

**A Study of Examination of employment issues seen
from a questionnaire survey on CSR
(Corporate Social Responsibility)**

Yujiro Okura*

(Introduction)

The following transition has been seen in the reaction of corporations to corporate social responsibility:

In the first phase, corporations mentioned their corporate social responsibility in their management principles, made donations outside the business domain, and carried out volunteer activities. In addition, environmental issues were handled to increase corporate PR values by taking into consideration the views of local inhabitants and preparing environmental reports.

In the second phase, CSR is taken up from the viewpoint that pollution and other environmental issues are a theme for enterprises to enhance their added value in order to reduce costs, while eliminating difficulty, waste and errors in production at the actual production spot of an enterprise and that if enterprises neglect this, they cannot survive.

In the third phase, it is considered that some enterprises are on the brink of closure due to violation of legal compliance such as huge financial loss, window dressing, hiding recalls, misleading product labeling, illegal receipt of government subsidies, false statement of securities reports, etc. These are actionable causes for a lawsuit by shareholders' representation.

In the fourth phase, an important issue today is the employment issue of permanent and non-permanent members of companies.

* Yujiro Okura Professor of Accounting School of Commerce Ph. D, C.P.A.
E-mail:yokura@ipcku.kansai-u.ac.jp

I. Awareness survey on CSR on university students

Summary of the survey

Corporate Social Responsibility has never been questioned so strongly as today because of a series of violations such as false statement of securities reports, hiding recalls of cars, false accounting problems by employees, problems of false product labeling and window dressing by Kanebo etc. I therefore carried out a questionnaire survey on students to learn their reaction from the viewpoint of how corporations should behave to carry out such social responsibility properly.

- 1) Subject of the survey: 349 students at the faculty of Commercial Studies of Kansai University (students in the second to the fourth year)
- 2) Method of the survey: A questionnaire survey by means of a mobile phone using CEAS (Web - Based Coordinated Education Activation System)
- 3) Period: December 13, 2006
- 4) Valid answers: 100%

Results of the questionnaire survey

1. Stakeholders

In Q.1 I asked "For whom do you think corporations exist? (Please put in order numbers from the highest stakeholder.). The results are as follows:

1) Comparison of No. 1

To the question, "For whom do corporations exist?" The largest number of respondents answered that they are customers at 31.8%. The second, third and fourth are employees (26.1%), shareholders (19.2%) and regional society (13.8%) respectively.

Table 1 First rank comparison of “For whom do corporations exist?”

Question 1	First		Second		Third		Total
	Number	Ratio	Number	Ratio	Number	Ratio	
(a) Employees	91	26.1%	96	27.6%	87	25.1%	274
(b) Officers	13	3.7	24	6.9	26	7.5	63
(c) Shareholders	67	19.2	81	23.3	71	20.5	219
(d) Regional society	48	13.8	39	11.2	59	17.0	146
(e) Nation	15	4.3	13	3.7	29	8.4	57
(f) Banks	1	0.3	7	2.0	5	1.4	13
(g) Trade partners	3	0.9	6	1.7	11	3.2	20
(h) Customers	111	31.8	82	23.6	59	17.0	252
Total	349	100.0	348	100.0	347	100.0	1044

2) Score comparison

I have given a score to put a weight from the highest of “For whom do corporations exist?” Concretely, this means 3 points to the first choice, 2 points to the second choice and 1 point to the third choice. The results of the analysis are as follows:

The order of numbers where a high score was acquired is the first choice: customers; 556 points, the second choice: employees; 552 points, third choice: shareholders; 434 points, fourth choice: regional society; 281 points, fifth choice: officers; 113 points, sixth choice: nation; 100 points, seventh choice: trade partners; 32 points, and eighth choice: banks; 22 points

3) Corporations can only survive where they have customers.

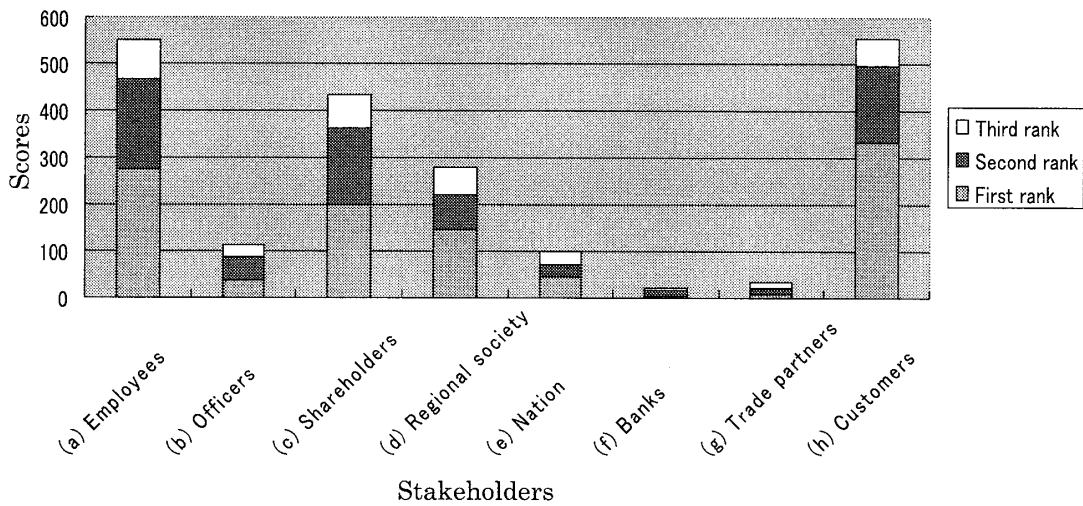
From the standpoint of stakeholders on the basis of “For whom do corporations exist?”, corporations co-exist with the respective stakeholders in that a) corporations contribute to customers through the provision of their products, b) employees contribute to their corporations through the relationship of employment, c) officers administer the corporations through management, d) shareholders receive returns through dividends and the share price movement, e) the corporations contribute to regional society and the nation through tax payment and employment in the consideration of social infrastructure, and f) corporations pay interest rates to banks and g) corporations benefit trade partners through such transactions. Shareholders’ supremacy has been publicized in recent years. This is the result of an emphasis on

the recognition that corporations can only survive where they have customers.

Table 2 Score Comparison of “For whom do corporations exist?”.

