The Layering of Meso-level Institutional Effects on Employment Systems in Japan

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Abstract

Japan's corporate governance and employment relations systems have been under considerable pressures to reform towards a more Anglo-American model, against a back-drop of intensified global competition and slow economic growth over two 'lost' decades. But what is the relationship between these systems, and specifically, how does corporate governance structure condition employment relations practice? This paper adopts the 'Systems, Society, Dominance and Corporate effects' framework in order to contextualize and evaluate the outcomes of these pressures, particularly in the period following the 2007-8 global financial crisis. It reports case study data from various parts of the Japanese economy drawn from a series of firm-based interviews and a variety of secondary sources. It is argued that there has been a strong degree of continuity in certain employment practices, such as lifetime employment, even in relatively new high technology firms, but that the pattern for other practices, such as seniority-based pay, is more mixed with increasing differentiation between industries and individual organizations. We articulate a layered assessment of the varying SSDC effects at play in corporate Japan. This differentiation across industries and organizations is a function both of strategic choice (corporate effects) and also the increasing variation in the meso-level institutional pressures that are experienced at organizational level; that is, the differentiation in the sources and nature of dominance effects that are relevant.

Introduction

Global macro-economic changes are purportedly having a significant impact on national and corporate business systems, with heightened effects since the 2007-8 global financial crisis. These changes include intensified global competition brought about because of liberalization and heightened competition from mature economies and the emergence of new entrants. In response to this heightened competition, corporate governance and employment systems are under pressure to reform, particularly economies such as Japan and Germany (Ahmadjian and Robbins, 2005; Keizer, 2008; 2009; Koike, 2015; McCann, 2013; Witt, 2006), which are being pressed to adopt more liberalized, dominant, Anglo-American forms of governance and employment relations by varying combinations of investors, governments and business groups (Jacoby, 2005; Witt and Redding, 2013).

The Japanese employment relations model is predicated upon a certain set of corporate governance structures. While recent research focusing on corporate governance in Japan indicates significant changes for established Japanese companies, those studies focusing on employment relations report limited change, that is, continuity in the practices for 'core' workers combined with some diversifying of practices for 'peripheral' workers (Keizer, 2009). The interdependence between corporate governance structures and employment relations practices has been previously noted, particularly with regard to the case of corporate Japan (Aoki, 1990; Aoki et al., 2007; Jackson 2009), but there is limited evidence of the dynamics between these two elements over time (Vidal, 2014). In other words, existing research does not provide concrete insights into *how corporate governance structures condition employment relations practice* over periods of time. This is at least in part because the *Varieties of Capitalism* approach has dominated the literature. We use rich qualitative data to explore the specific organizational nature of change in addressing this question. In order to embrace variation, the research uses case studies of both older and more recently established organizations to explore change at the organizational level and broader system-wide effects.

Theoretically, we adopt the recent extension of the Systems, Society and Dominance (SSD) framework (Smith and Meiksins 1995) provided by Delbridge, Hauptmeier and Sen Gupta (2011) which introduces corporate effects as a fourth influence on organizational outcomes. This allows us to address the greater degree of differentiation and strategic choice that is to be found in our own data and has also been recently reported by others commenting on developments in Japan (Aoki and Jackson, 2008; Aoki et al, 2007; Jackson, 2009). The paper makes the following contributions. First, the paper presents an empirical application demonstrating the analytical value of the Systems, Society, Dominance and Corporate Effects (SSDC) model in order to explicate the variation of employment relations practice to be found within the Japanese economy. The paper shows how strategic choices conditioned by other socio-economic effects explain the outcomes of meso-level institutional pressures on specific organizations. Second, the paper draws on recent institutional theory that explores the nature of complexity to be found in contexts with multiple situational logics. We elaborate the significance of organizations operating in multiple, overlapping organizational fields in understanding the potential implications of such meso-level institutional complexity. Specifically, applying these insights alongside the SSDC framework illuminates how different dominance effects are experienced by corporations within specific industry sectors, producing differentiated and layered outcomes.

The paper is divided into the following sections. Next we evaluate the literature on changes to both Japanese corporate governance and employment systems in Japan and clarify our central research question. The subsequent section reviews the theoretical context and, in particular, the SSD framework as originally developed by Smith and Meiksins (1995) and recently elaborated by Delbridge et al (2011). We then present the data in the form of five, interview-based, case studies, drawn from across a variety of sectors of the Japanese economy. Finally, discussion and conclusion sections develop a series of insights and contributions.

Changes to corporate governance and employment relations in Japan

The recent research on employment relations in Japanese companies reports partial changes, with the emphasis on the increasing discrepancy between 'core' and 'periphery' across various industrial sectors (Shibata, 2016; Yamauchi, 2016; Yun, 2016). Contrastingly, contemporary studies on Japan's corporate governance clearly indicate significant changes, in particular, for established larger Japanese companies (Chizema & Shinozawa, 2012; Colpan et al 2011; Geng et al., 2016). Although it has only rarely been explicitly addressed in recent research (for exceptions, see Aoki et al., 2007; Jackson 2009), the Japanese employment relations model has long been recognized as predicated upon a certain set of corporate governance practices. This model was classically articulated in Aoki's (1990) seminal paper. He argued that the Japanese model was based on the relationship between the *keiretsu* corporate groupings and the main banks, and on the extensive cross shareholding by other firms in the corporate group. This has enabled large Japanese firms to be far less reliant on market trading for shares and enabled managers to operate a stakeholder model, accountable to a variety of constituent groups, including employees and suppliers, in the 'company as community' system (Inagami and Whittaker, 2005), albeit the risks and consequences were largely passed onto 'peripheral' firms and employees.

Such a form of corporate governance is part of wider interlocking arrangements of institutional systems, the reinforcing effects of complementarities, including the employment relations system, in which employees have been, historically, protected by the stakeholder model. However, according to Dore (2009), this corporate governance system has been transformed over the previous ten-to-twenty years. This pronouncement was fairly dramatic as he had been a pioneer of Japanese workplace studies and, as late as 2000, was defending the continued uniqueness of a coordinated market economy model centred on Japan and Germany (Dore, 2000). Less than ten years later, however, Dore was arguing that shareholder interests had increased dramatically in importance in Japan and that a significant market for corporate control had emerged, including take-overs. He concluded that the conversion to the theology of shareholder sovereignty seemed complete (Dore, 2009).

