

PRODUCTIVITY IN JAPAN : LESSONS FOR INDIA

S. A. SAPRE



FORUM OF FREE ENTERPRISE

**PIRAMAL MANSION, 235 DR. D. N. ROAD,
BOMBAY 400 001.**

**“Free Enterprise was born with man
and shall survive as long as man
survives.”**

**—A. D. Shroff
1899-1965**

**Founder-President
Forum of Free Enterprise**

PRODUCTIVITY IN JAPAN : LESSONS FOR INDIA

S. A. SAPRE*

The economic development of Japan during the last 30 years is unprecedented. The Japanese economy lay in ruins as a result of her defeat in the Second World War. Japan is now the third richest country in the world in terms of Gross National Product. By the end of this century, she is expected to be the richest country in the world. Japan has shown that poverty can be abolished by peaceful, democratic means. Japan is today not only affluent but she is equally civilized. She is an egalitarian democratic country. The percentage of needy people is as low as 1%. The crime rate is very low. She enjoys hundred per cent literacy.

The Indian economic situation by contrast is perilous. India happens to be the ninth poorest country in the world. About 47% of her people live below the poverty line. India's per capita GNP is only \$190 as against Japan's \$8,800.

The Japanese economic achievements are truly incredible. Japanese management has played a leading role in

* The author, presently Director of the Institute for the Study of Work, is a former Director of the Government Printing & Stationery Department, Bombay. He is co-author of a recent book "The Incredible Japanese". This text is based on a public lecture delivered under the auspices of the Forum of Free Enterprise in Bombay on 13 th September 1982.

this silent economic revolution. Americans are asking the question "What can we learn from Japan?". There is no doubt that Indian management has to learn a good deal from Japanese management. Scientific management which was born in America with the publication of Taylor's "Principles of Scientific Management" (1911) is now reborn in Japan.

JAPAN : AN OVERVIEW OF HER ECONOMIC GROWTH

Around 1930 Japan was a poor country. Her farmers could not afford to eat the rice which they themselves were growing. They had to sustain themselves on inferior grains like millet. Now every farmer family has a television set and other modern facilities such as a washing machine.

The following table shows the growth of industrial productivity during the period from 1967-1981 in Japan and Britain, West Germany and the U.S.A. It shows that the Japanese have the highest rate of productivity growth.

1967-100	Productivity in 1981		
<i>Britan</i>	<i>U.S.A</i>	<i>West Germany</i>	<i>Japan</i>
110	130	150	230

According to Professor Thurow, one of the leading economists, the Japanese productivity was growing in 1979/80 at 7.5% per year, German productivity at 4.25% per year, while in the U.S.A. productivity was actually falling at 1% per year. The Sony plant in San Diego set the world-

wide productivity record in 1980. It is not surprising that 6,000 Japanese motor cars are being daily unloaded in American ports and the American car industry is in serious trouble. The Japanese electronics industry, for instance, multiplied its output 3.4 times between 1968 and 1978, while its exports increased by 5.2 times. Nearly 70% of Japanese colour television assembly lines are fully automated as a result of which production time is reduced to 1.5 man hours from 6 man hours and power consumption per 20-inch set from 325 watts in 1972 to 95 watts in 1977. Japan's economic progress during recent years is unmatched in world history.

AN ECONOMIC ANALYSIS OF JAPAN'S ACHIEVEMENTS

Economists are generally of the view that Japan's unusual growth rate is attributable to the following factors :

- (1) Above average contribution resulting from shift in employment from agriculture to industry and comparatively longer hours of work.
- (2) Increasing capital and its better utilization.
- (3) Ever increasing use of up-to-date knowledge in different fields.
- (4) Transfer of resources from agriculture to industry.
- (5) Greater gains from economies of scale.

It is not possible to discuss these aspects in detail, but a few explanatory remarks would be in order. Japanese employment increased from 39.4 million in 1953 to 51.4 million in 1973. The average working hours of non-agricultural working forces in Japan were 51.1 in 1971, the corresponding figure for the U.S.A. being 42.4 only. Further the quality of manpower available improved con-

siderably as a result of the radical changes in the educational system in the post-war years.