Question 1	First	Second	Third	Total Score
(a) Employees	273	192	87	552
(b) Officers	39	48	26	113
(c) Shareholders	201	162	71	434
(d) Regional society	144	78	59	281
(e) Nation	45	26	29	100
(f) Banks	3	14	5	22
(g) Trade partners	9	12	11	32
(h) Customers	333	164	59	556

Fig. 1 For whom do corporations exist?



2. Items in which CSR is carried out

In Q2 I asked, “What should corporations do to carry out CSR? Please circle an appropriate item.” The results are as follows:

Table 3

Question 2	First		Second		Third	
	Number	Ratio	Number	Ratio	Number	Ratio
(a) Execution of QC activities to secure product quality	69	19.9%	47	13.5%	38	11.0%
(b) Disclosure of correct accounting	83	23.9	41	11.8	37	10.7
(c) Set-up of a product reception for claims, side effects, etc.	26	7.5	39	11.2	32	9.2
(d) Set-up of the environment division	36	10.4	46	13.3	39	11.2
(e) Purchase of green credits, etc. in consideration of the environment	28	8.1	28	8.1	20	5.8
(f) Execution of environmental accounting	13	3.7	23	6.6	18	5.2
(g) Set-up of the social responsibility headquarters	31	8.9	34	9.8	34	9.8
(h) Preparation of environmental reports	8	2.3	19	5.5	28	8.1
(i) Obtainment of certification of ISO	10	2.9	18	5.2	23	6.6
(j) Internal disciplinary system	16	4.6	24	6.9	43	12.4
(k) Education to establish high ethics in-house	27	7.8	28	8.1	34	9.8
(l) Others	0	0.0	0	0.0	1	0.3
Total	347	100.0	347	100.0	347	100.0

The answers in the order from the highest number selected as the first choice are: disclosure of correct accounting at 23.9%, execution of QC activities to secure product quality at 19.9% and set-up of an environmental division at 10.4%.

Next, I have given a score to put a weight from the highest. Concretely, this means 3 points to the first choice, 2 points to the second choice and 1 point to the third choice. The results are as follows:

Firstly, where CSR is seen by accountability and disclosure applied to the whole company, the answers are: the first choice: disclosure of correct accounting (368 points), the fourth choice: set-up of the social responsibility headquarters (195 points), the sixth

choice; education to nurture high ethics in-house (171 points) and the eighth choice; internal disciplinary system (139 points).

Secondly, on the quality front, the answers are: the second choice; execution of QC activities to secure product quality (339 points), the fifth choice; set-up of a reception for claim and side effects of products, etc. (188 points), and the eleventh choice; obtainment of certification of ISO (89 points).

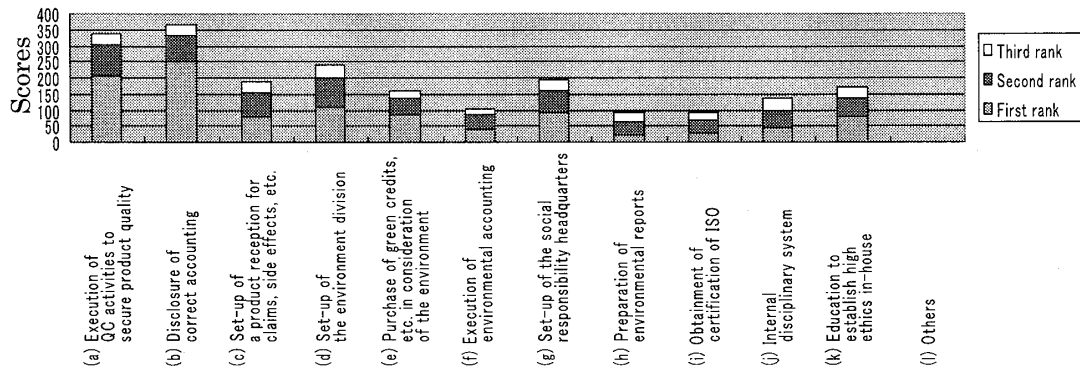
Thirdly, concerning the environment, the third choice; set-up of an environmental division (239 points), the seventh choice; purchase of green credits in consideration of the environment, etc. (160 points), the ninth choice; execution of environmental accounting (103 points) and the tenth choice; preparation of an environmental report (90 points).

According to these results, the aspects of accountability, securing quality and environmental relations are arranged in a well-balanced manner at the first choice to the third choice as items that corporations should do to carry out their CSR.

Table 4

Question 2	First	Second	Third	Total Score
(a) Execution of QC activities to secure product quality	207	94	38	339
(b) Disclosure of correct accounting	249	82	37	368
(c) Set-up of a product reception for claims, side effects, etc.	78	78	32	188
(d) Set-up of the environment division	108	92	39	239
(e) Purchase of green credits, etc. in consideration of the environment	84	56	20	160
(f) Execution of environmental accounting	39	46	18	103
(g) Set-up of the social responsibility headquarters	93	68	34	195
(h) Preparation of environmental reports	24	38	28	90
(i) Obtainment of certification of ISO	30	36	23	89
(j) Internal disciplinary system	48	48	43	139
(k) Education to establish high ethics in-house	81	56	34	171
(l) Others	0	0	1	1

Fig. 2 What corporations should do as CSR



3. Employment

(1) Lifetime employment system:

I asked, "What do you think of the lifetime employment system?"

The results are as follows:

Table 5

Question 4 (1) Lifetime employment system	Number	Ratio
1) Should be maintained as it is	61	17.6%
2) Should be partly maintained	221	63.7
3) Don't know	30	8.6
4) Should be abolished as much as possible	32	9.2
5) Should be absolutely abolished	3	0.9
Total	347	100.0

The combined number comprising the number of respondents who answered that the lifetime employment system should be wholly maintained and the number of respondents who answered that part of the system should be maintained exceeded 80% of the total respondents.

(2) Term contract system employees

Q5. What do you think of term contract system employees?
(Please circle the number of an appropriate item)

1) Would like to become one, 2) May become one, 3) Cannot make up my mind to become one, 4) Would like to become one as much as possible, and 5) Would not become one at all

Table 6

Question 4 (2) Term contract system employees	Number	Ratio
1) Would like to become one	4	1.1%
2) May become one	48	13.8
3) Cannot make up my mind to become one	55	15.8
4) Would not like to become one as much as possible	156	44.8
5) Would not become one at all	85	24.4
Total	348	100.0

The total combined number of 'I would not like to become one as much as possible' and 'I would not become one at all' corresponded to approximately 70%.