Thus the pattern of corporate governance in Japanese firms has changed markedly since the immediate post-bubble crisis of the 1990s, with both the relationships between firms and main banks and cross shareholding weakening. *Keiretsu* relationships were also weakening, and corporate finance was becoming both more market orientated and under foreign control (Jacoby, 2005; Aoki et al., 2007; Jackson 2009; Witt, 2006). In 1989, for example, just before the bubble burst, 3.6% of shares on the Tokyo Stock Exchange were held by foreigner interests, by 2013 this was 26.9%. Pressures emerged from both inside and outside of Japan for system reform, in order to improve the strategic direction and international competitiveness of Japanese firms. These included general global economic pressures, the impact of the 'lost decades', moves to global sourcing on the part of multinational firms and the 'hollowing out' of the Japanese economy, all essentially systemic pressures to reform. In addition there have been reform pressures both from foreign owned firms and investors with, for example, significant pressures for shareholder sovereignty from both the US government, from foreign investor funds and from US owned companies (Olcott, 2009). Thus globalization of capital markets has added pressures toward shareholder value. For example, Ahmadjian and Robbins (2005) describe the tensions in companies between foreign portfolio investors and domestic relational shareholders, with considerable pressures coming from foreign investors. Dore (2009) notes that there were also significant pressures from within Japan, from investors, government and business groups. The Japanese legal system has been more favourable to market-based solutions for the last 15 years, with holding companies, for example, legalized, making merger and acquisition activity easier. Japanese pension funds and banks, particularly non-*keiretsu* ones, have also been critical of the stakeholder model, with banks investing in hedge funds which insist on shareholder supremacy. Government and business groups have supported these moves, the former seeing this as a way to make the Japanese economy more efficient and to attract foreign capital. Colpan et al. (2011) have investigated the effects of the changing institutional environment upon the strategic orientation of Japanese electronics firms. They note that firms with foreign portfolio investors are characterized by influences pressing for changing corporate strategies and financial investors having a much more market-orientated approach. Furthermore, Chizema and Shinozawa (2012) explore the rise of a more Anglo-American form of corporate governance among large Japanese firms, exemplified by the rise of the committee system of governance. They found that firms that were more internationally exposed were more likely to adopt a committee system, as were firms with larger proportions of foreign ownership. Moreover, banks were gradually withdrawing from their monitoring function. The consensus from the literature would seem to be that changes in corporate governance are substantial for larger older firms at least.

Another set of reforms liberalized labour markets on the use of temporary and agency workers. Employment relations had been characterized by the three ‘pillars’ of life-time employment, seniority-based pay and enterprise unions which included not only white collar workers but also blue collar ones (Koike, 2015). These conditions only applied to a minority of the workforce, elite male full time core workers in large firms, and thus there were significant differences in employment practices based on firm size, gender and sector (manufacturing-services) and in supply chains. However, they had a major normative effect on wider Japanese society (Matanle, 2003), and medium-sized enterprises tried to emulate their larger counterparts, not least to attract skilled labour (Whittaker, 2009).

Post-1990, the Japanese economy had been through three fundamental, inter-related, structural changes, namely de-industrialization and a growth of services, a growth of the non-regular workforce and a growth in the female workforce. Against the backdrop of these changes, the existing research illustrates a partial shift in Japan's employment relations. In the case of lifetime employment much of the evidence points to a great deal of continuity of this practice (Kambayashi and Kato, 2016; Keizer, 2009). Keizer's findings from case studies of four Japanese industrial sectors support continued attachment to lifetime employment, but he also argues that despite the hype surrounding the introduction of more output orientated performance pay, its impact had been modest as performance measures had largely been grafted, or layered, on to existing labour market institutions, particularly seniority. However, there are several important caveats; lifetime employment applies to far fewer managers per corporation, as a consequence of managerial downsizing, delayering and recruitment freezes and companies have shrunk the duration of the lifetime element considerably, to 50 years and younger (Authors Ref; Kato, 2001). Furthermore, the practice of *shukko*, in which workers are temporarily 'transferred' to group subsidiaries may also have been subject to modification, in the sense that it has become permanent and strategic (Chuma, 2002). Kambayashi and Kato (2016), meanwhile offer a rigorous analysis of long term employment in Japan over 25 years, in a comparison with the US. Although their data only run to 2007, they found long term employment particularly resilient in Japan, a surprise given predictions of its demise and that their analysis coincided with the so called 'lost decade' of the 1990s. This contrasted with the US where average tenure declined, despite a period of economic growth. The slight caveats to this were that for younger employees long term employment had declined (although it resumed in their 30s) and the growing presence of mid career hires, indicating segmentation of the labour market.

Moreover, seniority-based pay is to a certain extent being sacrificed in order to maintain lifetime employment (Watanabe, 2000), with performance-related pay the strategy introduced to control labour costs of regular employees (Keizer, 2009). However, significance of output in performance in performance pay was fairly limited and certainly not on the scale seen in US corporations (Hassard et al, 2009). Nevertheless, perhaps the greatest change to the seniority system has been in the proportion of managers being promoted. Potentially, this poses issues of modification to the 'tournament' model of late promotion (Kato et al., 2016; Koike, 2005; Owen, 2004). As a consequence of delayering, far fewer managers are now being automatically promoted than was hitherto the case, due to significantly reduced promotion opportunities.

The final pillar is enterprise unionism, with such unions a product of a post-war management-labour settlement (Whittaker, 2009). Bargaining tends to take place at the enterprise level, but the annual *Shunto* wage offensive (where the union in a large employer takes a lead role) has had a strong normative influence both on nation-wide settlements, but also on wage restraint. Enterprise unions have faced a 'perfect storm' of adverse conditions, including structural economic change, 'hollowing out' of manufacturing, a growth in services, feminization and a growth of non-regular employment, with a dramatic decline in both union membership numbers and organization rates. While such trends are found across OECD economies, they were exacerbated to a certain extent by the nature of Japanese unionism as enterprise unions, by definition, were generally not recruiting in the new growth industries and, by and large, were not organizing non-regular employees. Moreover, unions have become increasingly marginalized in national-level policy change negotiations, despite continued resistance to these changes (Shibata, 2016; Yun, 2016). Furthermore, union members began to question the raison d'etre of their membership, as the interviewees in the case studies indicate.

Research assessing these developments in employment relations has often been based on surveys, useful in that they provide widespread coverage of the economy. Aoki and Jackson (2008), for example, use large-scale survey data to point to a fragmentation of the employment relations system, and Ishida and Sato (2011) argue that this is representative of a widespread paradigm shift towards employment relations decided by the market, particularly performance-related pay which emphasizes individual or group output. However, other studies have raised questions over any sweeping assumptions of change based on large-scale surveys. For example, Sekiguchi (2013) argues that the introduction of an individual or group output-related pay element into the pay systems of Japanese companies is a consequence of Japanese management fashion which quickly spread through Japanese business networks between 1995 and 2005, and became institutionalized as a 'rationalized myth'. Organizations were also keen to embrace what was seen as a progressive American practice and which fit the 'crisis' in Japanese management at the time, but Sekiguchi also points to Japanese government survey data which indicate significant implementation problems. The macro-data also have some other weaknesses, particularly when trying to gauge the extent of the use of seniority-based pay. Hassard et al (2009), for example, found a number of respondents reporting the introduction of output-related but the amounts were relatively small and confined. Furthermore, seniority still guided promotion. Sekiguchi (2013) further argues that many large Japanese companies have reconsidered introducing performance pay due to managerial and employee opposition.