The rate of capital accumulation and investment in Japan is exceptionally high. For instance, between 1953 and 1972, Japan invested one-third of its total GNP mostly in the manufacturing sector. The Japanese rate of saving is 20 percent against the American rate of five percent.

The Japanese always keep themselves abreast of the latest developments in different fields and they have a genius to borrow or buy new ideas and adapt them for commercial purposes. Today this tiny nation has, compared to India, ten times more manpower engaged in research.

As a result of mechanization and technical progress, manpower was shifted from agriculture to industry on a large scale. And finally in a rapidly expanding economy, substantial economies of scale accrue. Specialization is facilitated. Industries can be decentralized and located close to the market. Transportation costs are reduced and with longer runs, unit costs come down.

The Japanese are rated as the best at getting out of dying industries. They are constantly moving from sunset to sunrise industries, from a sphere of low productivity to one of higher productivity.

The phenomenal growth of Japanese industry is also the result of very close co-operation between government and industry.

Economic development is considerably facilitated by the Japanese government in several ways. Loan rates are kept below their equilibrium level. Various types of tax incentives are provided. For instance, ordinary reserves can be set against bad debts, retirement benefits and inventory losses. The overall tax burden is 18.5% of GNP compared to 26.5% in the U.S.A.

Japanese major business objectives are sales volume and market position rather than profits. They aim at continuous deployment of resources in areas of high added value. Toyota and Nissan motor car manufacturing firms are now switching over to the production of luxury cars.

Japan has necessarily to live on exports. The Ministry of Industrial Trade is the main co-ordinating agency. It gives advice even on matters of detail such as the optimum size of industrial plants and provides necessary finance through the Bank of Japan. The Supreme Trade Council is constituted specifically for export promotion. The export campaign is personally led by the Prime Minister who happens to be the Chairman of the Council. World exports increased at an average rate of 8.3 per cent per year from 1956-1971 but the Japanese achieved the highest average rate of 16.3 per cent per year.

The Japanese growth rate has fallen during the last few years probably because of the world recession. It was 2.9% in 1981 as against 4.2% in 1980.

UNIQUE FEATURES OF JAPANESE MANAGEMENT

The national interest comes first : Harmony is the key Japanese value. The Japanese look at every question first and foremost from the national point of view. They always first ask themselves the question: Is this good for the nation ? For instance, the renowned industrialist, Mr. S. Honda, when he embarked on his most ambitious projects which involved serious risk, said: "Even if the company becomes bankrupt, the plant itself will remain to be used for the development of Japanese industry." A few years ago when China announced that it would not trade with Japanese firms dealing with Taiwan and Korea, the exporting Japanese firms handled the situation wisely and cleverly. Some firms decided to trade with Taiwan and Korea, while others continued their business with China. The national interests were thus safeguarded and internal harmony preserved.

Honda's confidence in his people : Mr. Honda rightly says that he owes his success to the confidence he has in each one of his workers. It is because of them, he adds, that his machines are the best in the world. This sums up the secret of Japan's productivity drive very simply. Japanese management has succeeded, as no other management has, in ensuring workers' wholehearted creative participation in the productive activities of their firms. It helps people to develop their knowledge and skills. It fosters their cooperative spirit and the zest for work. For ultimately it is the man behind the machine who is truly productive.

Mr. Honda is unique in several respects. His deputy president and himself have not signed any papers or attended any executive committee meetings during the last

10 years, His advice to executives is : (a) Spend your time correctly judging future trends. (b) Leave details of daily operations to the responsible personnel. (c) Insist that the latter make consensus decisions. (d) Always approve what they ask to be done for short-term tasks.

This is how a creative organization can be built.

Strategic Importance of personnel management : In Japan personnel management is considered to be the most important aspect of management. The familial concept of management is dominant. Employment is not merely a contractual obligation to provide life-time employment. A firm is like a family and employees love their firm. The primary commitment of Japanese firms is to their employees. Their welfare and development is their major concern. As a result managerial authority is respected in Japanese firms. The Japanese prefer a firm with human emotions.