In this case, the reason why corporations employ non-full-time permanent employees by adopting term contract system, etc. is classified into two types, one of which is to employ skilled people as a short term workforce, and the other of which is to get rid of various kinds of social insurance premiums, which accompany the employment of full-time permanent employees.

(3) Employment of freelance workers

Q6. What do you think of working freelance? (Please circle the number of an appropriate item.)

1) I would not become one at all, 2) I would not become one as much as possible, 3) I don't know, 4) I may become one and 5) I will become one

Table 7

Question 4 (3) Freelance workers	Number	Ratio
1) Would like to become one absolutely	1	0.3%
2) May become one	6	1.7
3) Cannot make up my mind to become one	10	2.9
4) Would not like to become one as much as possible	69	19.8
5) Would not become one at all	263	75.4
Total	349	100.0

The total combined number of 'I would not become one at all' and 'I would not become one as much as possible' corresponded

to 95.2%.

(4) Pension system

1) Defined benefit plan

I asked, "What do you think of the defined benefit plan?" The results are as follows:

Table 8

Question 5 (1) Defined benefit plan	Number	Ratio
1) Should be entirely maintained	67	19.3%
2) Should be partly maintained	173	49.7
3) Don't know	83	23.9
4) Should be abolished as much as possible	22	6.3
5) Should be absolutely abolished	3	0.9
Total	348	100.0

The combined total number of 'Defined benefit plan should be entirely maintained' and "Defined benefit plan should be partly maintained' corresponded to 96%.

2) Defined contribution plan

I asked, "What do you think of the defined contribution plan?" The results are as follows:

Table 9

Question 5 (2) Defined contribution plan	Number	Ratio
1) Should consider to introduce one for all	48	13.8%
2) Should partly introduce one	148	42.4
3) Don't know	129	37.0
4) Cannot entirely agree to consider introduce one	22	6.3
5) Should not consider to introduce one at all	2	0.6
Total	349	100.0

The combined total number of 'Defined contribution plan should be entirely maintained' and "Defined contribution plan should be partly maintained' corresponded to 56%.

4. Guarantee of financial statements

(1) Doubtful events of financial statements

I asked, "What are the items, which are an event or a situation that will cause you a material doubt, when you look at financial statements of other companies?"¹⁾ The results are as follows:

Table 10

Question 6 Important doubtful phenomena	First		Second		Third	
	Number	Ratio	Number	Ratio	Number	Ratio
(a) Accounting for continuous operating loss	81	23.2%	48	13.8%	43	12.3%
(b) Accounting for continuous recurring loss	66	18.9	71	20.3	45	12.9
(c) Negative cash flow for three terms or longer	45	12.9	39	11.2	39	11.2
(d) Negative free cash flow for three terms or longer	49	14.0	43	12.3	33	9.5
(e) Liabilities exceeding assets	53	15.2	57	16.3	55	15.8
(f) Negative earned surplus	28	8.0	32	9.2	43	12.3
(g) Default or difficulty of fulfillment of repayment provisions of borrowings	19	5.4	42	12.0	46	13.2
(h) Having an important litigious matter	8	2.3	13	3.7	40	11.5
(i) Others	0	0.0	4	1.1	5	1.4
Total		100.0		100.0		100.0

The largest number as the first was continuous operating loss accounted for at 23.2%, the second was continuous recurring loss accounted for at 18.9%, followed by liabilities exceeding assets at 15.2% and a negative cash flow lasting for three terms or longer at 14%.

Table 11

Question 6	First	Second	Third	Total score
(a) Accounting for continuous operating loss	243	96	43	382
(b) Accounting for continuous recurring loss	198	142	45	385
(c) Negative cash flow for three terms or longer	135	78	39	252
(d) Negative free cash flow for three terms or longer	147	86	33	266
(e) Liabilities exceeding assets	159	114	55	328
(f) Negative earned surplus	84	64	43	191
(g) Default or difficulty of fulfillment of repayment provisions of borrowings	57	84	46	187
(h) Having an important litigious matter	24	26	40	90
(i) Others	0	8	5	13

In terms of the scores, the total scores produced by multiplying 3 points for the first, 2 points for the second and 1 point for the third were 385 points for the first, continuous recurring loss accounted for, 382 points for the second, continuous operating loss accounted for and 328 points for the third, liabilities exceeding assets.

(2) Notes for going concerns

I asked, "Is the statement of an auditor that the corporation will continue to be a going concern necessary to be shown as a note in an audit report?" The results are as follows:

Table 12

Question 7 Certification by auditors of going concerns	Number	Ratio
1) Completely unnecessary	12	3.5%
2) A little necessary	77	22.4
3) Cannot make up my mind that it is necessary	106	30.9
4) A little necessary	121	35.3
5) Absolutely necessary	27	7.9
Total	343	100.0

The statement of an auditor that the corporation will continue to be a going concern is required at approximately 43%, compared to that it is not necessary at 25%.

The note as a going concern means that an auditor evaluates the representation of the president that it is a going concern in an audit of its financial statements. Statement of the president as a going concern means that an appropriate note is made either in its financial statements or an auditor's report consistently with the disclosure that it is a going concern.

5. Framework of strategic CSR

I asked, "What is considered important in a framework of strategic CSR? Please put in order from the one having the highest strategy." The results are as follows:

1) Comparison with the first choice

I asked the students to put in an order from the item having the higher strategic nature as to what is considered the most important in the strategic CSR framework. The first choice was 'consideration of the environment' at approximately 26.7% and the remaining items are within a close range.