In short, there would seem to be considerable evidence of modifications to Japan's system of corporate governance, particularly for the larger and more established companies, certain elements of which have historically been considered to shape the foundations of Japanese employment relations. However, evidence of changes in employment relations has been more limited and partial in recent years. There has been limited recent work seeking to explore the inter-relationships between corporate governance and employment practices. The central objective of this paper therefore is to revisit the link between changes in corporate governance and those in employment relations. In other words, what are the meso-level and corporate effects, including changes in corporate governance structure, that have influenced the nature of change (and continuity) in employment relations? The next section introduces the theoretical framework that we use to examine the link between corporate governance and employment relations in Japan.

The System, Society, Dominance, and Corporate Effects framework

In order to revisit and explicate the link between corporate governance structures and employment relations in Japanese companies, we adopt a framework that can embrace institutional structures and socio-economic factors as well as strategic choice of companies. There is a long history of research on comparative work and employment relations dating back to the 1970s (Dore, 1973; Maurice et al., 1986; Vidal and Hauptmeier, 2014). This has taken various forms but Hall and Soskice's (2001) Varieties of Capitalism (VoC) framework has proved particularly influential. This literature is nationally-focused and contrasts liberal-market (LME) and coordinated market economies (CMEs). Essentially, this debate is concerned with national-level governance, including the nature of the links between companies, their sources of finance and patterns of employment relations. The VoC approach has been influential in addressing institutional variety between different economies. Furthermore, recent development of the VoC approach, as represented by Thelen (2008), pays more attention to actors, arguing that there is a dynamic, with Germany moving to a more segmented, dualistic and layered form of CME and Japan moving to an LME form. However, there are criticisms that it is deterministic, ahistorical and top-down (Vidal and Hauptmeier, 2014) and thus faces difficulty in explaining the variation within a particular economy.

Recent work exploring developments in Japan has moved beyond the conventional VoC approach in order to document the empirical variety that is observable. Notably, Jackson (2009) has sought to track in detail variation concerning employment relations and corporate governance. He argues that large Japanese firms are fairly homogenous in terms of lifetime employment, board practices and decentralization, but heterogeneous in terms of the role of output in performance pay, finance arrangements and foreign ownership. Importantly, his research distinguished between three broad responses to socio-economic challenges at firm level. First, minimal adaptation of the model (relying on bank funds, low shareholder influence, lifetime employment etc.), typical of firms in old industrial sectors. Second, a Type I hybrid, mixed market-orientated finance and ownership characteristics with traditional employment practices. This category included manufacturing exporters who have relocated production overseas and retained R&D activities in Japan. Finally, Type II hybrids are characterized by traditional bank finance and inter-firm relations but a more market orientated employment relations. These tend to be newer firms, dependent on external labour markets and competing in global markets. Jackson argues that this diversity is representative of greater strategic choice and the loosening of institutional constraints.

We agree with the overall direction of Jackson's (2009) research, and introduce here a systematic analytical framework that allows for variation within institutional arrangements and organizational practices; that is, a framework that addresses both the socio-economic factors impacting on companies and their strategic choices. To enable our examination of the inter-relationship between developments in corporate governance and employment practices, we adopt and adapt the SSDC framework by embracing the role of corporate governance as a part of Corporate Effects. We will now explain this approach in more detail. Smith and Meiksins' (1995) SSD model aimed to interpret cross-national organization and provide a holistic framework for understanding the work of management and employees within internationalizing firms. Further, and importantly, whereas the VoC model is essentially ahistorical and assumes homogeneity within the economy, SSD effects are likely to be stabilized in periods of institutional settlement, but prone to adaptation in a period of institutional change. As McSweeney and colleagues later noted, the framework can encapsulate national-level and local-level routines, and the impact of international competition and global 'best practice' concepts. Individual work-place outcomes are a product of the interaction of these various effects (McSweeney et al., 2008).

The SSD model posited interaction at three levels. The Systems level emphasizes the political and economic system (capitalism or state socialism) at a general level, with the core features such as competitive market relations and wage labour. As such, these effects are essentially and consistently 'capitalist' for all the firms in this case (and are thus effectively ignored). Society effects reflect the fact that firms are societally-embedded, both in a formal, institutional, sense and in a normative one, in that societal norms shape business behaviour. The final level, Dominance effects, are essentially leading-edge, globally dominant methods of organization which are both hegemonic and internationally emulated. These take the form of either dominant sectors or individual firms, such as has been the case for Toyota or the Japanese car industry. As Smith and others note, this allows for firms to borrow, or adapt, practices by, for example, recruiting managers from firms from other countries. Elger and Smith (2005), for example, later used the dominance effects in interpreting their research findings on Japanese firms in England. In this article, we further elaborate dominance effects. That is, in relation to the analytical focus of this paper, changing elements of corporate governance that are driven by expectations of the adoption of an Anglo-American model can be understood as a part of dominance effects. This is because the perception of 'best practice' partly depends on the voice of influential audiences such as 'active' shareholders.

In seeking to allow for greater recognition of the strategic choice available to corporate actors, Delbridge et al. (2011) added a fourth level, Corporate effects. This provides for a degree of agency in that it allows for recognition of how workplace actors may make local settlements and, in particular, acknowledges the place that an individual workplace has within the wider strategy (and corporate division of labour) of the parent firm. In summary, this SSDC framework promises a more sophisticated attempt to understand the layered nature of meso-level institutional effects and the scope for actors' agency in operating within these. This is particularly valuable in assessing the implications of institutional complexity on organizational outcomes which has been the recent subject of theorizing in organization studies.

Institutional complexity in organization studies refers to situations where actors are faced by multiple potentially incompatible institutional logics (Greenwood et al, 2011). There has been considerable recent attention paid to questions of how multiple institutional logics, shaped by meso-level structures and processes, are experienced within organizations and how actors respond in the face of such complexity. This work is valuable in highlighting the influences and constraints on actors, and in recognizing the multi-level nature of institutional effects. Earlier work in institutional theory has emphasized the historical, path-dependent and negotiated nature to organizational change. An important paper by Cooper et al (1996), looking at continuity and change in Canadian law firms, describes the 'sedimentation' of one organizational form on to the previous form, allowing for a contested and dialectical view of change rather than a linear one in which the 'new' displaces the 'old'. There are, of course, further alternatives for examining the within-country variations in employment systems and management practices. One such alternative has been advanced in research through the lens of personnel economics, and particularly recent work that has concentrated on human resource management (HRM) (Bloom and van Reenen, 2011). In particular it relates to the growing introduction of incentive pay (particularly group-type bonuses) to productivity, and to these being linked 'bundles' of practices which are typified by a training-intensive regime contingent on certain forms of labour regulation, including lifetime employment. These ideas complement the SSDC model in allowing the historically grounded, institutionally embedded and contested nature of organization to be fully recognized.

