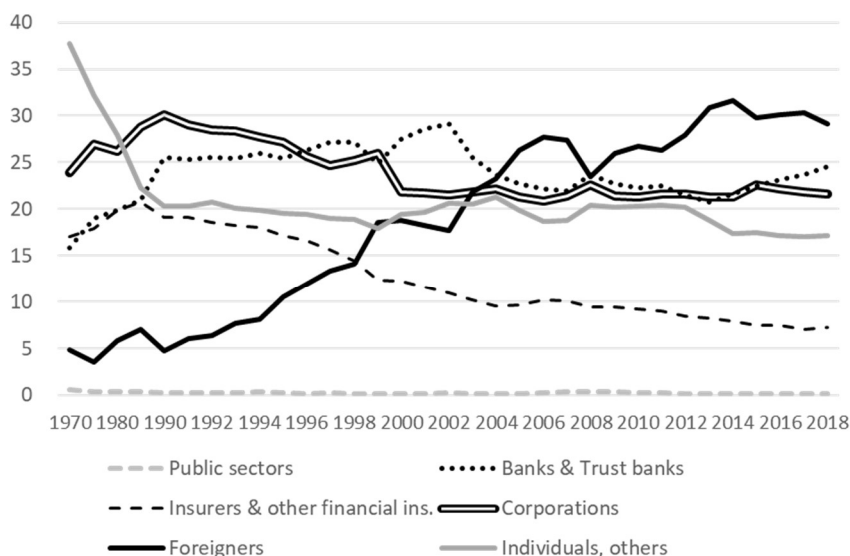
## Discussion

### 1. Corporate ownership (corporate governance)

This section intends to clarify the proposition that employees’ “voice” behaviours has been decreasing due to change in shareholding structures in Japan.

According to the Shareownership Survey by Japan Exchange Group, the ratio of shareholdings (at market value basis) by “foreigners” has been growing from 13.2% in 1985 to 24.9% in 2018 (Japan Exchange Group, 2019)(see Chart 1). Noda and Abe (2011) concluded that while the largest factor of stagnating wages was the recent change in shareholding structures, the most significant among the various changes was the shareholding by foreigners (Noda and Abe 2011: 4).<sup>4</sup> Such a trend could be observed in the repetition of pay cuts and layoffs after the bubble collapse from the 1990s. As the majority of “foreign” shareholders consists of institutional investors, they intend to maximise the returns and the share values of target companies, unlike conventional Japanese ways of long-term cross-shareholdings. Such a trend may have altered the characteristics of the employee-centred corporate governance in Japan and have put pressure on wages.

**Chart 1: Shareholding ratios by sectors in Japan, % (market value basis)**



<sup>4</sup> Noda and Abe (2011) also indicated that the impact on labour’s relative share by the changes in the overall industrial structure was minimal (p.12).

*Source: Japan Exchange Group (2019)*

Despite limited availability of data, a salient aspect of investment dynamics by “foreigners” could be found in the past ten years. The sectors that experienced significant increase and have substantial market value (at 2 trillion yen or above) are the ones that traditionally have or had comparative advantage, including electric appliances, information and communication, precision instruments, chemicals, pharmaceutical, and machinery. On the other hand, among the sectors with more than 2 trillion yen shareholdings by “foreigners”, the ratios have decreased in the sectors with strong regulations or government guidelines, including foods, electric power and gas, banks, and insurance, with the exception of transportation equipment (see Table 1).

Such sectoral selection by foreign investors would influence on employees’ “silence” behaviours. Other conditions being unchanged, employees working in the sectors with relative competitiveness beyond borders would be exposed to the pressures by market force and undergo “silence” behaviours.

**Table 1: Shareholding at market value by sector by foreign investors, 2008 and 2018**





1990s, therefore, employees' power to "voice" was considered to be repressed and their "silence" behaviours would have prevailed.