Table 13 Strategic CSR framework compared with the first rank

Question 8	First		Second		Third	
	Number	Ratio	Number	Ratio	Number	Ratio
(a) Donation and volunteer activities are carried out as acts outside business domain	34	9.8%	28	8.0%	37	10.6%
(b) Making internal check system and internal control work in production (factory)	34	9.8	33	9.5	27	7.8
(c) Making internal check system and internal control work on sales (product guarantee and after service)	62	17.8	37	10.6	49	14.1
(d) Making internal check system and internal control work on purchases (use of materials to enhance quality continuously)	18	5.2	27	7.8	16	4.6
(e) Making internal check system and internal control work on appropriateness of sales to people under age and elderly people	8	2.3	35	10.1	22	6.3
(f) Making internal check system and internal control work on the appropriateness of officers' bonuses and distribution to shareholders	32	9.2	39	11.2	35	10.1

(g) Giving consideration to pollution and environment	93	26.7	66	10.0	54	15.5
(h) Education in compliance	53	15.2	50	14.4	50	14.4
(i) Internal disciplinary system	11	3.2	24	6.9	45	12.9
(j) Employing term contract employees and part-time employees as fulltime employees	3	0.9	9	2.6	13	3.7
Total		100.0		100.0		100.0

2) Score comparison

I gave a score for weighting from the first choice of 'For whom do corporations exist?' Concretely, 3 points were given to the first choice, 2 points to the second choice and 1 point to the third choice. The results of this analysis are as follows:

Table 14

Question 8 Strategic CSR framework	First	Second	Third	Total scores
(a) Donation and volunteer activities are carried out as acts outside business domain	102	56	37	195
(b) Making internal check system and internal control work in production (factory)	102	66	27	195
(c) Making internal check system and internal control work on sales (product guarantee and after service)	186	74	49	309
(d) Making internal check system and internal control work on purchases (use of materials to enhance quality continuously)	54	54	16	124
(e) Making internal check system and internal control work on appropriateness of sales to people under age and elderly people	24	70	22	116
(f) Making internal check system and internal control work on the appropriateness of officers' bonuses and distribution to shareholders	96	78	35	209
(g) Giving consideration to pollution and environment	279	132	54	465
(h) Education of legal compliance	159	100	50	309
(i) Internal disciplinary system	33	48	45	126
(j) Employing term contract employees and part-time employees as fulltime employees	9	18	13	40

Firstly, the order at which a high score was acquired was consideration for pollution and environment at 465 points, legal compliance at 309 points, sales (product guarantee and after service) at 309 points, appropriateness of profit distribution at 209

points, internal check system for production at 195 points, donation activities at 195 points, internal disciplinary system at 125 points, purchases (usage of materials to enhance quality continuously) at 124 points, sales activities (consideration of people under age) at 116 points and changing part-timers to full-time permanent employees at 40 points.

Consideration for the environment had the overwhelmingly highest score, and legal compliance and product guarantee were in a high place after that.

3) CSR as a business strategy

Firstly, from the viewpoint of incorporating an CSR element into the business strategy, and taking the relationship with the stakeholders into consideration, it is necessary to have a system for internal control of supervision towards subcontractors in production, etc. → purchases (usage of material to enhance product quality continuously) → sales activities (consideration of people under age) → a set-up of a product reception for matters such as claim, recall and side effects.

Secondly, an internal disciplinary system where report for the public interest is deep rooted in enterprises must truly function to contribute to sustainable development of enterprises not for the formal aspect of simply setting up a social responsibility headquarters (compliance) but as is mentioned in the law on the protection of reporters for the public interest as its purpose. This is clearly seen from the fact that the countermeasures (location, drainage, ozone and CO₂) of the environmental division which used to be a negative image, now contributes by locating it as management accounting for enterprises.

Thirdly, losing one's credit by a leakage of personal information having brought about financial fraud through identity theft, repair inspection of a manufacturing facility having been omitted, etc. have occurred as a result of reduction of costs caused by overdoing the term contract system and employment of part-timers. A number of

incidents of misconduct have proved that corporations will be unable to continue to survive unless changing workers into permanent employees is carried out as part of the social infrastructure.

6. Investment in social responsibility

I asked, 'Investment in social responsibility means investment in corporations which contribute to society not only in relation to the environmental protection and respect for rights but also the stakeholders. Would you like to join a corporation included in this corporate list (corporations investing in social responsibility)? (Please circle the number of an appropriate item.)

1) I do not wish to join at all, 2) I do not wish to join so much, 3) I cannot make up my mind, 4) I wish to join if possible, and 5) I wish to join very much

The results are as follows:

Table 15

Question 9 Work for Social Responsibility Investment Companies	Number	Ratio
1) Do not wish to work at all	4	1.2%
2) Do not wish to work so much	42	12.2
3) Cannot make up my mind	85	24.6
4) Wish to work if possible	166	48.1
5) Wish to work very much	48	13.9
Total	345	100.0

The combined total of 'I wish to join a corporation which invests in social responsibility, if possible' and 'I wish to join very much' corresponds to 62%.

II. Issues on the employment front

1. For whom do corporations exist?

I will explain several issues seen from the survey results.

'For whom do corporations exist?' is a present popular point of issue for discussion in corporate acquisition, etc. The most important point is how corporations carry out their social responsibility, which is an old but perpetual problem.

Let us look at the transition of stakeholders.

Firstly, corporations co-exist with the respective stakeholders in that a) corporations contribute to customers through the provision of their products, b) employees contribute to their corporations through the relationship of employment, c) officers administer the corporations through management, d) shareholders receive returns through dividends and the share price movement, e) the corporations contribute to regional society and the nation through tax payment and employment in the consideration of social infrastructure, and f) corporations pay interest rates to banks and g) corporations benefit trade partners through such transactions. Shareholders, employees and customers – these three elements supplement one another to increase the strength of each. Management which ignores employees and customers may be able to provide its value to shareholders under a specified environment such as a monopolistic market, goods shortage and speculative financial market, but does not last for a long time²⁾. In particular, the point that corporations can exist only where they have customers is strongly recognized.

Secondly, another important matter is the relations of capital raising. Up until the 1970s corporations had not relied on direct finance, which is capital increase, but relied on indirect finance, which is borrowings from banks. However, corporations succeeded in raising shareholders' equity during the share price rise under an equity boom in the 1980s. As a result, the level of dependence on banks declined, and the ratio of discount of interest payment to total sales fell to one third from 1.8% for 1993 to 0.6% for 2003³⁾.

Thirdly, how to locate employees is also an important matter. In the 1970s, 'US industry once increased its productivity by adopting automation and mass production method, offsetting low wages in overseas countries, and continued to show its international competitiveness. However, over the last 10 years, the wage increases in the USA exceeded its productivity, and the USA has become unable to compete with low wages of overseas countries except for some industries. It is a natural logic of capital that US

multinational enterprises should create the most efficient internal international specialization system by fully utilizing global corporate activities ⁴⁾, and industries within the USA have still continued to decline as a result. Employees had been protected under the lifetime employment system in Japan until the 1980s. However, since the 1990s the same phenomenon as that of the USA has been seen in Japan for a flood of restructuring cases to resolve the inheritance of liabilities incurred during the bubble period coupled with the transfer of production bases to overseas countries, and especially to China. However, this question cannot continue for a long time to come.