In summary, this paper represents an early attempt to undertake a detailed research project using the SSDC framework outlined by Smith and Meiksins (1995), elaborated by Delbridge et al (2011), and here developed to embrace key insights from institutional theory. We use this analytic framework because it allows for a more integrated assessment of the global and national systemic and structural contingencies that are informing developments at local workplace and organizational levels. In doing so, it also allows for an evaluation of the strategic choices of corporate actors (Child, 1997), crucial if local variance and complex empirical circumstances of continuity and change are to be appreciated and assessed.

Methods

The research presented here is based on a series of 68 interviews from five case study organizations. Prior research on corporate Japan has tended to concentrate on large and established manufacturing organizations, but these concerns are no longer so representative of the economy, as they have downsized and relocated overseas, and service industries have grown (Authors Refs; Bailey, 2003). Moreover, as noted above, Aoki et al. (2007) and Jackson (2009) have contended that Japanese firms have become increasingly diverse, both in terms of their corporate governance and employment relations. Furthermore, most importantly, in order to address the research question, embracing companies from various industrial sectors is crucial in order to examine variety regarding how corporate governance structure impacts on employment relations practice. Consequently, we used a form of purposive sampling, which collects data from samples that meet the purpose of the research rather than randomly. In order to gain maximum variation, we picked firms from a wide variety of segments, including: a firm from the service sector, in this case a relatively recent start-up in retailing; a large traditional engineering manufacturing firm operating in highly internationalized environment; a privatized company, in our case a telecommunications provider; a firm from the ‘new industry’ sector (internet and games-related); a new economy, service sector firm, in this case a mobile telecommunications network provider. To this extent, the cases cover both economy- and systems-wide changes in Japan, as well as changes to more traditional firms. Access to these firms was secured through a combination of previous research contacts and the close contacts of Japanese university colleagues. One additional firm (in the internet and games-related industry) was approached but refused (we later found out that they were undergoing major restructuring).

This mix of sectors gives a broader representation than previous, manufacturing-dominated, research, and offers insights into the varieties of employment relations in these different groups. The research employed two methodologies, both qualitative. The first method was semi-structured interviews with 68 managers across the firms, including 12 with board-level members and the remainder across the managerial and managerial-track hierarchy. The former interviewees were key informants in senior HR positions. The second method involved secondary data sources, including the Nikkei Shimbun newspaper, annual reports, corporate brochures and the Nikkei telecom electronic data base. We also did a search of the books on the firms' histories, identifying a total of 28 books. Further, the data were used in broad terms to explore the interaction of societal, dominance and corporate effects which will be used to interpret the findings. The interviews were carried out in both Japanese and English (one of the interviewers was a native Japanese speaker). The data were recorded, translated where appropriate (by one of the research team) and transcribed. The dataset was then divided thematically and analyzed as such.

Data collection and analysis proceeded in three stages. First, we examined the secondary data, in order to obtain basic, background information on the case study firms, establishing contacts with case firms and 'fine-tuning' the interview questions. The interview questions were divided into four broad categories, with a focus on change and continuity in General Context; Corporate Strategy; Corporate Governance, and Employment Relations. Furthermore, we developed questions on specific issues related to these themes, such as the introduction of new employment contracts, acquisition of, or by, foreign firms, appointment of foreign directors and so forth. Second, we then conducted the semi-structured interviews. All but four were recorded and transcribed. In these exceptions, the informants requested that they were not recorded, but transcriptions were made from notes. The interview data were analyzed using Max-qda, computer-aided qualitative analysis software, were loaded onto the software and classified in line with the four categories. Further, the memo function was used to associate these with the secondary data. Given our interest in understanding the specifics of how pressures for reform are manifesting themselves at organizational level, and because of the particularities of each case organization, we proceed to present our key findings on a case-by-case basis after briefly reviewing demographic data related to our case study firms.

Case Studies

The case study firms were not chosen as 'maverick' examples but, as indicated, were chosen to illustrate developments in certain segments of the Japanese economy. They were as follows; MatureCo, an old, large electronics keiretsu; PrivatizedCo, a former state owned telecomms entity; RetailCo, a relatively recent start-up; NewTelecommsCo (NTC) a mid aged private provider; and, TechnoCo, a relatively young internet related firm. Table 1 shows establishment dates of companies in the relevant industries, while Table 2 shows the size distribution. These give the demography of firms in related industries (it includes firms with 50 plus workers with capitalization of 30 million yen plus). MatureCo is one of the older and larger firms in this sector but was purposely chosen as such to illustrate change in this type of firm. TechnoCo, RetailCo and NTC were broadly of a similar age and size to their competitors.

Our purpose is to explain changes in employment relations by drawing on the SSDC framework in interpreting our findings.

_______________________Table 1 Here_______________________

_______________________Table 2 Here_______________________

PrivatizedCo is an old established telecommunications firm. In considering developments in PrivatisedCo under the SSDC evaluative framework, societal effects remained strong with continued lifetime employment, trade union presence and seniority pay, despite some limited dominance effects on the last of these and some clearly defined corporate effects in the use of subsidiaries to manage downsizing and preserve lifetime employment for the remaining core. This is, as seen below, because of relatively stable and less demanding shareholders as a part of Dominance Effects, which significantly conditioned the firm's responses to increasingly intensified competition.

PrivatizedCo was privatized in 1985 (Vogel, 2006). Nevertheless, the company largely retained its form of corporate governance and their civil-service-type employment relations form until the 1990s. In part this was due to the government maintaining a large golden share of the company (they were still the biggest shareholder in 2014) and they had maintained a monopoly position in the Japanese landline telecoms market. By 2000, however, their market position was being eroded in two ways. First, they were obliged to follow Japanese telecommunications technical standards which were out of line with international ones, a specific form of technological 'lock-in', and second, they faced considerable competition from foreign firms such as Samsung and Apple. The firm had diversified into data and Internet services and limited overseas expansion by acquisition. As a consequence of these gradually worsening market conditions, the firm could no longer operate as if it were a government agency. External directors were elected to the board and foreign shareholders allowed to buy-into the firm. Nevertheless the government retains a large stake (a third) and the firm has not faced the intense international competition that other of our case study companies have (although foreign investors accounted for 25% of shares). As a consequence, employee relations were still fairly traditional. The firm employs around 290,000 employees and has maintained their lifetime employment system. However, any member of staff who had not become a director by the age of 50 had to leave the core company and was transferred to a subsidiary with worse terms and conditions. Arguably then, PrivatizedCo had been able to maintain its hierarchy and lifetime employment by its use of its subsidiaries (all of the employees in the core were full time and permanent). PrivatizedCo used its subsidiaries in a fairly traditional manner to protect its core business and employment relations. The firm had also maintained fairly traditional recruitment methods based on graduate hires, although there were increasing numbers of mid career hires.

Despite the introduction of a more output-orientated performance-pay system (termed *seikashugi),* seniority was still the prime determinant of pay, although the proportion related to seniority was lower than previously. For promotion, it still took at least 15 years to be promoted to a managerial position and that was primarily based on seniority, i.e. age, and was closely related to pay. However, respondents also reported that fewer people were getting promoted (with employees far less likely to be promoted virtually automatically on the basis of time-served) and that the promotion that took place was related to individual appraisal. Interestingly, the firm had scrapped their fast track promotion scheme. Union presence and density remained strong in the company.