Life-time employment : Life-time employment has proved to be conducive to higher productivity in Japan for several reasons. Higher productivity depends largely upon technological innovations but they are often opposed by unions and workers as they may lead to unemployment. But where life-time employment is guaranteed, this fear of unemployment disappears. On the contrary, Japanese workers welcome innovations. There are no demarcation disputes and they are willing to acquire new skills and undertake new tasks.

Management's concern for happy home-life : Japanese management feels that only when a worker is happy at home, he functions at his best. They adopt imaginative measures to give the workers' families an idea about the

activities of the firm. Rewards for regularity in service are given to the employees in odd years and to the wives or mothers in even years. The Japanese family reciprocates feelings. Family members are deeply interested in the progress of the firm. If the husband is called for work on a holiday, the young bride does not resent it. She feels happy that her husband holds an important position in the organization. Japanese wives expect their husbands to be highly committed to their jobs. One young executive was allowed to go home early as he had worked many extra hours for the completion of a project. His mother was perturbed as the neighbours were curious to know whether he had any problems at work. She therefore advised him to go to a bar but not to come home so early !

Traditional approach to productivity : Industrial engineering asserts that it is possible to measure the work of an individual operator accurately and specify standards of performance. During World War II, the fallacy inherent in this approach came to light first. It was found that the number of man hours required for the production of Liberty ships and aeroplanes steadily went down as more and more ships and planes were built, although there was no other change and the industrial engineering standards were found to be misleading.

Learning Curve Phenomenon : It is a matter of common experience that people improve their performance as a result of continuous practice, if they take interest in their work. The improvement comes about almost unknowingly and without extra effort.

This is the significance of the popular saying : Practice makes a man perfect. This is the principle adopted by Japanese management which does not impose any

standards of performance to start with. The traditional method blocks productivity improvements and low productivity comes to be accepted as standard performance.

Japanese management conceives its tasks differently. It ensures that people are properly trained, given necessary facilities and allowed to work in an atmosphere of mutual trust and confidence. Workers go on improving their performance as a result of continued practice.

Team Work: In a modern factory, productivity is dependent upon proper coordination and team work. An individual howsoever skilled and knowledgeable alone cannot achieve much. In Japan team work is always encouraged. All achievements are group achievements. All failures are group failures. The individual simply does not exist. Industrial engineers try to organize work on the basis of individual performance. The result is that everybody develops a selfish attitude and is reluctant to cooperate with others. Where work is organized on team basis, people readily help each other and individual competition does not hamper group performance. All work tends to be automatically integrated and coordinated and the result is a much higher level of productivity.

Interdependence: Another major characteristic of Japanese management is its ability to create a climate of interdependence. Japanese executives do not try to be independent. They do not try to know everything themselves and to manage their work independently. They seek the willing cooperation and assistance of their subordinates. They are eager to use the abilities of their people fully. All this leads to a climate of mutual understanding, the morale improves and team work gains immeasurably.

Interdependence really means pooling together all the available human capacities, knowledge, skills and imagination, for the accomplishment of objectives.

Group directed quest for knowledge : The productive efficiency of an organization depends on the knowledge and skills of its employees. However, knowledge perishes fast and if an organization does not exert itself to acquire the latest knowledge and skills, it will surely impair its own efficiency. Group work should, therefore, go hand in hand with a group directed quest for knowledge and a group directed effort for the acquisition of improved skills and techniques.

Soldiers at the front : Tokyo Electric Power is one of the largest electric power Corporations in the world. It has formed a group of young technologists and executives called "Soldiers at the front". The task of this group is to keep management abreast of the latest developments in different fields. This is a good example of group directed quest for knowledge. Knowledge is now so much specialized, that no individual can ever master more than a small fraction of any field. The group directed quest is therefore more successful. And it strengthens the team spirit.

Continuous training : As knowledge is progressing fast, the need for continuous training becomes all the more essential. Life-time employment in Japan goes hand in hand with life-time training. Life-time employment by itself would otherwise lead to stagnation, apathy and indifferent performance of work. Japanese factories conduct a weekly training programme in which every one participates including even the sweepers and cleaners. The underlying idea is to foster team work and develop the

urge for excellence. The main objective of this programme is to enable the individual to do whatever work he is doing today in a better way tomorrow. This is called the Zen philosophy of education.