2. Lifetime employment

(1) Lifetime employment and Japanese style management system

There are three main characteristics of the Japanese style management system ⁵⁾.

The first main characteristic is the lifetime employment system, which is a social contract between a corporation and an employee. This is a promise that all members will cooperate to secure the economic safety of all members who work for the company.

The second main characteristic is the long service based remuneration system, and the long service will be a decisive factor when salary and promotion are decided.

The third main characteristic is that the labour union takes the form of an enterprise-based labour union.

Regarding credit rating of Japanese enterprises, Moody's Investors, an American credit rating company, once downgraded the credit rating of TOYOTA MOTOR CORP. on the ground that the lifetime employment system reduces the competitiveness of Japanese enterprise. However, TOYOTA MOTOR CORP. now ranks at number 1 in the world, exceeding GM, Ford and Chrysler, the USA and European companies. Management concepts and the management system in the USA are a universal yardstick.

Dr. Edwin O. Reishauer mentioned the following to explain that it is why occupational awareness in the USA is very different to

that in Japan.

Occupations in Japan are not only arrangements for contract purposes simply to obtain income but also for a unified feeling towards a greater existence, in other words, a satisfaction to become a unified body for something of great significance. Employment will usually continue until the normal retirement age for both managers and workers. This will bring about a pride that one belongs to the enterprise as well as security, and loyalty to the enterprise for both. Almost no Japanese have the feeling which is generally seen in society in the USA and Europe that employees are useless and replaceable gears in a large machine. Both managers and employees feel proud of working for the enterprise rather than feel a loss of subjectivity⁶⁾.

(2) Survey of the average number of years in continuous service, etc. in Japan, the USA and the EU ⁷⁾

The International Labor Union (ILO) has carried out a survey for the period from 1992 to 2000 on the number of years in continuous service for Japan, the USA and 14 member nations of the Europeans Union (EU). According to this result, there are not a lot of people engaged in short-term jobs in Japan. The ratio of workers with a number of years in continuous service of less than 1 year to the total number of employees in Japan fell to less than 10%, but the ratio in the USA exceeded 25%. The ratio of workers with a number of years in continuous service for 10 years or longer to the total number of employee in Japan and Europe was 42 to 43%, while that in the USA was 26%. The average number of years in continuous service tended to be extended in all OECD countries ⁸⁾.

Table 16

	Japan	USA	EU
1992	10.9	6.7	10.5
2000	11.6	6.6	10.6

Fig. 3 Average number of years of continuous service

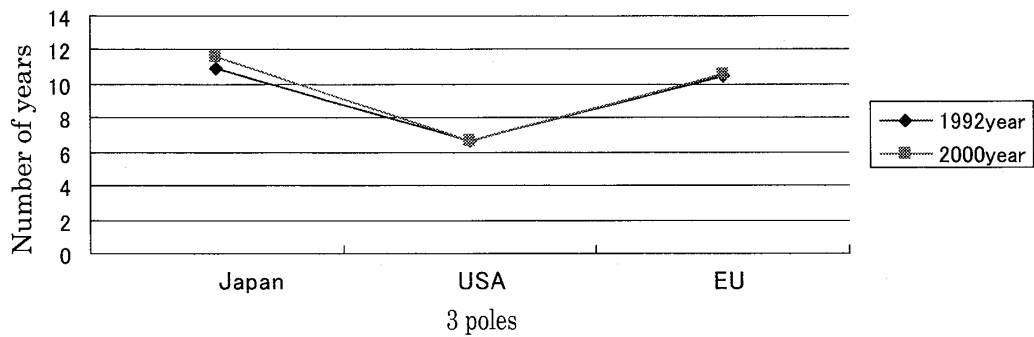


Fig. 4 10 or longer years of continuous service

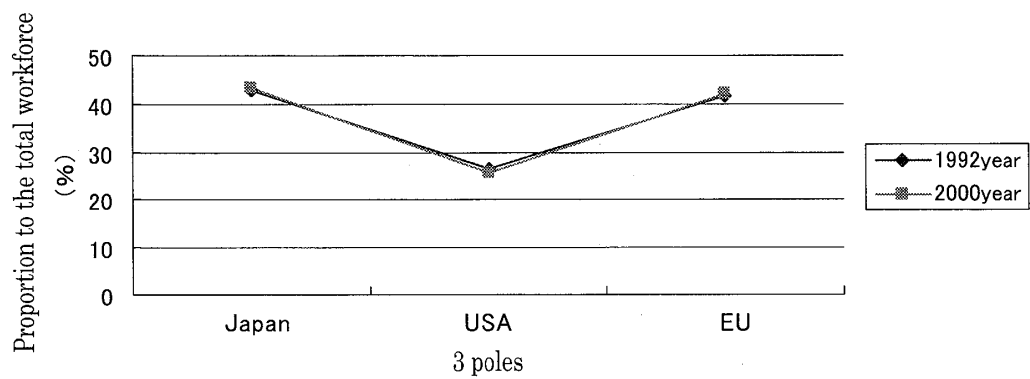
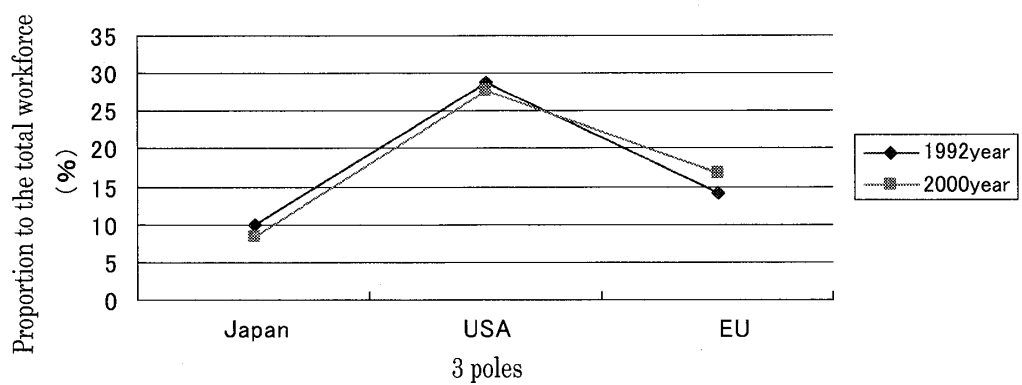


Fig. 5 At least 1 year of continuous service



(3) Complete employment with high esteem for people

P. F. Drucker could never say that 'people are the greatest assets', which especially managers of small- and medium-sized enterprises used to say from a long ago, as employment needed costs, and he even said that 'people are the greatest liabilities'. This is the cause of outsourcing in employment. However, the dilution of the relationship between an organization and its workers is such a serious risk, and the essential conditions to win in competition in knowledge economy is said to be development of people⁹⁾.