MatureCo is an old, hundred-year plus, multidivisional general electric group, employing 300,000 people plus 40,000 temporary workers. Overall outcomes concerning employment relations at MatureCo are similar to Privatized Co. While societal effects remained strong and continued to largely shape these in the current period, dominance effects also drove the firm to conduct reforms enabling cost reduction.

This is primarily because ‘active’ shareholders increasingly became influential and, to some extent, conditioned the firm’s strategic choice, in particular in relation to cost saving.

MatureCo had undergone considerable restructuring and reorientation of its operations. These changes were in response to declining sales and profitability in core business areas, particularly in consumer electronics, due to intense international competition, the hollowing out of the economy and sluggish domestic demand. One relevant change in corporate governance was a departure from cross shareholding by main banks and keiretsu firms. Consequently, approximately 40 percent of shareholders became ‘foreigners’, who tended to be more ‘active’.

As a result of these changes, the core group had discontinued production of certain, formerly core, product ranges (consumer electronics, semiconductors, home appliances), either ceasing production entirely, transferring production to subsidiaries or selling capacity to third parties. Subsidiaries were, therefore, used in this context to protect the well performing sections of the core group and to separate them from the non-core which faced a precarious position. Potentially, this had profound implications for the fairly traditional post-war settlement of employee relations, based on lifetime employment, seniority based pay and enterprise unions. However, these had undergone few changes during the restructuring. The company maintained their commitment to lifetime employment, albeit with certain caveats. First, far fewer employees were ‘guaranteed’ lifetime employment, given that the core company had divested subsidiaries. Second, it was only guaranteed to a certain age (similar to Private Co), older managers – typically over 50 – were routinely transferred to subsidiary firms, on worse pay and conditions. One of our respondents, for example, had started his career as a core group employee, but had been transferred to a subsidiary as CEO at 50. Moreover, the company had recruited significant numbers of mid-career hires, who were set on positions on pay scales which reflected prior experience outside of MatureCo. Third, while younger employees were attracted by LTE, they were nevertheless considering future opportunities outside MatureCo. Five of our respondents were under 35 and all knew of managerial-grade employees who had left the organization and indicated that there was not the corporate attachment that there was understood to have been ten-to-twenty years ago. This was also representative of changes to Japan's labour markets. One of our younger respondents noted, in terms fairly unimaginable twenty years ago: 'I guess it's changing. I mean the external labour market is emerging in Japan, so they could find quite decent jobs [elsewhere]'.

There were also certain moves to adapt the seniority pay system, part of a wider move to de-emphasize seniority for promotions and wage increases and to promote a more output orientated performance management (*seika-shugi* in 2000). This included formalizing the appraisal system and the introduction of job-type descriptions, part of a broader desire to introduce more output-related pay measures. However, such enthusiasm was curbed, to a certain extent, by the well publicized difficulties experienced by Fujitsu in this regard (Authors). Our research found clear changes to the pay system but they were of a fairly limited degree and respondents noted that output-related performance measures made little difference to individual pay. As one noted: 'The important thing is the length of stay in the firm and I hate to say this but the firm adopts a demerit system, you don't have to be that innovative [to get promoted]...but [simply] do things without mistakes'. Moreover, overall, fewer employees were eligible for higher pay, given core workforce decline, delayering, recruitment freezes etc. Another noted that, for promotion, 'seniority was crucially important' and further noted that differences in pay for young employees between the best and worst performers was only small. Promotion was very slow, seniority-orientated and it took 18 to 19 years to get promoted to the first managerial level. Further, far fewer career track employees were getting promoted, particularly to the second managerial level, or *bucho*, than was previously the case, meaning that far fewer managers were getting promoted on the basis of seniority. While the individual appraisal element of pay was small (about 3%), it was a more important indicator of promotion prospects. Finally, there were differences in bonus payments between employees, but these were largely based on divisional, rather than corporate, performance, as was previously the case. Staff in poorly performing divisions were negatively evaluated and therefore received smaller amounts of additional pay. There were other changes to the pay system, but they were largely related to overall wage costs rather than individualizing the system. The pension system, for example, had been reformed with a lower level of corporate contribution, and corporate welfare contributions had also declined.

The union remained an important part of the company, but there were indications that it was being marginalized, albeit based on a relatively small interview sample. Our respondents were largely young manager-track employees not blue collar workers, but nevertheless a number had either left the union or were doubting its worth to them.

RetailCo is a relatively new company, founded in the 1990s, and is included here as it represents an example of the new Japanese economy and offers a contrast to how established firms have changed. In contrast to the first two companies, the management practices and employment system RetailCo was not illustrative of the conventional Japanese societal effects manifest in the three pillars. Their employment systems were far more US-style and thus dominance effects were far more evident in this case. The majority of the shares was for a period owned by an investment fund which was known for a ‘hands-on’ approach to its invested firms, thereby contributing to the Dominance Effects. Further, the use of the franchise model informs the type of employment system in place and is, to a considerable extent corporation-specific, exemplifying the significance of corporate effects within the SSDC model.

RetailCo's main business is selling second hand books in stores across metropolitan Japan, although it had recently diversified into selling a variety of second hand goods, including sportswear, compact discs, clothes etc. The firm had a high degree of external control, half of the directors were external and ownership was split between organizations, individuals and financial institutions. Formerly the firm had a high degree of ownership in the form of private equity fund. For a couple of years in the mid 2000s, a private equity investment firm became the largest shareholder. According to a manager, 'we thought the firm would be one day owned by them and drastic restructuring may happen.' However, in 2009, the private equity firm sold all the shares to several firms. The main expansion model had been through franchising, comprising 60% of properties. The firm had an extremely standardized operation, modelled on an Anglo-American form, more typical of new service industries in Japan, such as retailing. As a senior manager noted: 'Our firm is quite a new type ...we don't have ideas derived from Japanese firms... we are influenced by franchising, which is from the US… we studied many franchising businesses'. Partly as a consequence, employment practices were also very different from the other case studies, and not traditionally Japanese. A manager noted: '...the operation is very standardized... every branch has a store manager, an *arubaito-san* and part-timers, *part-san*'.

