

Chapter 2

Early Years of the *Sarariiman*

Abstract There are distinct differences between the salaried workers in the West and the *sarariiman* in Japan. Work practices differ between the two and in the case of the *sarariiman*, the social status of belonging to a prestigious organization and collective effort to maintain *wa* or harmony in an organization appear to be of greater importance. The *sarariiman*'s contribution to the fast-paced growth era of the Japanese economy and the high rate of household savings in Japan during this period played a significant role in leisure-time pursuits. These factors allowed for growth of overseas travel and Japanese travelers' consumption of goods and services of while overseas.

Keywords Salary man • *Sarariiman* • Employment • Paternalistic corporate system • Benefits • Retirement

2.1 Salaried Worker Versus *Sarariiman*

The salaried worker as we know him in the West is a worker of any age who has entered into an agreement to work for a person or organization for a set amount in compensation. There is no permanency to this arrangement and the agreement made by worker and either party can terminate employer at any time. The early Japanese *sarariiman* of post-World War II was a different animal. He entered employment with a corporate, financial, or government organization straight out of high school or college with the expectation of staying with that employer throughout his career. During this period, Japanese companies were reluctant to hire a midcareer person. The reason was not only that his sense of loyalty would be questionable. Due to the seniority based pay system with pay closely linked to age, it was to the company's advantage to employ him during his low-priced younger years (Vogel 1979: 140). Barring serious long-term economic recession, as long as the *sarariiman* performed satisfactorily and remained loyal, he could expect sense of belonging, personal support, welfare and retirement benefits, regular increases in pay and position, and permanent protection from dismissal.

The *sarariiman* also could expect that even if his company were to disband or be absorbed by another company, a new job elsewhere will be arranged. There are several reasons why companies are able to offer this kind of security despite fluctuations in the economy. Companies could hire temporary employees (female workers or housewives) only for the period when they are needed and employees retiring from the company may be offered special short-term assignments in the company, usually at a lower salary than before retirement. In addition, work could be subcontracted to small companies with the understanding that these contracts imply no permanent relationship (Vogel 1979: 137). What the *sarariiman* valued most was to avoid being left to wander like a *Ronin*, a master-less samurai, and to have a sense of belonging, in this case, to a reputable organization. The social status of belonging to a prestigious organization weighed heavily on the *sarariiman* of Japan undergoing fast-paced economic growth of the 1960s through the 1980s.

Workers in western industrialized societies may be accustomed to the practices of white-collar employment that involves going to the office 5 days a week during the formal working hours of 9 a.m. to 5 p.m., (although now with telecommuting, physical presence in the office is becoming less of a necessity). Employees in the West are for the most part, their own masters outside these working hours. However, in Japan, the *sarariiman* viewed his role as an employee in a different way. He “surrendered his very soul,” sacrificing virtually all of his waking hours to his employer, 7 days a week, 12 months a year (Brinckmann 2011). Despite all of these strains, he was in a position of envy as not everyone was as well placed as the *sarariiman* with his ties to a prestigious organization.

This early *sarariiman* system had advantages that led to the success of the Japanese economic development. Japan’s success can be partly attributed to the emphasis placed on collective effort. Too much individuality typically resulted in ostracism for the Japanese worker. Collective effort involved everyone from the CEO on down. In fact, the employer was not viewed as a master with the employee functioning as a slave. There was little conflict between management and labor and few top-down directives. In Japan, companies represent a community and human relationships within that community are of utmost importance. Harmony, or “*wa*,” among the workers was held in high regard. With this came illusions of equality. There was a feeling among the workers in Japanese organizations that they had classless organizations and this was reinforced as employees all embraced a shared identity. There was great deal of effort among management to spread the belief that all work was equally valued.

This paternalistic corporate system drew on the feudal past of old Japan. It is interesting to note that despite its ties to the feudal past, it developed in industries that borrowed modern industrial technology and organization and the workers in these organizations required a high level of skill. These companies were the ones able to guarantee long-term employment. A seniority system of wage increases was put in place so newly trained employees that the company invested in so heavily would remain loyal. One of the benefits of long-term employment and the seniority system was that a senior (*senpai*) could feel confident about mentoring and transferring skills to the junior (*kohai*) worker without fear of being replaced.

Leapfrogging past the senior employee was rare, making it unlikely that the junior is promoted over the boss.

Contrary to popular belief, the system of seniority and permanent employment was by no means universal in Japanese industry. First, women never enjoyed lifetime or permanent employment even during the fast-paced growth period of the Japanese economy and second, not all Japanese workers were employed by large corporations. However, long-term employment and seniority system became the predominant pattern in the large-scale modern industrial sector. These later spread to the large commercial organizations as well. A higher proportion of company employees was gradually brought into this seniority and permanent employment pattern as the modern industrial (Vogel 1979: 132–133).