The following methods can be considered to resolve this point raised by P. F. Drucker:

Firstly, where the job details are the same in a global market, it can be said that the wage will be the same, if that particular person works in any country. Then, the degree of a role will become a global standard.

Secondly, individuals demand a positive infrastructure such as society without unemployment, labour worth doing for a good life, insurance (welfare pension and health insurance) for stability in society, after always filling wants to eat, which is the most basic human need. Therefore, many people have sympathy with Canon which has continued to carry out the Japanese style lifetime employment system. A good point of the lifetime employment system is that each individual employee understands the management policy and corporate culture through his or her lifetime. Abegren, a scholar in business administration, has pointed out that this view will be further strengthened¹⁰⁾ by the fact that winners among Japanese enterprises such as TOYOTA, CANON, HOYA, NIPPON STEEL, Shin-Etsu Chemical, and HONDA have all nearly maintained the Japanese style employment system.

Thirdly, an important matter is the management and productivity of knowledge workers. The productivity of knowledge workers is so important that it cannot be emphasized sufficiently. The feature of

knowledge work is that workers are not workforce but capital assets. Whether or not capital assets are working is not dependent on whether their costs are large or small and it is not the size of the costs, either. The decisive factor is the productivity of capital. Leaders of knowledge work (for example, the head of research at an internal research office) must spend time searching for knowledge workers with future potential ¹¹⁾.

To realize this, it can be said that stable employment in daily life must come first. Regarding the numbers of patent applications in the USA for three years, IBM was top, followed by two Japanese companies, i.e. CANON and Matsushita Electric Industrial in this order.

3. The problem of permanent and non-permanent members of companies

(1) Employment situation

1) Whole industries

Following are the statistics for permanent members (staff and working staff) and non-permanent members (staff and working staff) of companies taken from the statistics by employment form in average figures for the period from October to December 2006. Non-permanent members of companies here means the total of part-timers by housewives, etc. & short-term part-time workers by students, etc., workers dispatched by recruitment agencies, contract workers & part-time workers on an entrustment basis, and others.

Firstly, the number of permanent members of companies increased by 790,000 to 51.32 million compared to the same period last year. Non-permanent members of companies rose by 220,000.

Secondly, the ratio of non-permanent members was approximately 33%. The ratio of males was 17.8% and that of females was 52.8%. The ratio of males remained the same and that of females fell by 0.6 point on the same period last year ¹²⁾.

For reference, the ratio of part-time workers in Japan to total workers rose from 13.9% in 1973 to 21.1% in 1993, and that of temporary workers increased from 10.3% in 1973 to 10.8% in 1993 respectively ¹³⁾.

2) The actual situation in the automobile industry ¹⁴⁾

Securities reports prescribe that it is necessary to state the average number of temporary employees for the fiscal year where the average number of temporary employees is 10% or more of the total number of employees.

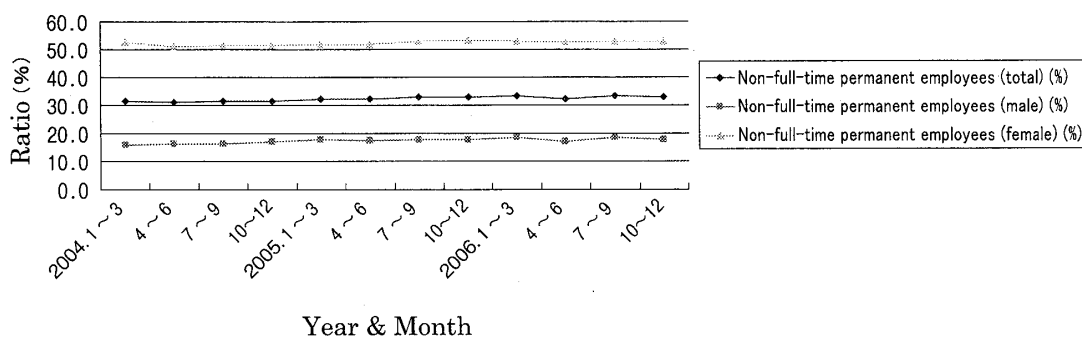
The number of non-permanent members of TOYOTA MOTOR CORP. is 20%, and that of HONDA MOTOR CO., LTD. and that of NISSAN MOTOR CO., LTD. are both 10%.

In the automobile industry mentioned above, the co-relation between sales and the employment form (permanent and non-permanent) is high at 0.97.

It can be seen that non-permanent workers are used for production adjustment depending on the operation rate.

Table 17

	Jan-Mar 2004	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar 2005	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar 2006	Apr-Jul	Jul-Sept	Oct-Dec
Total non-full-time permanent staff and employees (%)	31.5	31.2	31.5	31.6	32.3	32.3	32.9	33.0	33.2	32.3	33.4	32.9
Non-full-time permanent staff and employees (male) (%)	16.0	16.2	16.3	16.9	17.8	17.5	17.7	17.8	18.5	16.9	18.5	17.8
Non-full-time permanent staff and employees (female) (%)	52.6	51.1	51.6	51.5	51.8	52.0	52.9	53.4	52.9	52.5	52.9	52.8

Fig. 6 Non-full-time permanent employees**Table 18 TOYOTA MOTOR CORP. (Consolidated Basis)**

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	264,098	89.6%	264,410	86.6%	265,753	81.7%	285,977	79.5%	299,394	78.5%
Average number of temporary employees	30,816	10.4	40,973	13.4	59,481	18.3	73,701	20.5	81,908	21.5
Total	294,914	100.0	305,383	100.0	325,234	100.0	359,678	100.0	381,300	100.0