There was a degree of performance-pay based on appraisal, but the amounts were relatively small, related to overall company performance, and also only applied to full time employees with annual pay. At lower managerial levels, full time employees got paid a monthly salary, but at some stage they were switched to annual pay that had a larger individual performance-related element. The term lifetime, or long term, employment was also fairly meaningless in the company, given the high proportion of part-time staff and relatively high labour turnover. Other employment practices were also very standardized across the company. The store manager was responsible for the recruitment of part timers in the branch and they were supervised on a regular basis by an area manager. The firm recently introduced a new type of contract (called ‘area limited contract’) for full time workers who did not have to be transferred across branches. This was intended to accommodate various needs of full time employees, including taking care of children and nursing their ill parents. The company, however, suffered from high rates of labour turnover, partly reflecting the routine nature of the work. A store manager noted that: ‘Some can link the work with their growth.... but for many the work is repetitive and simple... so, unfortunately, many quit in a couple of years or less’. This was a sentiment shared by the HRM manager and was exacerbated by the company employing graduates (in boring repetitive jobs), the employment of many part time workers and because promotion opportunities were extremely limited. The company only provided long term prospects for a small number of staff, given its flat structure and, of the 10,000 employees, 90% were part-time. Although there were some limited opportunities for part-time contracts to be converted to full-time ones, new graduates and mid career recruits were also recruited as full-time employees, and graduates took less than a year to be promoted to store manager. An experienced store manager could be promoted to area manager, but there was a limited number of these, and few of the directors were recruited internally and generally were drawn from other firms. The firm was, unsurprisingly, non-unionized, given the sector and the workforce composition.

TechnoCo was established in 1998, in the IT bubble period. In terms of SSDC effects on employment relations, TechnoCo is a hybrid. Corporate effects have been locally produced by senior managers (for example, the promotion of internal entrepreneurialism and non-unionism) along with certain societal effects (particularly over the commitment to long term employment and the nature of the career structure). Furthermore, with the percentage of ‘active’, ‘foreign’ shareholders over 40%, there have been discernible dominance effects in the use of subsidiary spin-offs to promote innovation and growth.

The primary initial business was in internet-related domains, typically internet advertising sales. By 2011, sales had reached 100 billion yen and revenue streams had diversified into internet and smart phone media, including applications. Venture financing was facilitated by government deregulation, with new stock markets established to provide venture companies access to funds and investors with more diversified products. Thus TechnoCo was listed on the Tokyo Stock Exchange Makers Division in 2000, since when internally promoted directors were appointed to the board.

The firm was started by three founders and only employed 20 people in 1999. Very significant growth saw this expand to 1000 full-time employees by 2005 and 30000 by 2013, excluding part-time and agency workers. This rapid expansion was partly achieved through the setting up of a series of spin-off subsidiaries, largely as a result of business ideas put forward by employees. Typically, these spin-off companies were also run by the people who came up with the business ideas, many of whom were extremely young to take up such senior positions, certainly by Japanese corporate standards. In this case, the use of subsidiaries was very different from the older established companies, PrivatizedCo and MatureCo. The rationale in TechnoCo was for subsidiary autonomy in order to provide them with the opportunity to have the freedom to innovate. At the time of interviews, there were 30 subsidiaries employing between 4 and 800, and there was a fairly high failure rate for subsidiaries (of 50%). Of the subsidiary employees interviewed, one was a 27 year old president of a company providing mobile phone applications and employing 800, while other presidents interviewed were 22 and 24 years of age.

As a relatively recent start up operating in a high technology sector, TechnoCo might have been expected to have a set of non-traditional employment practices, particularly given the young age of start-up presidents. However, the firm had several characteristics associated with the traditional Japanese model, including long term employment, dense networks of employees and a preference for relying on organic growth rather than on merger and acquisition activity. The HRM director, for example, indicated that the firm had never laid-off a full time employee due to performance. He explained: 'We do not have seniority, but do maintain long-term employment at any cost. If a manager achieves their output, it will simply reflect in his salary. If employees cannot make progress it is the managers' fault. That is our basic principle'. Despite this commitment to long-term employment, a number of younger employees interviewed (including at subsidiary president level) indicated a willingness to leave the company at some stage in the future. However, this was not an expression of dissatisfaction with working for the firm but rather a desire to start-up their own high technology business (and the company had a labour turnover of 3% per annum).

The company's pay and promotion system was developed as an organizational hierarchy based on a simple grade system, and this was also adopted in subsidiaries. Initially the firm had a grade system based on a general track (*G-Shoku*) as at this time the firm was predominantly sales-based. However, as the firm diversified its products in the mid 2000s, it became increasingly technologically sophisticated and recruited increasing numbers of engineers and web designers. Thus they introduced an engineering, or specialized, grade (*S-Shoku*). The firm also added a non-career track (*C-Shoku*), often (but not exclusively) occupied by married females who could not commit to the working hours needed on the G grade. While there was a degree of movement back from C to G grade, one female interviewee (aged 36) expressed dissatisfaction at being transferred from G to C grade as a consequence of having a child, complaining that work in the C grade was 'second-rate with no decision making power'. The general track had five grades and the specialist one had seven, but at a certain point on the general track employees were expected to take on managerial responsibilities while specialized staff were not. The firm used both mid-career and new graduate recruitment. The Japanese IT labour market is well developed, despite an underdeveloped external market, unlike the US. However the organizational culture was predicated upon the recruitment of young graduate engineers (typically from top and second ranked universities), and mid career engineers were only recruited to rectify skill shortages brought about by the changing business environment. The organization was non-union and the *douki* network (a group based on incoming recruits) was viewed as an important collective in the firm. However, it was perceived to clash with the fast promotion of young staff. As one employee noted**: '**It might be that the *douki* networks in many Japanese firms are double edged swords. It is strongly connected and may mutually help, but there may be envy if top performers are promoted when they are young'. By contrast, the firm had several formal mechanisms to promote younger workers to relatively high positions, including headquarter managers and subsidiary board members, in direct contrast to traditional Japanese companies where seniority dictated a long wait for promotion. This included *ashita-kaigi* (translated as 'conference for tomorrow') where selected teams of twenty to thirty employees compete in the decision making process in a training camp. Teams were ranked by the CEO at the end and winners and key group contributors are then offered new roles such as subsidiary heads.

NewTelecommCo (NTC) was founded in 1981. Somewhat similarly to TechnoCo, the employment relations at NTC represented a combination of societal, dominance, and to a lesser extent, corporate effects. Somewhat surprisingly, societal effects were evident in the case of the retention of secure, long-term, employment, but the firm was non (and even anti)-union, reflective of US dominance effects (although traditionally Japanese SMEs have been far less likely to be unionized). Similar to TechnoCo, ‘active’ shareholders were approximately 40% of the total and dominance effects were to a great extent represented by and through them. In fact, pay systems were also representative of US-styled dominance effects, being individualized and performance-based. Corporate effects were also evident in, for example, the particular mandates given to specific subsidiaries, similar to the situation at TechnoCo, and in the mixed model used in recruitment.

NTC had undergone a rapid, and innovative, expansion programme. This has been achieved through a combination of organic growth and merger and acquisition activity. It bought, for example, major mobile network providers (domestically and overseas) and the firm was divided into three divisions: mobile, telecoms and broadband. The firm employed a total of 100,000 staff worldwide, including both the core organization and 1300 subsidiaries, 1000 of which were outside Japan. The subsidiaries in this case were generally acquired overseas operations. The core, Japan-based organization, employed 19,000, including 4000 temporary staff. The expansion had been funded largely, and somewhat unorthodoxly, through bank lending from a variety of institutions, including foreign-owned ones. The firm had relied on financial techniques used in Anglo-American countries, for example, using non-resource debts combined with a special purpose vehicle (SPV), which can be used as a way to finance a new venture without increasing the debt burden or diluting existing shareholdings. While the firm has three external directors (of 10), the founding CEO remains extremely dominant.