Ten minutes and eighty years : There is the story of the famous Zen master Hakuin Ekaku who said that he took ten minutes and eighty years to paint a painting of Daruma, the founder of the Zen sect. The underlying meaning is that it requires life-long training to attain perfection. One can never stop practising and say that I have now attained perfection. Learning must remain a life-long process.

Participation and quality circles : As we have seen earlier, participation gives employees a sense of belonging and an opportunity to use their talents in their tasks. This enhances their interest in the work. In Japan quality control circles provide an excellent opportunity to workers to suggest measures designed to improve quality, productivity and working arrangements. In Nissan Motor Works employing nearly 57,000 workers, there are 4,200 quality control circles each comprising 10-15 workers. They meet regularly, twice a month after office hours. In 1980 they made 1.12 million suggestions for improving productivity of which nearly eighty per cent were accepted and suitably rewarded. The vast number of suggestions made shows what tremendous contribution genuine participation can make. Nissan has doubled its productivity in ten years.

Welfare includes ethical training : Japanese management spends almost lavishly on labour welfare. Hitachi spends 8.5 percent of total labour costs on welfare *excluding* sick pay while English Electric, a comparable firm in

the U.K., spends only 2.5 percent on welfare *including* sick pay. The Japanese workers also respond magnificently. Japanese firms lay great emphasis on ethical training. The Hitachi document "The Guiding Spirit of Hitachi" says that even a moment's slackness should be a matter of grave self-reproach.

The Ringi Decision Making System : This is a peculiar decision making system in which decisions are made by consensus. Decisions are classified into two categories—managerial decisions and decisions concerning organization of work. The decisions falling in the second category are left to the workers themselves. This decision making system has several advantages. As decisions are the result of the combined knowledge and wisdom of the people concerned, they are qualitatively better. Since they are made by consensus, the group solidarity is preserved and decisions implemented sincerely. Further since workers themselves are allowed to make decisions about organization of work, they are more realistic and practical. Workers also take greater interest in work.

Workers are encouraged to assume responsibility : In Japan, workers are encouraged to assume responsibility. At Matsuchita Electric, workers have the authority of a quality controller. They can stop the assembly line plant if they detect a fault.

In another factory, the inspector of electronic goods signs a card with his photograph. The card says on the reverse, "I have inspected the product for you and I am sure it is going to work, but if it does not, put this card in the mail".

The Japanese Work Ethic : The Japanese worker is

deeply attached to his work. His work-day begins with a song, "For the building of a new Japan, let us put our mind and strength together." He adores his firm. A Hitachi worker, for instance, wears the Hitachi badge even on a holiday. He takes pride in his craftsmanship and works in a spirit of total commitment. He sincerely believes that to work is to pray. To him all work is sacred, all tasks important. He enriches his day-to-day life by trying to achieve excellence in work, howsoever mundane it may appear. The Malaysia Prime Minister has rightly said : Brilliance is buying Japanese, genius is importing the Japanese work ethic itself.

Social compulsions : Japanese society values harmony, order, discipline and efficiency. It respects authority. It attaches more importance to responsibilities rather than to rights. This social atmosphere moulds individual behaviour and every one tries to conform to these norms. Individual rights are subsidiary to social requirements. For instance, a worker may be refused leave in the interest of production. And this meets with the approval of even the union.

Conclusion : Japanese management has shown that industrial organizations can be managed in a humane manner consistent with the dignity of man and yet be highly productive. Elsewhere we find that workers detest their firms, hate their management and take little genuine interest in work. The result is unending conflict and social upheavals. In Japan, the workers love their firm, respect their bosses and take genuine pride in their work. The result is an affluent but cultured and humane society. Enlightened managers have much to learn from Japanese management.

INDUSTRIAL RELATIONS AND PRODUCTIVITY

Experts are agreed that Japan's affluence is in no small measure attributable to her climate of industrial relations which have been far more harmonious as compared with other advanced countries such as the U.K. and the U.S.A. The statistics regarding man days lost through strikes per 1,000 population (1977) are very revealing : Japan 13; France 69; U.S.A. 166; and Great Britain 183.

We in India have been facing a grave situation on the industrial relations front and it is instructive to see how the Japanese have managed to cope with the incomprehensible complexities in this field where, as an expert has put it, "there are no permanent solutions, nor any instant cures". Industrial conflict is endemic and unpredictable.