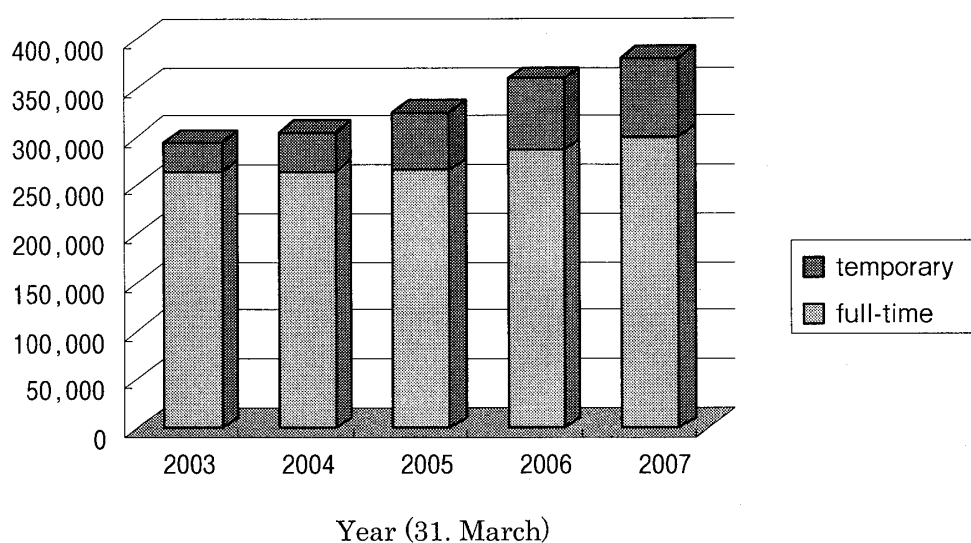
Fig. 7 Number of Full-time Permanent Members of TOYOTA MOTOR CORP.

Table 19 HONDA MOTOR CO., LTD.

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	126,900	100.0%	131,600	100.0%	137,827	100.0%	144,785	89.3%	167,231	88.7%
Average number of temporary employees	0	0.0	0	0.0	0	0.0	17,433	10.7	21,271	11.3
Total	126,900	100.0	131,600	100.0	137,827	100.0	162,218	100.0	188,502	100.0

Table 20 NISSAN MOTOR CO., LTD.

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	119,988	94.0%	119,350	96.4%	169,644	92.4%	162,099	88.4%	165,729	88.9%
Average number of temporary employees	7,637	6.0	4,398	3.6	13,963	7.6	21,257	11.6	20,607	11.1
Total	127,625	100.0	123,748	100.0	183,607	100.0	183,356	100.0	186,336	100.0

Table 21 AEON CO., LTD.

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	43,114	31.4%	51,584	28.1%	51,147	26.2%	54,161	26.1%	63,163	27.3%
Average number of temporary employees	94,171	68.6	131,787	71.9	143,831	73.8	153,601	73.9	167,953	72.7
Total	137,285	100.0	183,371	100.0	194,978	100.0	207,762	100.0	231,116	100.0

Table 22 Ito Yokado Co., Ltd.

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	50,636	47.4%	47,417	41.1%	46,345	39.9%	46,841	39.3%	17,351	27.3%
Average number of temporary employees	56,275	52.6	67,843	58.9	69,897	60.1	72,265	60.7	46,317	72.7
Total	106,911	100.0	115,260	100.0	116,242	100.0	119,106	100.0	63,688	100.0

Table 23 WATAMI Co., Ltd.

	March, 2003		March, 2004		March, 2005		March, 2006		March, 2007	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Full-time permanent members of the company	1,017	20.0%	1,324	23.2%	2,114	23.0%	2,355	19.5%	2,780	20.2%
Average number of temporary employees	4,063	80.0	4,372	76.8	7,091	77.0	9,735	80.5	10,966	79.8
Total	5,080	100.0	5,696	100.0	9,205	100.0	12,090	100.0	13,746	100.0

3) Cases in the distribution industry

Permanent members and non-permanent members of AEON CO., LTD. and Ito Yokado Co., Ltd. are both approximately 30% and 70% respectively.

The composition of the above non-permanent figure comprises student part-time workers, housewife part-time workers, non-permanent workers of adult males, non-permanent workers of adult females, etc. It is therefore necessary to check the details of the working status with their lifestyle.

In the case of WATAMI, Co., Ltd., a pub-eatery chain, 20% are permanent members and 80% are non-permanent members.

(2) How workers should be paid according to their function at the actual production spot

I would consider the employment group form at the actual production spot.

Firstly, in line with the progress of globalization, the difference in wages does not exist within each nation but there will occur a phenomenon that the wage is the same if the job duty is the same.

Secondly, workers at an actual production spot on a conveyer system in the past had to keep step with other workers. Prominent ability of workers was therefore a negative factor on the production line. So to say, the adoption of such a convoy system had been considered a natural thing at actual production spots. However, at today's actual production spot, an individual's ability can be used to its maximum as the particular ability of an individual is evaluated for cell working method of production. There is therefore room to introduce pay according to function on the spots of production.

Thirdly, the wage system must be one where production can be flexibly adjusted in line with any change in the operation rate at the actual production spot.

Fourthly, stabilizing employment will be required by enhancing the affection to products for the succession of technologies for product development and security of quality. Otherwise, it is estimated that there will be anxiety that production quality may fall or fault rate may rise because of the employment form.

There follow directions for the construction of a wage system for workers on actual production spots.

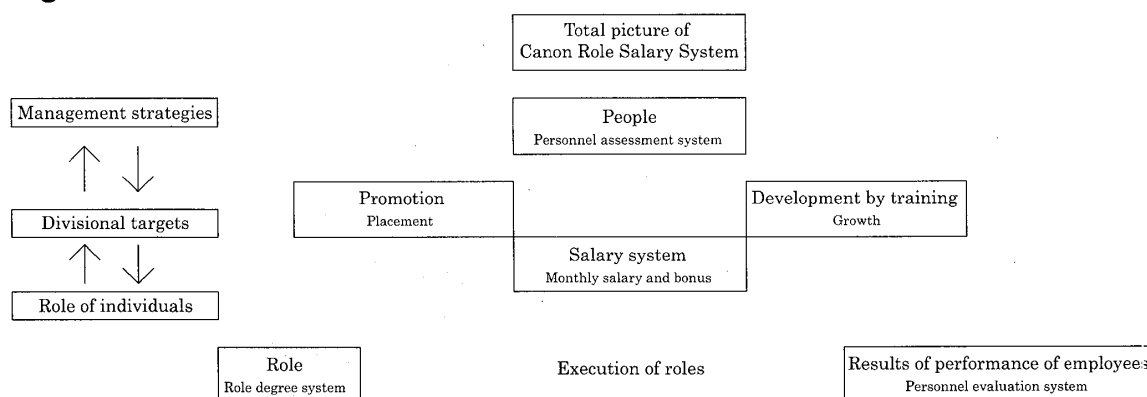
Firstly, the wage system per region where a factory is located must be reviewed. Because living costs in Tokyo and Osaka where land price is high and those in a regional area are different, I consider it is not a problem that there is a difference in allowances such as an urban residential allowance and cold area allowance.