The firm had a range of traditional and non-traditional employment practices. It had maintained a commitment to long term employment, seen as a core value of the firm, and employee turnover was low at 2-3%. As the deputy director of HRM reported: ‘We are very similar to other Japanese companies in that we offer secure employment. That is the custom, we hesitate in laying off employees’. The firm was seen by employees as an exciting alternative employer to, for example, firms such as PrivatizedCo and recruited from top rank universities, as well as a high proportion of foreign students from Japanese universities.

Given its rapid expansion the firm had not had to deal with a downturn. Despite the firm offering long-term employment, younger respondents talked openly about how their future might well be outside of the company. One respondent spoke of a colleague who had recently left to study in the US and others had left for other employers. This new tendency amongst younger workers was also noted in the case of TechnoCo, and provides a contrasting social attitude to the ‘one company’ ethos previously held by salarymen in corporate Japan. Along with organization-specific drivers, this is also likely to be an expression of changing managerial labour markets and employee attitudes more widely in Japan.
If employment tenure policies were fairly traditional at NTC, those related to pay and promotion were not. The company had a fairly flat structure of six grades and also recruited significant numbers of mid-career hires, in part to meet the needs of the rapidly expanding business. In 2013, for example, the number of mid-career hires outnumbered graduate recruits. Promotion was relatively quick, compared to the two older case study companies, PrivatizedCo and MatureCo. While employees are typically not promoted to managerial level until their mid 30s, the youngest manager (*kacho*) was 28 and the youngers at the next level was 32 (*bucho*). However, employees were also demoted if they could not perform adequately at their grade. This was justified by senior managers on the grounds of the demotivating impact on all employees if they did not downgrade underperforming individuals. This stands in stark contrast to traditional practice. Demotion was used as a last resort, however, and

employees were moved horizontally first. While there was a standard basic plus bonus pay system (company-wide), and this was fairly uniform for lower grade staff (1 to 3), for managers it had significant implications for pay, of up to 30%. This was based on a performance appraisal system designed around management-by-objectives. Further promotion was also based on performance across all grades. The company also had a large buffer of temporary employees (20%), as well as non-managerial track staff in sales and administration. These positions were less well paid than career track staff, but were nevertheless recruited to with top quality graduates, typically females who did not wish to be promoted. The firm was non-union.

Table 3 provides a brief summary of how the different SSDC effects have played out in each of the case firms.

______________ Summary Table 3 about here_______________________________

Discussion

In summary, there were noticeable variations regarding the relationship between corporate governance structure and employment relations practice across the five case studies. This emphasizes the tensions between societal and dominance effects which were often then mediated by strategic choices at the corporate level. These choices are informed but not determined by the specific meso-level institutional pressures that are experienced at organizational level. The SSDC framework is a relatively simple model but one that nevertheless allows for a layered evaluation of national diversity and a relatively integrated assessment of the key influences on organizations. The research evidence presented here provides strong support for the value of multiple levels of analysis. The importance of societal effects can be seen in the continued attachment to job security in four of the cases. It is also expressed in the continued importance attached by the large companies to human capital formation and to the enduring attraction of at least long-term if not lifetime employment as a recruitment mechanism for employees given recent economic shifts in Japan. This was despite modifications to the operation of the lifetime employment system, notably that it applied to a narrower range of employees and was of a shorter duration than was common in the past due largely to Dominance Effects generated by 'active' foreign shareholders. Moreover, younger managerial employees placed less importance on it, potentially reflecting the growth of mid-career hires for Japanese firms. This also represents a considerable modification to the 'tournament model' of drawn out promotion (Koike, 2005; Owan, 2004).

Consideration of our five cases demonstrates the interactive, multi-level and company-specific nature of the influences on employment relations practices as well as the importance of strategic choice at firm level. MatureCo and PrivatizedCo had introduced elements of more output-orientated approach to performance pay, but the amounts involved were relatively small and were tied to divisional performance rather than individual performance (Kato and Kodama, 2015). Seniority continued to be important, and societal effects and the dominant institutional influences of the organizational fields of these organizations had a strong influence on the relative continuity in employment relations. However, while performance did not impact greatly on pay, it had a greater impact on promotion. Previously, promotion to managerial level and beyond had been a fairly automatic process in large Japanese corporations such as these, but this was no longer the case and it was fairly directly linked with individual appraisal, and so individual performance had become indirectly linked to pay. TechnoCo and NTC had performance-related pay, and in these instances the corporate effects are much more readily apparent. Whereas MatureCo and PrivatizedCo adhered to dominant conventions of their organizational field, characterized by corporate inertia and strong trade unions, TechnoCo and NTC operated in new economic sectors and did not experience the same organizational influences and constraints. Indeed, they were most influenced by those effects relevant to their own fields and these were more likely to be US-informed dominance effects. In these fields too, however, there was also evidence of corporate effects at play, witnessed by the differentiated but strategic use of subsidiaries at both Techno and NTC; the various effects and constraints informed but did not determine outcomes. There was also evidence of segmentation and layering in the nature of the effects themselves, with RetailCo the ‘outlier’ case study, having a high proportion of staff working part time, no commitment to long term employment and promotion based on merit, an example of specific meso-level institutional effects. In this sense, RetailCo were also adhering to the influences of their own organizational field in the growing Japanese retail sector where these practices have become increasingly established as the norm.

As Fligstein and McAdam’s (2012) notion of incumbents and challengers argument invokes (see also Sako 2007), TechnoCo and NTC, as relatively new high technology companies, might not have been expected to have ‘traditional’ practices. However, both had maintained a form of long-term employment. Such a commitment might have also been viewed as part of the influence of wider social norms (Society Effects), but may equally also be interpreted as corporate effects and the strategic choices taken because of them. That is, such effects may reflect moderating practices in the context of societal pressures on these firms as they seek to attract top-quality, graduate staff through the use of LTE. RetailCo, however was far less conditioned by such pressures. This is because the firm was operating in a different labour-market, indicating a different nature to the sedimentation (Cooper et al, 1996), which was further enhanced by Dominance Effects favouring short term turnovers.