Social Revolution : Professor Ronald Dore, a noted authority on Japan, has pointed out that a social democratic revolution has taken place in Japan, which is yet to take place even in the U.K. where the trade union movement originated. This silent revolution has gone largely unnoticed but its impact has been far reaching. The essence of this revolution is that the trade union is recognized as a legitimate bargaining agent in matters of wages. Union representatives are given full facilities to carry out their day-to-day work within the factory. The distinction between office staff and workers is abolished. Both wear the same uniforms. Managers have the same working hours as workers and they use the same canteen, toilet and other facilities.

On the Shop Floor : A perceptive observer has succinctly noted the difference between the American and the Japanese factory. "The American factory seems almost like an

armed camp. Foremen stand guard to make sure workers do not slack off. Workers grumble at foremen, and foremen are cross with workers. In the Japanese factory, employees seem to work even without the foremen watching."

The Japanese foreman is loved and respected by his workers. He has faith in his workers. He believes that they are genuinely interested in their work and that they will do their best. His authority is not coercive. He rarely imposes any penalties. His authority rests on his confidence in his workers. He is always fair and helpful to them. He takes real interest in their welfare and their safety is his first concern. The foreman may find a suitable bride for his worker. The foreman's major concern is with production. He is constantly impressing on the workers the need to improve productivity. All this he does persuasively and succeeds admirably.

Attitude towards the Firm : We have accepted almost *in toto* the British philosophy of trade unionism. One of the cardinal principles of British Trade unionism is that the primary function of a trade union is to oppose management which is deemed to be oppressive and which is supposed to exploit the workers continuously. The British worker, therefore, hates his foreman who represents management on the shop floor. The British worker values his independence and wears his own uniform and may also own some of the tools. The British worker is individualistic. He looks upon his work as a contractual obligation towards the firm.

Japanese trade unions preserve their independence but do not hate the firm. They are on the contrary proud of their firm. Even the Union song may refer to the firm in affectionate terms. On holidays, the workers like to wear the badge of their firm.

Confidence and Consideration : Japanese management shows genuine concern for the welfare of workers. It is constantly saying to the workers : Let Japan be the most prosperous country in the world and you will share in the profits resulting from your efforts. In the last few years, wages have increased in Japan over four times and the real wages of Japanese workers are now comparable with those of American workers. It is not surprising that Japanese management is respected by the workers. It enjoys their confidence.

Trade Union Philosophy : Japanese trade unions do not look upon their role as one of permanent opposition to management, as elsewhere. In contrast their basic approach may be stated as follows :

1. Japanese unions appreciate more fully the fact that each worker wears at least two masks, one that of the producer and another that of the consumer. When a group of workers goes on strike it may hurt itself as a consumer and further the advantage sought may be at the expense of other workers.
2. The unions are keenly aware of the fact that Japan is not endowed with rich natural resources and, therefore, ultimately her affluence depends upon her productive efficiency and her competitive position in the world market.
3. Japanese unions realise fully that management and unions have common long-term interests in higher productivity.
4. Ultimately the interests of workers, e.g., wages, welfare, facilities, security of employment etc., depend upon the prosperity of the nation and the firm. What hampers productivity ultimately harms the workers themselves. A strong trade union

presupposes an efficient and affluent firm. In a firm on the verge of liquidation, the trade union itself is on the verge of disappearance.

5. Union leaders as well as managers share the conviction that 'a real mud-slinging stand-up fight' would not be ultimately beneficial to any one.
6. Japanese trade unions attach greater importance to harmony, efficiency and order rather than to individual dignity, freedom and equality. They respect managerial authority.
7. They feel that cooperation with management will be ultimately more beneficial to workers. They look upon themselves as collaborators of management on a footing of equality.
8. The unions accept the need for hard work, higher productivity, pride in skill and high quality of goods.

Their approach can be illustrated more concretely. If a worker is refused leave by his foreman on grounds of urgency of work, in Japan the trade union representatives would support the foreman whereas elsewhere the union will consider this as an infringement of the worker's right and resist it.