Secondly, it will be possible to introduce a nature of semi-variable costs into the construction of a wage system for workers at actual production spots by adopting a mixed wage system, whereby role wage, piece rate wage, and revenue rate wage are introduced, thus avoiding dependence on an excessively high rate of fixed costs. In this way, it is possible to avoid a sharp rise in costs, where non-permanent workers are made permanent workers, and a state of stable employment at an appropriate wage will be realized.

(3) Construction of a new wage system adopting pay according to function and role wage

This is the system of CANON which introduced pay according to function and role wage. I will examine this system.

Fig. 8



1) Aim of the role ranking system

There are the following two meanings of role wage.

Firstly, role wage is a concept of job duty plus job responsibility. Introduction of role wage has changed the wage system to be on a work standard from the conventional concept of seniority-order wage and wage on job evaluation, and a concept of job responsibility is introduced not only to make people perform their fixed job duties but also to make them aware that it is necessary to meet their organizational expectations.

Secondly, although promotion (promotion to do high ranking job duties) is usually decided by personnel evaluation and assessment by test system, under the role ranking system the actual high level job duty must be allotted in order for the promotion to be confirmed. This means that one cannot get promoted unless high level job duties are actually given.

What kinds of issues will the role wage bring about in actual operation?

Firstly, a standard schedule will be required to decide what are high ranking job duties and what are low ranking job duties.

Secondly, isn't there a risk that people will tend to think that high ranking job duties are prestigious and they cannot enjoy low ranking job duties. Is there a high rank or a low rank in job duties? There are basic job duties, and job duties which require a high level of expertise. The point is what kinds of qualifications and skills are required to achieve that job duty.

Thirdly, job duties classified by degree ranks by the level of difficulty have changed in line with technological innovation. It is now possible to replace high ranking job duties which had been dependent on individuals' ability as a result of the transition to the EDP system. How should we decide degree ranks of jobs which are input items to EDP system, because of changes to the law and standards relating to job duties?

Fourthly, how should the interpretation ability of the law be reflected on role wages? For example, on the application of the law and standards, the benefit and risk of applying its interpretation to the actual spot of companies are both great. This means that the same expertise will be required as in cases where companies use external professionals, etc. such as lawyers, certified public accountants, patent attorneys, tax accountants, judicial scriveners, architects and consultants.

2) Preparation of statement of job duties

On the introduction of role wage, because job duty evaluation is required, job duty surveys, preparation of a detailed job description, evaluation of each job duty, decision of classification of roles, etc., the scope of wages, etc. will be carried out.

When these are carried out, self-enlightenment must be highly evaluated to develop strong individuals with self-determination.

3) Issues on introduction of role wage

On the introduction of role wages, first of all fair and impartial personnel affairs must be carried out. For that purpose, the following matters must be simultaneously carried out.

Firstly, management of necessary personnel per division is required.

Secondly, employment of specialists with highly specialized ability must be made at the time of recruitment.

Thirdly, standards of how rotation should be made including internal job invitation system.

Fourthly, it is also necessary to establish the standards to decide managerial posts under the personnel system. Assessment of personnel evaluation of managerial posts by a third person is required in order to eliminate arbitrariness depending on whether managers are good or bad and secure equality and fairness towards junior employees with high ability. Otherwise, as seen in the case of a certain corporation owning a professional baseball team, many cases are likely to be seen in the future, where baseball players who are notified that they are outside the fighting power or those who have been traded will be employed elsewhere and will become regular players and attempt to increase their batting average or number of home run hits to be ranked in the top ten players. It is important for managers as a coach to develop people with higher ability than their own and adopt that person in

order to succeed as managers.

(Conclusion)

I have pointed out by this paper that liquidation of employment forms seen from the viewpoint of CSR must be discussed in the future from the three viewpoints with the emphasis of the aspects of 1) the superficial phenomenon which is the importance of flexible employment forms on both sides of labour and management, 2) provision of economic value of knowledge (knowledge management) and 3) transaction of the execution of job duties in employment.

Notes

- 1) An event or situation that will cause you a material doubt: Questions were made on the basis of p. 2 to 6 of No. 2677 of "Management Finance" (Source) and asked to all stock exchanges in Japan and JASDAC 2688 companies, and 56 companies responded (March 2003).
- 2) Banwari Mittal. Ph. D & Jagdish "Value Space" ("Value Space Strategies" jointly translated by Keisuke Suyama, Haruo Umemoto, Hidemi Kitamura, published by Diamond-sha in 2004) p. 6
- 3) Japan Policy Investment Bank, "Financial Data Handbook by Industry", the version of 2004, p. 2
- 4) Hiroto Ishikawa, (Characteristics of Modern American Enterprises', Mitsuharu Itoh, et al. "American Industries and Enterprises", published by Chikumashobo in 1975, p. 24
- 5) James C, Abegren, "New Japanese Management" translated by Yoichi Yamaoka, published by Nihon Keizai Shinbunsha in 2004, p. 118
- 6) Edwin O. Raishauer, "The Japanese Today" (translated by Masamitsu Fukushima) published by Bungeishunju-sha in 1990, p. 167
- 7) Employment Stability in an Age of Flexibility, Peter Auer and Standrine Cazes (eds.) Geneva; International Labour Office, 2003, (Abegren, "New Japanese Management", published by Nihon Keizai Shinbunsha in 2004, p. 120)
- 8) The above book, p. 121
- 9) P. F Drucker, "P. F Drucker Management Theory", published by Diamond Co. in 2006, p. 628
- 10) Abegren, "New Japanese Management", published by Nihon Keizai Shinbunsha in 2004, p. 124
- 11) P. F Drucker, "P. F Drucker Management Theory", published by Diamond

Co. in 2006, p. 636

- 12) Statistic Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, "Workforce Survey Report", No. 430 (March 2007), p. 7
- 13) Alan Burton Jones "Knowledge Capitalism", published by Nihon Keizai Shinbunsha in 2001, p. 86
- 14) The author prepared using securities reports of each company