It should also be clear that not every male worker enjoyed the privileges of being a *sarariiman* that made up only around 20–30% of male workers. A significant portion of the working population worked in small companies, with many of these companies subcontracting work to the big firms employing the *sarariiman*. There was also the 15–20% of the workforce who was self-employed and the women as well as several social and racial minorities that made up the workforce. These groups were rarely mentioned when discussing Japan's workforce, especially in Western business books describing Japan's economic miracle.

Subcontracting has been extremely important in Japanese business life. In 1973 over 83 percent of companies with over 1000 employees or more had subcontracting arrangements, and the average number of subcontractors for each enterprise was 160 (Thomas 1993: 51). Subcontracting is and has been a vital element in Japanese business. Subcontractors employ a large number of casual employees that can be laid off any time they are not needed. They are also paid about 60–70% of what comparable positions will make in top companies. This topic will be explored in further detail in Chap. 4 when we examine differences between the *seishain* (regular employee) and *keiyakushain* (contract employee).

2.2 Household Savings and Consumption

During its high growth era Japan was known for having a high household savings rate, but this was not the case throughout Japanese history, as commonly believed by some scholars of postwar Japanese society. The practice of saving for the future cannot be attributed to a cultural trait. If the period of the Korean War is excluded, Japan's household savings rate did not make it into the double digits until 1955, a full 10 years into the postwar period. Japan's household saving rate remained in the double digits after 1955 and showed a long-term upward trend, except for a period in the early 1960s.

Household savings in Japan peaked during the years 1974–1976 at a level of 23–26%. Since the peak years, it declined, falling to less than 15% by 1988, but even at this level it was considered high by international standards. For the United States during the same period, the personal saving rate of the United States (the equivalent

of Japan's household saving rate) fluctuated between 3 and 9%. In comparing the two countries, the U.S. rate was only around one-half to one-third of the Japanese rate. The household saving rates of most of the other developed countries had been higher than that of the United States but lower than that of Japan and only Italy, Singapore, and Taiwan during this period were among the few countries showing household savings rates higher than Japan's (Horioka 1993: 285).

There are a number of factors that can be attributed to Japan's relatively new high household savings rate in postwar Japan. Horioka (1993) lays out two primary reasons. For one, during the postwar years, Japan experienced rapid growth in income. In addition, because of wartime destruction of various assets including housing and the declining value of assets from postwar hyperinflation, there was a low baseline level of household assets. Secondary factors for the high savings rate during the high growth period also need mentioning. There was no adequate social safety net for the Japanese population. The social security system that is in place today was not as developed as it is in current form. Additionally, the demographics of Japan were much different from what they are today. Japan had a much younger population that saved for future needs in an environment that had little availability of consumer credit. Japan's bonus system that pays a substantial portion (up to 5.5 months of pay) of the annual salary in two semiannual installments and tax incentives for savings can also be credited for Japan's high household savings rate.

It is clear, from reviewing the above-mentioned reasons that the high level of Japan's household saving rate during the postwar period was due to economic, institutional, and demographic factors. Japan's household saving rate has declined significantly in recent years resulting from, among others, widespread changes in the condition of the economy, organizational hiring and compensation practices, and the aging of Japan. Saving rates and spending habits of the Japanese consumer are both worth examining as they may vary based on the demographics of the consumer.

Reviewing the differences between the sexes when it comes to spending and understanding the reasons for the differences is important, especially for tourism organizations such as overseas retailers involved with conducting business with the Japanese consumer. The commonly held stereotype of young females being frequent spenders holds true. Data shows that young, single women are more consumption-oriented than men and that single, working women are twice as likely to go on overseas trips than single working men in the same age group. Young women also spend more money on recreation, accessories, clothing, brand name goods, etc. The young, working women are often called "Office Ladies" or "OL" for short. They made up a very important market segment for overseas travel destinations during the high growth era, due to their propensity to spend. This market segment spent large sums of money on luxury goods and other products and services. Duty Free Shoppers, now called DFS, located in major international tourism destinations around the world capitalized on the OL phenomenon. Chapter 6 will examine this market segment in greater detail.

Savings and consumption both played an important role in the growth of the Japanese overseas traveler. Without a doubt, consumption has been a large

component of Japanese leisure, especially when traveling overseas. It was not only OLs that made Japanese travelers attractive to overseas destinations. Other market segments also had become attractive due to their propensity to spend money on overseas products and services. In the segment below, we will briefly review the chronology of Japanese overseas travel during the early years of travel liberalization.