Yoshimura (2019) poses a question about overreliance on shareholders in corporate governance but puts importance on various stakeholders, including labour unions and middle managers, as they have been "voicing" in the past and helped companies, such as Yamaha and Mitsukoshi Department Store, to overcome critical situations.

### **Bank of Japan: A "silent" major shareholder**

Emergence of Bank of Japan as a major shareholder of many companies after Haruhiko Kuroda assumed as Governor in March 2013 is another recent significant change in the shareholding structure in Japan. With its extraordinary monetary easing policy, the central bank has been purchasing shares and bonds from the market on a massive scale ever since and became the top shareholder in multiple companies, and is one of the largest shareholders of all, along with the Government Pension Investment Fund (GPIF) of Japan. Since the purpose of Bank of Japan's shareholding is not purely in search for returns, it does not engage, or "voice", in any corporate governance matters. While its "silent" behaviour would not put pressure on employees' "voice", it may detract the discipline in the equity market in Japan.

## *2. The "voice-silence-loyalty" relations (labour economics and organisation behaviour theory)*

### **A. "Voice", "silence", and "loyalty" from the labour economics viewpoint**

Employees' "voice" based on their organisation "loyalty" is proved to have positive effect on companies' productivity and competitiveness. It also helps companies avoiding unprepared troubles through flexibility and transparency in their workplaces (Koike, 2013: 128-131). Other studies suggest that the system of "voice" encouragement in corporate management by employees has been the core feature of accommodative Japanese ways of employment system (i.e. Shimada, 1992; Inagami, 1988). Through quantitative analysis on employees' engagement in corporate management, Noda (2010) clarified that higher the degree of employees' power to "voice" is, stronger the effect of restraining layoffs particularly by large companies (Noda, 2010: 121-140).<sup>5</sup> Similar results are also found in studies overseas (i.e. Ichniowski et al, 1997).

Employees' engagement in corporate management is considered to have the following three types of effects in the long run (Kato, 2001: 107).

- Goal alignment effect: This would reduce information asymmetry and thus avoid confrontational employer-employee relations. It would also increase

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<sup>5</sup> No effect could be found in companies running a deficit (Noda, 2010).

productivity through proactive information sharing that leads to stronger organisational “loyalty” of employees (Kleiner and Bouillon, 1991).

- Human resource effect: Employees’ non-financial management participation is proved to enhance their power to “voice” and helps reducing the cost of “exiting” from companies.
- Supplementary and externality effects

Other studies found that employees’ “loyalty” to organisations impact positively on procedural justice and fairness that will induce them to “voice” in turn. Inoue et al (2010) quantitatively investigated the impact of organisational justice (OJ), psychological distress (PD) on work engagement (WE) by conducting surveys to 243 manufacturing factory workers in Japan. It found that while OJ and PD have negative correlations (same result was found in Nishida, 1997), OJ and WE have evident positive correlations. Moorman (1991) also came to the same conclusion in his group level study with 42 groups of engineers from a large chemical company.

On the other hand, companies in Japan did not only go through streamlining and restructuring in line with the principles of shareholder capitalism after the 1990s. Many of them also pursued to introduce more democratic, transparent, and non-conventional ways of management and human resource appraisal methodologies that promoted employee participation. They include allowing employees’ “voice” in top management human resource evaluations, implementing so-called the 360-degrees evaluation systems (which not only bosses but also peers and subordinate co-workers provide appraisals), and introducing whistle-blowing systems to encourage compliance and anti-harassment measures.

The roles of labour unions is by any means important to understand the aspects of employees’ collective power to “voice”. According to a 2018 survey by Japan’s Ministry of Health, Labour and Welfare, the number of labour unions and companies attached to them whose responses to the following questions have decreased from 2016 to 2018: “have (a) system(s) for employees to monitor the activities of the company and executives” (from 14.3% to 11.4%); “have (a) system(s) for employee to participate in setting corporate visions, business plans, company restructuring, and others” (from 11.3% to 8.9%). As for whether they prioritise the same items, affirmative responses were higher in both questions in both years, but were also decreasing (see Table 2). Given such responses, while a certain number of companies in Japan do believe in the importance of employee “voice”, actual engagement is in decreasing trend and, at the same time, companies’ interest in employee engagement is also declining in the past few years. This survey indicated that collective labour union “voice” is on a trajectory of losing power in Japan.