The findings of this research provide finer grained insights into diversity within the economy and complement the existing research. Aoki et al (2007) as well as Jackson (2009) contend that corporate governance is driving selective change in employment relations, resulting in a smaller core workforce and greater diversity in pay systems, but continued commitment to lifetime employment. Sako (2007) similarly argues that there is considerable difference between 'old' and 'new' industries. Our findings are generally consistent with the overall arguments of these studies but our study offers important elaboration and nuance to these. For example, we found, somewhat in contrast with Aoki et al. (2007) and Jackson (2009), that corporate governance change was less obviously linked to changes in employment relations. We have conceptualized corporate governance structure as a part of an SSDC model and we have found significant variations in terms of the impact of 'active' shareholders (Dominance Effects). Significantly, we recognized other effects, particularly those deriving from Social and Corporate Effects, which in our case studies both moderated Dominance Effects and informed strategic choices at corporate level. Perhaps the most interesting way that the implications of corporate governance changes differed was in the use of subsidiaries. MatureCo and PrivatizedCo used their subsidiaries defensively to protect their core activities and workforce, whereas TechnoCo used its subsidiaries in a fairly innovative way, allowing them space to explore new products and services. The use of subsidiaries in corporate Japan merits further attention.

Conclusions

The central question of this article has been concerned with revisiting the relationship between corporate governance structure and employment relations practice in Japanese companies. Drawing on the recent work on institutional complexity (Greenwood et al 2011) and on the sedimented nature of organizational change (Cooper et al, 1996), we have articulated a layered assessment of the SSDC effects at play in corporate Japan. Our argument is that this differentiation across industries and organizations is a function both of strategic choice and also due in part to increasing variation in the meso-level institutional pressures that are experienced at organizational level; that is, differentiation in the sources and nature of dominance effects that are relevant to that particular field.

These findings demonstrate the value of a more sophisticated and agentic model of understanding corporate employment relations practices in contextthan, for example, the VOC model which, despite more recent developments, remains deterministic and ‘top down’.. The elaborated SSDC model provides for assessment of the forces influencing outcomes that stem from multiple levels, but also allows for the strategic action of individual firms operating in specific industry or sectors. The influence of complex meso-level institutional effects can be incorporated. The evidence presented here shows how individual corporate actors may respond strategically to differing dominance effects, while working within different organizational fields subject to the same situational logics, to produce a variety of outcomes within the same system and societal contexts (see Figure 1).

Finally, this study provides evidence of the value of the plurality of methodologies. Studies of employment relations in Japan often rely on large scale secondary data sources, which are particularly useful in that they are largely pre-compiled, typically by government, and offer widespread coverage which is representative. However, they lack the deeper analysis of interview-based studies such as this, and the nuances that they provide. For example, the data provided here would point to, at first glance, the continued resilience of lifetime employment and the demise of seniority-related pay, but probing of the data suggests that it is perhaps not as strong as the evidence would suggest and, conversely, that seniority may be more robust. In short, the case studies explore the underlying processes which are generating such patterns of change and continuity (Imai, 2011).

In conclusion, this article has refined the our understanding of the linkage between corporate governance structure and employment relations practice in Japanese companies. While changes in corporate governance structure have certainly impacted on companies, nonetheless, such impacts need to be contextualized together with other socio-economic factors. Furthermore, it has been shown that the exercise of strategic choice by companies has variously enhanced or moderated such factors. Future research would do well to draw on a plurality of methodologies and to deploy the multi-faceted SSDC framework in examining the complex inter-relationships between corporate governance and wider social and institutional influences and the consequences of these on employment relations at corporate level.

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Table 1: Establishment of firms in related industries

	Total	before 1948	1949-58	1959-68	1969-78	1979-88	1989-98	1999-2008	2009-
Information and Communication	2,187	85	54	150	373	614	468	413	30
Internet related service	170	-	2	1	2	15	47	95	8
Electronics	657	111	122	137	132	75	38	36	6
Retailing	3,018	286	487	549	550	460	375	276	35

Source: Basic Survey of Japanese Business Structure and Activities (2014) http://www.meti.go.jp/statistics/tyo/kikatu/result-2/h26data.html

Table 2: Size of firms in related industries

		Total	Capital							
			30-50million	50-100million	100-300million	300-500million	500-1 billion	1-5billion	5-10billion	≧10billion
Electronics manufacturing		748	185	255	118	77	16	47	19	31
Worker	50-99	260	107	115	24	11	1	2	-	-
	100-199	215	60	86	41	19	5	2	2	-
	200-299	90	12	31	22	14	3	6	1	1
	300-499	70	4	16	17	16	3	12	2	-
	500-999	56	1	6	10	12	2	20	5	-
	≧1000	57	1	1	4	5	2	5	9	30(Mature)
Information and Communication		2,490	525	800	572	252	113	156	27	45
Worker	50-99	846	267	344	148	57	15	14	1	-
	100-199	715	170	264	164	61	29	23	1	3
	200-299	322	44	110	96	36	14	17	1	4
	300-499	236	33	54	78	28	18	18	3	4
	500-999	199	8	20	56	44	21	40	4	6
	≧1000	172	3	8	30	26	16	44	17	28(NTC, Privatized)
Internet related		197	13	41	48	28	23	33	5	6
Worker	50-99	82	8	24	25	16	4	5	-	-
	100-199	54	2	7	13	6	13	12	1	-
	200-299	26	1	7	3	6	1	7	-	1
	300-499	15	-	2	4	-	3	2	3	1
	500-999	8	2	-	1	-	2	3	-	-
	≧1000	12	-	1	2	-	-	4	1 (Techno)	4
Retailing		3,587	955	1,355	624	246	78	209	55	65
Worker	50-99	718	334	303	60	17	2	2	-	-
	100-199	872	305	392	122	33	10	10	-	-
	200-299	486	139	215	78	35	2	13	3	1
	300-499	501	95	197	132	46	11	18	2	-
	500-999	434	55	155	98	61	17	33	12	3

	≧1000	576	27	93	134	54	36	133 (Retail)	38	61

Source: Basic Survey of Japanese Business Structure and Activities (2015) http://www.meti.go.jp/statistics/tyo/kikatu/result-2/h26data.html

Table 3: Summary of the SSDC Effects by Case Organization

	PrivatizedCo	MatureCo	RetailCo	TechnoCo	NewTelecommCo
ER practice	**Continuity: 'Core' and 'periphery'**	**Continuity: 'Core' and 'periphery'**	**Change: Increasing flexibility**	**Continuity: 'Core' and 'periphery'**	**Continuity: 'Core' and 'periphery'**
System	Capitalism				
Society	Strong pressure to keep long-term employment	Strong pressure to keep long-term employment	Weak pressure to keep long-term employment	Moderate pressure to keep long-term employment	Moderate pressure to keep long-term employment
Dominance	Weak pressure to adopt flexible employment practice	Moderate pressure to adopt flexible employment practice	Strong pressure to adopt flexible employment practice	Strong pressure to adopt flexible employment practice	Strong pressure to adopt flexible employment practice
Corporate	Strategic use of 'periphery' workers as buffer for 'core' workers	Strategic use of 'periphery' workers as buffer for 'core' workers	Strategic use of 'periphery' workers (heavily reliant on temporary workers)	Strategic use of 'core' workers (maintain long-term employment)	Strategic use of 'core' workers (maintain long-term employment)

Appendix

Figure 1: Schematic of the System, Society, Dominance and Corporate (SSDC) Effects Model