2.3 Overseas Travel During the Early Years

Japanese overseas travel for the pleasure traveler began during 1960s immediately following Tokyo's hosting of the Olympic Games in 1964 (the effect of the Games on Japanese society will be discussed in further detail in Chap. 5). The Japanese government did not allow citizens to travel overseas for pleasure until after 1964 following the successful hosting of the Olympic Games that symbolized Japan's entry into the international community as a modern nation. It was during this period that government policies spurred on the economy to unsurpassed levels of growth and shifted from discouragement to active encouragement of its citizens to travel abroad. International travel was now liberalized and it was to become incorporated into the lifestyle of the modern Japanese individual. This led to the creation of systems to handle the mass marketing of Japanese overseas travel and the mass transportation of travelers through package tours organized by air carriers and sold by major travel agencies and wholesalers (Schumann 2006).

During this initial phase of travel liberalization in Japan, most Japanese overseas travelers were pleasure travelers, and the vast majority arranged their travel with group and package tours. Although international travel was liberalized, there were still restrictions on the foreign currency allowed out of the country and the number of trips allowed per year. In 1964, the amount of foreign currency allowed out of the country as expense money in addition to the prepaid cost of transportation was set at \$500 per person per year; however, this was later raised to \$700 in 1969. The restriction on the number of trips per year was also lifted by the government in 1966 as new international air routes were opened and more airlines began serving Japan. Cheaper bulk fares with as much as 60% off the regular economy class fares were introduced in 1968, and Boeing 747s came into service in 1970. The number of Japanese overseas travelers during the initial period of liberalization grew by approximately 400% from 1964 to 1969 (Japan Travel Blue Book 1986). The 1964 Tokyo Olympic Games not only signaled the beginning of Japan's fast-paced development to an economic powerhouse, but it also acted as a catalyst for large numbers of Japanese nationals to begin traveling for leisure to international destinations.

The value of the Japanese yen currency during the early stages of liberalization and in later years played an important role. Just as it does today, the currency exchange rate undeniably had an effect on Japanese citizens' decisions to travel overseas for pleasure and to spend money on leisure activities. For the early years

of liberalization, the U.S. Dollar was pegged at 360 yen to a dollar. This fixed rate lasted for 22 years from 1949 to 1971, following the “Nixon Shock” and the collapse of the U.S. Dollar (Werner 2003). During the implementation of the Ten Million Program from 1987 to 1991, the value of the yen currency strengthened from 145 yen in 1987, peaking at 128 yen in 1988, to close at 135 yen in 1991. Having a strong yen certainly helped Japanese citizens make the decision to venture out to foreign countries and spend their earnings. The value of the yen fluctuated, but continued to rise over the next decade, encouraging Japanese citizens to travel overseas to take advantage of its buying power for many of the goods and services that cost much more in Japan (Table 2.1).

The Weekly Travel Journal in 2004 reviewed Japanese overseas travel spanning the previous four decades and gave the following industry-related description for each decade. The 1960s decade was the Era of the Career-Oriented; the 1970s decade was the Era of the Wholesaler-Oriented; the 1980s decade was the Era of Travel Industry Bureaus; the 1990s decade was the Era of the Consumer-Oriented; and finally, the period from 2001 was described as the Era of the Mature-Oriented (Weekly Travel Journal 2004: 8–16). These descriptions reflect a number of developments that took place during these decades. The 1960s was the era when individual careers for services and sales developed within the growing tourism industry. Travel wholesalers for the mass market later grew in number during the 1970s. In the 1980s, travel bureaus in Japan and overseas were established to provide better service for Japanese visitors. Finally, in the 1990s, the focus turned to individual consumers with the growing use of personal computers in the 1990s, and attention was given to a more mature market with Internet access and time for more leisurely vacations.

The 1990s brought to Japan a financial crisis after the bursting of Japan’s bubble economy. Japan suffered a slow and even negative growth coupled with price deflation. However, Japanese overseas travel continued to grow to 16.7 million in

Table 2.1 Yen to U.S. dollar exchange rates from 1965 to 2004

Year	Rate	Year	Rate	Year	Rate	Year	Rate
1965	360.00	1975	296.79	1985	238.54	1995	94.06
1966	360.00	1976	296.55	1986	168.52	1996	108.78
1967	360.00	1977	268.51	1987	144.64	1997	120.99
1968	360.00	1978	210.44	1988	128.15	1998	130.91
1969	360.00	1979	219.14	1989	137.96	1999	113.91
1970	360.00	1980	226.74	1990	144.79	2000	107.77
1971	350.68	1981	220.54	1991	134.71	2001	121.53
1972	303.17	1982	249.08	1992	126.65	2002	125.39
1973	271.70	1983	237.51	1993	111.20	2003	115.93
1974	292.08	1984	237.52	1994	102.21	2004	102.68

Source OECD (2015)

1996. The onset of the recession and the devaluation of the yen started to have an impact by the mid-1990s. By 1998, Japanese outbound numbers fell to 15.8 million and travel agency bankruptcies rose by about 40% (Henderson 2007: 27). To better understand today's Japanese overseas travel market we shall examine what was happening during and after the bubble period in Japan. The next chapter takes us through the rise and fall of Japan's economy beginning with 1980s Japan.

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