**Table 2: Focused (actual) and future focusing items of labour unions (multiple answers up to 5 items; % of respondents)**

	focused items: actual		focusing items: future	
	2018	2016	2018	2016
Surveillance of corporate compliance; monitoring management	11.4	14.3	13.7	15.7
Participation in corporate planning, restructuring, and others.	8.9	11.3	9.2	12.8

Source: Ministry of Health, Labour and Welfare, 2018. *Rodo Kumiai Katsudo-tou ni Kansuru Jittai Chosa (Survey on Labour Union Activities and Others)*; Chart 13.

Yet it is extremely difficult to judge whether overall effect of such reform attempts was positive or negative, since so many of these systems are extemporaneous and disappear. Therefore, this paper will abstain from making a tentative judgement about the effect of each company's measures to induce "voices" in their workplaces.

## B. On "silence" behaviours in the organisation behaviour theory

The research on "silence" behaviour, which has been increasing internationally over the past two decades, initially focused on "silence" as a state of inability to "voice", and later on organizational behavioural and psychological research, focusing on the more complex and subdividable motives for "silence". Van Dyne et al. (2003), in contrast to the conventional concept of "silence" as a state of not "voicing", considered employees' "silence" and "voice" as separate and multidimensional concepts. They divided the motives of employees' "silence" behaviours into three types (acquiescent, defensive and prosocial) and explained that withholding important information is not just a state of unwillingness to "voice".

Turning to the negative aspects of the three motives for "silence" proposed by Van Dyne et al. (2003), "acquiescent silence" is a state in which the subordinate feels powerless to "voice" because of the distance from the superior, while "defensive silence" is to avoid the possible risks of "voicing" and to protect one's position.

On the other hand, not all "silence" behaviours are negatively motivated. It is not hard to imagine that people will remain "silent" when "voicing" would not be in the best option of the organisation as a whole, or would have a negative impact on their relationships. This is the kind of "silence" that we all reflexively engage in on a daily basis, such a kind proposed as "prosocial silence" by Van Dyne et al. (2003) or "relational silence" by Brinsfield (2013). Billias and Vemuri (2017) illustrated from multiple workplace cases in multiple countries that in all cases this "prosocial silence" plays an important role, that there are few cultural differences, that "silence" has universal value across cultures, and that "silence" can be beneficially used to bring about positive social change (Billias and Vemuri, 2017: 162).

So how are the relationship between employees' "voice" and "silence" behaviours explained depending on the psychological safety that the organisations provide to their

employees and the types of leadership? Detert and Burris (2007) conducted a survey of 3,149 employees and 223 managers in a restaurant chain and demonstrated that open leadership behaviours and attitudes, in which managers are always open to feedbacks, increase the psychological safety of subordinate employees and encourage them to “voice” (Detert and Burris, 2007: 880-881). In addition, according to a study conducted by Hassan et al. (2019) to civil servants, strengthening the leadership of the closest frontline managers increases employee trust, empowers organizational identity by allowing employees to take control of their own work, and reduces employees’ “silence” behaviours.

From the above, employees’ “silence” behaviours from the perspective of organisational behaviour theory can be summarised as follows: In organisations with open leadership and transfer of authorities to subordinates, employees are encouraged to “voice” and to be “silent” about things that are “too boorish to say” for smooth in-house relationships (prosocial “silence”), while under iron-fist leaders they take “defensive silence” and when there is a leader-subordinate psychological distance they tend to take “acquiescent silence” behaviours.