One interesting example may be mentioned here. Workers in a factory located in Japan but owned by Americans went on strike for a day. The next day they worked with redoubled energy and made good the loss of production on account of the strike. The American manager was puzzled by the strange behaviour. The workers told him that the strike was meant to draw his attention to their grievances but they did not want production to suffer.

Japanese Unions : The unions are not an instrument of

management. They preserve their own dignity, independence and self-respect. They have their own building, their staff and their committee rooms. They do not completely identify themselves with the firm. They preserve their independence without creating hostility. For instance, the union standpoint about the morning exercise is stated as follows :—‘The union is not opposed to morning physical exercise before the daily commencement of work, but whereas the company requested the co-operation of the union in ensuring that all employees take part, the union insisted on the principle of voluntary participation’.

Spring offensive : The unions launch their spring offensive for new wage claims at the end of March every year. March is a month of hectic activity with many meetings and rallies to deepen understanding and heighten fighting determination. If the first round of negotiations fail, there may be generally a strike for a day or two. The flags and the red-arm bands appear in the pre-strike evening rally. The unions are most active during the spring offensive and social contacts with managerial personnel are broken off. But they do not try to humiliate management personnel. They say that their fight is against capital. The management may then make a fresh offer which is accepted and the strike ends and production resumes with renewed enthusiasm. Strikes are mostly symbolic. But the trade unions have on the whole shown a great sense of responsibility and statesmanship of a high order. In order to check a runaway inflation government had to restrict the money supply during 1974-76. Trade unions moderated their wage demands to accord with the new conditions and willingly accepted a reduction in the annual wage increase upto 1.9 percent.

Rights of citizens : One very important lesson that we can learn from Japan is that the rights of the responsible citizens are far more important than the rights of a guilty individual. Under the pretext that, for instance, the disciplinary treatment meted out to an individual is unduly harsh a trade union may cause hardships to lakhs of people. This is obviously undesirable from every point of view, and in Japan this rarely happens. We must seek other methods for the redress of genuine or supposed injustice to an individual.

Reorientation needed : Japan's success is no doubt in some measures due to her unique approach to the problems of industrial relations. The U.K. has failed so far to reorient her industrial relations to suit the changing requirements of her economy, with disastrous consequences. It is generally agreed that there can be no real freedom or democracy, if there is a total ban on strikes in all sectors. But the freedom to strike is circumscribed by a number of exacting requirements. Strikes are supposed to secure justice for the workers but very often the victims of strikes are workers elsewhere and other poorer and helpless sectors of society. Unless there is improvement in productivity and in national income, the advantages secured by one group of workers may be at the cost of less organized sectors of the community. Further strikes and lockouts have a dampening effect on the attitude towards work. The urge for excellence in work, which is not very strong in India, is further blunted by repeated stoppages of work. Work is a disciplining force the absence of which can be demoralising. Further every strike/lockout entails loss of production, which a poor country like India can ill afford. More specifically India with a *per capita* GNP of 190 dollars cannot afford to follow a policy which, for instance,

the U.K. with a *per capita* GNP of over \$6300 can adopt. A rich family can afford to waste some food but not a starving one.

Our perilous economic situation demands greater restraint, patience and harmony in our industrial relations, with an all out cooperative effort to improve productivity. Prolonged industrial strife is self-defeating at this critical juncture. It can only worsen the plight of the poor. But to bring about the needed reorientation, management will have to take the initiative to show that it is genuinely concerned with the well-being of the workers and the welfare of the nation.

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.

“People must come to accept private enterprise not as a necessary evil, but as an affirmative good.”

—Eugene Black

FORUM OF FREE ENTERPRISE

The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 30/- (entrance fee, Rs. 20/-) and Associate Membership fee Rs. 12/- only (entrance fee, Rs. 8/-). Graduate course students can get our booklets by becoming Student Associates on payment of Rs. 5/- only. (No entrance fee.)

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-400 001.

Published by M. R. PAI for the the Forum of Free Enterprise, "Piramal Mansion", 235 Dr. Dadabhai Naoroji Road, Bombay-1, and printed by Arun Naik at Akshar Pratiroop Pvt. Ltd., 42, Ambekar Marg, Wadala, Bombay 400 031.

16/Oct/1982