With theoretical arguments noted above, an insightful aspect of explaining employer-employee relations in Japan can be derived in the concept of psychological contract. A psychological contract is an unwritten perception that arises when an employee recognises that his or her work-related contributions impose reciprocal obligations on the organisation (and vice versa). Psychological contract is the perception of the company and the employee and refers to their unilateral expectations and obligations towards the other party (Rousseau, 1989: 124).

According to the definition of the psychological contract, fulfilling psychological contract should lead to the fulfilment of the employee’s expectations. On the other hand, not fulfilling psychological contract would lead to decrease in organisational commitment.

Employees’ “acquiescent silence,” which is caused by the inability to “voice” due to the psychological distance from their superiors, is seen by employees as a breach of psychological contract by the company. This situation would reduce “loyalty”.

Turnley and Feldman (1999) has demonstrated that the breach of psychological contract is particularly prevalent in companies that have implemented reforms in human resource management policies, such as hiring, pay and promotion. Such a movement has a significant impact on employee “loyalty” (negative) and disengagement. In addition, the study shows that there is a slight effect on the behaviours of “voicing” (positive) and neglecting (positive) (Turnley and Feldman (2019) uses the mode “neglect” instead of “silence”) (Turnley and Feldman, 1999: 917).

In recent years, there has been a growing body of research on the psychological contract in Japan, explaining the changing relationship between Japanese companies and their employees (e.g. Morishima, 1996; Hattori, 2011). Morishima (1996) argues that both employers and employees in Japan have a surface and a depth to their psychological contract. On surface, employee acknowledges employer’s intention to reform the human resource policies, but on the depth level, employer is concerned about the employee’s welfare and the risk of “exiting”. On the other hand, while

employee acknowledges the long-term future direction of the company and avoids pursuing short-term opportunities (such as “exiting”). Morishima (1996) suggests that this structure may be disrupted by changes in the employment system, where a mutual psychological contract should be established as described. Hattori (2012) also argues that human resource management in Japan has been supported by psychological contract, and reforms in organisational structures and human resource policies have led to a state of non-fulfillment of mutual obligations (i.e. a considerable gap between the mutual obligations of organisations and employees). Hattori (2012) argues that these changes should weaken psychological contract.

These analyses imply that introduction of performance-based human resource evaluation systems, the so-called job description-based employment system, and increase in non-regular employment have destabilised the long-term relationship between companies and employees, which has hitherto been regarded as “employment Japaneseness.” Under such conditions, employees would tend to perceive companies breaching psychological contract.

Under such conditions without opportunities to speak out to improve this situation in workplaces, employees who choose to remain in their organisations would take “acquiescent silence” behaviour and lose their motivation. Others may choose to “exit,” partly as the mid-career labour market is gradually taking shape.

### 3. *Weakening labour unions (labour economic backgrounds)*

To understand employees’ “voice-silence” situation, the dynamics of labour unions is one of the most important factors, as they represent collective “voice” of employees. Likewise in many other countries, labour unionisation rate has been decreasing. This section focuses on demographic and power aspects of labour unions in recent Japan.

Freeman and Medoff (1984) indicated the following three factors of weakening labour unions:

- Changes in economic structure that favour non-union over union employment
- Weakening will to form unions
- Strengthening opposition by managers

A number of empirical analyses on labour unions’ impact on wages have been released in the past several decades (see Table 3).

**Table 3: Empirical analyses**

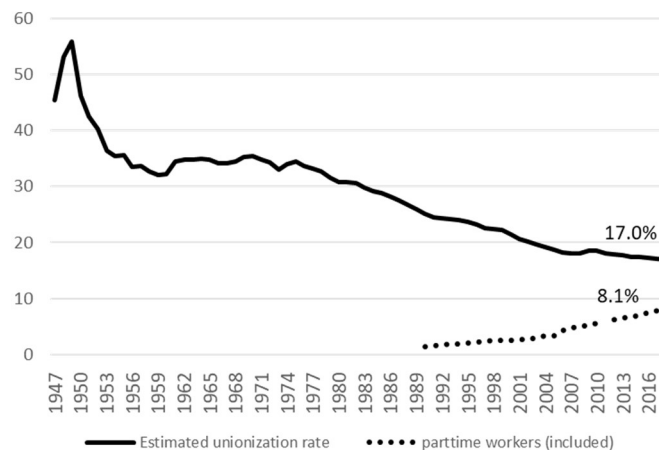
	Years surveyed	Data samples	Unionisation effects on wages
Kalleberg and Lincoln (1988)	1981-83	3,735 factory workers in Kanagawa Pref.	Male: -13.2% (significant) Female: -15.4% (significant)
Brunello (1992)	1987	979 non-listed firms in Corporate Almanac 会社総覧	-2.8% (significant)
Hashimoto and Noda (1993)	1991	689 firms surveyed countrywide	Not significant

Tsuru and Rebitzer (1995)	1992	1,104 workers living around Tokyo	Not significant
Noda (2005)	2003	391 individuals in government-designated cities	Male: +11.3% (significant) Female: -5.3% (not significant)
Hara and Kawaguchi (2009)	2000-03	2,415 workers JGSS Nationwide survey	Male and female: +17% (significant)
Nita and Shinozaki (2008)	2000-03	1,432 workers JGSS Nationwide survey	Male and female: +12.6% (significant) Male: +5.1% (significant) Female: +24.1% (significant)
Tsuru, Yoshinaka, Enoki and Tokuda (2009)	1992, 2007	1,736 (1992) and 4,371 (2007) employees around Tokyo (1992 by JILPT and 2007 by Cabinet Office);	1992: not significant 2007: significant (male), not significant (female)

Source: Tsuru, et al, 2009: 142, 147-149.

Japan's labour unionisation rate is obviously marking record low in the post-World War II period at 16% of the total labour force in 2019 (see Chart 2). The Koizumi labour reforms in the early 2000s reinforced the tendency. Many of those who were trapped in secondary labour market were forced to stay at where they were, or have been pushed from primary to secondary labour market, thereby suffered "silence" rather than "voicing".

**Chart 2: Labour unionisation rate (1947-2018; as of June 30 yearly; %)**



Source: Ministry of Health, Labour and Welfare (2019-a) *Rodo Kumiai Kiso Chosa (Basic Survey on Labour Unions)*.

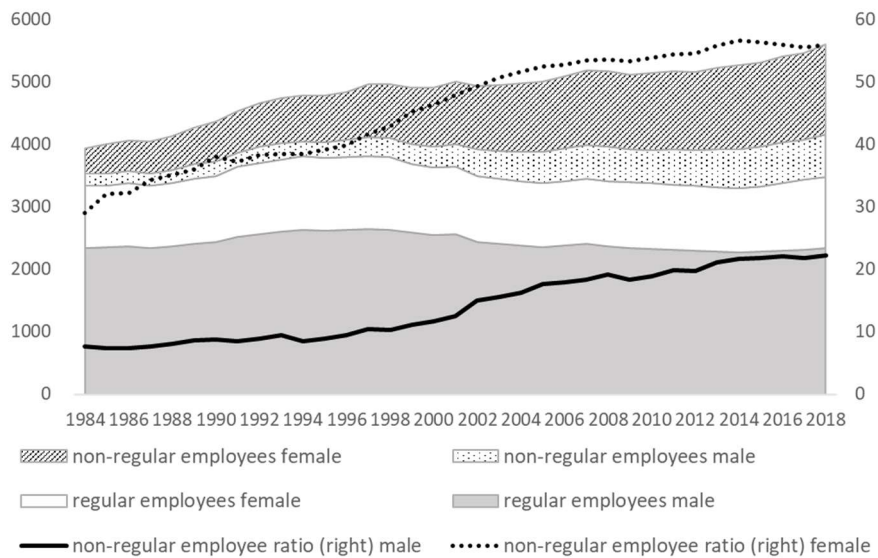
### Increase in non-regular employees

Various analyses have concluded that increase of non-regular employees does not push wages higher, such as Kawaguchi and Hara (2017) and Gordon (2017). A certain percentage of non-regular workers chose to be so, also pushing average wage level

down in Japan (Kato, 2017)(see Chart 3).

Noda (2010) identified that the repression of layoffs by labour unions would further increase non-regular workers (181-205). The result indicate that while labour unions function as hampers to firing people, it increases the employment adjustment cost and therefore pushes the number of non-regular workers up. This viewpoint is consistent with the description in Hisamoto (2015), as noted above, that labour unions have transformed into high-income salary earners’ clubs in Japan, thereby excluding non-regular workers.

**Chart 3: Number of regular and non-regular employees (in ten thousands); Non-regular employee ratio (%)**

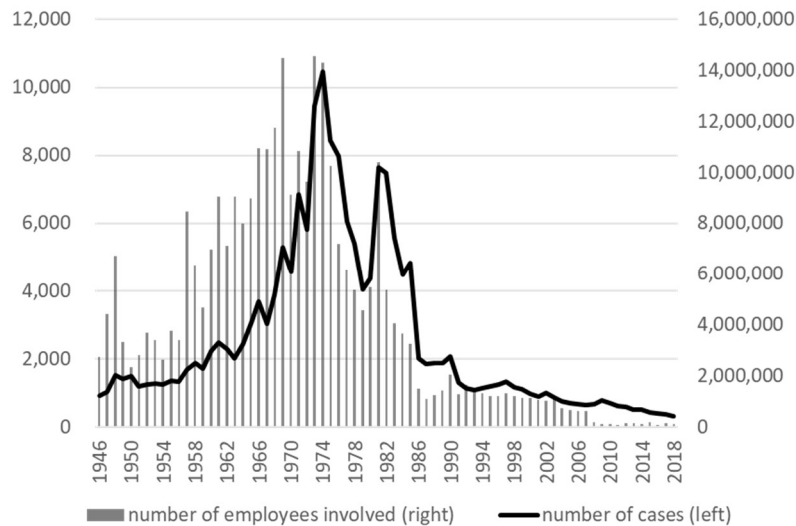


Source: Ministry of Health, Labour and Welfare (2019-d) Rodoryoku Chosa (Labour Force Survey).

Not only the ratio of people forming unions but also their practical power to seek for better treatment, or to “voice”, has also decreased dramatically during the same period. As labour unions took compromising stances against their employees amid business downturns after the 1990s, the number of labour disputes and that of employees involved have shrunk significantly (see Chart 4).

**Chart 4: Labour dispute cases and number of employees involved**





Source: Ministry of Health, Labour and Welfare (2019-b) *Rodo Sogi Tokei Chosa (Survey on Labour Dispute Statistics)*.

In addition, non-regular employees are not only unstable but were also found to be forced to be “silent.” Tsuru et al (2009) conducted a survey in 1992 and 2007 comparing the degree of “voice” and “silence” behaviours at the times of workplace dissatisfaction of unionised and non-unionised employees in Japan. Remarkable differences were found that non-regular workers were suffering “silence” between 1.5 to 2.0 times higher than regular ones in dissatisfaction factors of wage level, benefits package, work hours and days off, employment stability, promotion and bonus evaluations, personnel transfers, and harassments (Tsuru et al. 2009: 148).

Yet unions still have certain roles to play even if they do not fight for their rights recently. Regardless of “voice” or “silence” behaviours, just having a union in an organisation is still considered to make certain pressures on employers in wage negotiations (Tsuru et al, 2009: 35). It indicates that just belonging to the club of a large company alone can be an effective way of “voicing” “silently” in recent Japan.

Nevertheless, question looms regarding the degree of those who choose to be non-regular workers. Despite its old information, a government survey in 2011 indicated that 64.2% of fixed-term employees wished to continue the same treatment compared to 11.3% of those who hoped to turn to regular ones (Ministry of Health, Labour and Welfare, 2011). This result implies that many people are not attracted to become members of the clubs. A survey in 2018 also showed that the fourth largest reason of the decrease in union members was in voluntary exit from the unions at considerable 23.6%, although the figure varies by industry (Ministry of Health, Labour and Welfare, 2018).

#### 4. Social recognition on job fluidity, or “exit” (labour economic backgrounds)

While Hirschman (1972) analyses “voice” behaviours in relations to “loyalty”, this

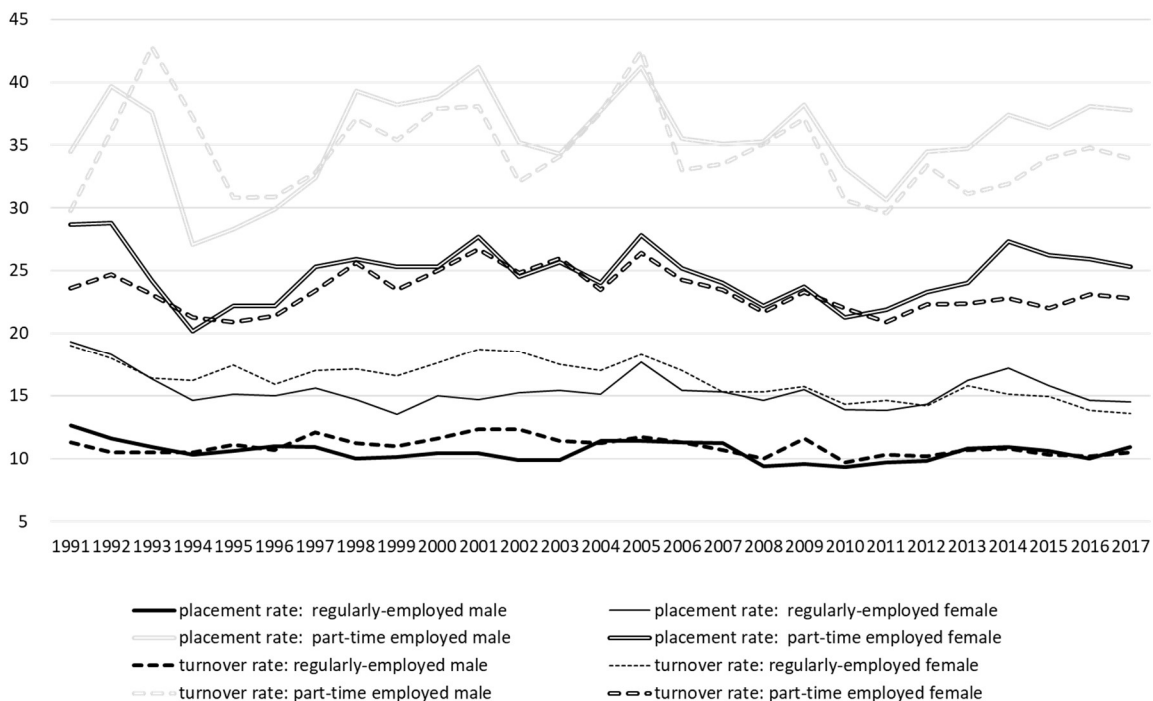
paper makes a point that employees would take “silence” behaviours when they cannot choose to “exit” or “voice.” This means that employees’ attitude could change if they have an option to “exit”. In this section, job fluidity question is discussed, as it is considered to be very low in Japan backed by systemic lifetime employment and seniority wage systems.

While considerable amount of companies pursued short term result-oriented business strategies and tried to implement more fluid employment systems after the 1990s, they have also been introducing measures to retain human resources concurrently, as if they are hitting gas and brake pedals at the same time (Umezaki, 2017: 90).

The two types of trends can be observed in Japan’s recent job turnover ratio. First, it is low and stable for both regularly employed male and female. This means that not many people have been choosing to “exit” after the bubble collapse. Secondly, instead, part-time workers, particularly male, tend to change their jobs compared to the regular ones, especially after 2010. This trend is also underlined by the increase of non-regular employees (see Chart 5).

Therefore, although recruiting agencies’ TV commercials are played so frequently, it would still be premature for the society as a whole to recognise that people always have an alternative to “exit.”

**Chart 5: Placement and turnover rates in Japan: Regularly and part-time employed + Male and female (%)<sup>6</sup>**



Source: Ministry of Health, Labour and Welfare (2019-c) *Koyo Doukou Chosa (Survey on Employment Affairs)*.

<sup>6</sup> Years before 2015 and after 2016 lack statistical continuity.

## Conclusion

To summarise what has been discussed in the previous chapter, Table 4 provides an outline.

**Table 4: Overall assessments**

The four analysing factors	Assessments
1. Corporate ownership (corporate governance)	Diffusion of shareholder capitalism has forced managers to seek short-term returns for investors and employees' retrogression of employee "voice" / progression of "silence".
2. The "voice-silence-loyalty" relations (labour economics and organisation behaviour theory): A. "Voice", "silence", and "loyalty" from the labour economics viewpoint B. On "silence" behaviours in the organisation behaviour theory	A. Progression of "silence" due to weakening of labour unions. A. Some companies try to implement measures to induce "voices". B. "Prosocial silence" on things that are "too boorish to say"; "Defensive silence" under iron-fist leaders; "Acquiescent silence" when there is a leader-subordinate psychological distance. Employee "loyalty" may be decreasing due to employers' breach of psychological contracts.
3. Weakening labour unions (labour economic backgrounds)	Weakening labour unions induces retrogression of "voice" / progression of "silence".
4. Social recognition on job fluidity (labour economic backgrounds)	Job fluidity can be explained by the factor of non-regular workers. "Exit" has not been a realistic option for many employees.

By reviewing extensive analyses, this paper attempted to exposit wide range of factors that are considered to make impacts on employee "voice" retrogression and "silence" progression in the post-bubble Japan by observing changes in shareholding structures, employees' engagement in management decisions and their claims for better work conditions, weakening labour unions, and social recognition on job fluidity. Because the purpose was not to quantify and assert definitive answer to the research question but to expose an overview surrounding employee's "voice-silence" behaviours, the discussion concludes that overall change in corporate governance, labour economic, and organisation behaviour conditions have been roughly inducing retrogression of "voice" and progression of "silence" in Japan after the 1990s. On the other hand, some factors are found to have certain push-back effects, namely recent attempts of introducing "voice" inducing policies, as well as decreasing degree of compulsory OCBs.

While market and management conditions are changing and are putting pressure on employees' free will and sense of proactive commitment, practical implication of this paper's wide-ranging observation is to explain about the need in introducing measures

for employees to engage in decision making process in various ways. It would hold true even more seriously as labour shortage can be expected in the future.

This paper, on the other hand, has certain limitations or needs further investigations as follows:

- Each item does not validate explicitly and may pose an imperfect induction. Further on-site researches will be conducted in order to strengthen logical accuracy.
- This paper does not shed light on impacts of “voice” and “silence” on strategy, innovation, or profitability of companies. Such observation should be treated in future discussions.
- Analysis on labour unions has only limited validity, because over 99 % of companies in Japan consists of small and medium enterprises (SMEs), and unions are not organised in most of them. Most of industry-wide unions do not have enough power to exercise “voices” to employers.
- Many employees in Japan are considered to suffer by not being able to draw a line between organisation loyalty and obedience. Employees’ “silence” behaviours and their relations with organisation loyalty and obedience are to be examined in future.
- This research does not state flatly that Japanese employees had stronger degree of liberty under the period of so-called “Japanese employment system”. It is because “Japanese employment system” was not something that people achieved over fighting for their freedom but was rather a consequence of various concessional attempts.
- Dimension of the “Japanese employment system” could be much broader and diverse than what has been discussed in this paper. Future researches should be conducted through narrowing down by industry or by any other aspects in order to increase the effectiveness of the analysis.

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