



## Corporate Social Responsibility for Employees: Japanese and Russian Contexts<sup>1</sup>

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### Abstract

The corporation is not only an economic organization that provides goods and services for the maximization of profits, but also a social organization responsible for the benefit of society. Offering job opportunities to people and care for the living conditions of employees are indispensable social responsibilities of the corporation, because social and economic development cannot be expected without a sustainable reproduction of healthy workforce. In terms of employment practices, common features have been found between the Japanese large-scale company and the Russian state firm. Both of these forms of organization provide their employees with training and education, long-term job security, welfare facilities for employees and their families, and the company labor unions cooperate with the management in these areas. Directors and managers are recruited mostly from employees of long-time service in a given company, and one of their main duties is to support the existence of employees and their families. Those relationships result in a trustful relationship between employees and management, as well as a sense of identity with their firm for employees. Such practices lead to sustained social integration in each country, although their specific forms are different across the social systems. Those conventional practices have been undermined by globalization in both countries: In Russia it happened radically after a collapse of the Communist system, and in Japan this process has gone steadily during the long-term economic recession of the last twenty years. This paper focuses on the changing patterns of employment practices in Japanese firms within the worldwide ever-growing competitive environment and the implications of this change for the integration/disintegration of the present-day Japanese society.

**Keywords:** corporate social responsibility; satisfaction with the working life; organizational commitment.

### Introduction

The corporation is not only a business organization that provides goods and services for the maximization of profits, but also a social organization responsible for the benefit of society. The notion of “society” in this context includes not only consumers, customers, public administration, and regional/local community, but employees as well. The main focus of studies and practices

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related to employee affairs lies in the sphere of Human Resource Management strategies, which aim to achieve an efficient usage of human resources for the enhancement of productivity by means of proper allocation of workforce, stimulation of work motivation, avoidance of labor conflicts, and so on. However, besides the economic concern named above, the corporation has to have a social concern for the welfare of its employees. Guarantee of the living standards for employees is an indispensable part of corporate responsibility to society. Sustainable reproduction and development of human resources and society could not be expected without it.

### Prototype

Concerning the corporate practices of providing the security of the living and welfare of employees, there were some noticeable similarities between the Russian/Soviet model and the conventional Japanese model, despite the fact of a fundamental difference between the two countries in terms of their political, administrative, and economic systems. Both in Russian state enterprises and in Japanese large corporations we could see well-arranged in-house training and education practices together with well-provided employee welfare facilities, such as company quarters and dormitories, canteens and buffets, clinics or infirmaries, means of commuting to the workplace, stores with goods for daily consumption, facilities for sports, culture, recreation, and so on. Besides this, events like company- or plant-wide athletic meets, trips for employees, and the like would also be organized by the firm. The company labor union organizations assisted the management in developing such facilities and activities within the enterprise.

Employment was secured by the system of universal employment in Russia and by the life-long employment practices of large-scale public and private enterprises in Japan. Wage system was designed to provide for the minimum living essentials necessary for employees. The Russian model was designed with the idea of gender equality: the expenses of family life were to be covered by the joint income of a husband and a wife. Under the Japanese conventional model, the household necessities of family life were to be compensated only by the husband's income that increased in accordance with age (seniority-based wage system). More specifically, higher wages were set for the elderly employees, who had more dependants in their families, and lower wages were set for younger employees who were still single. Under the Japanese model, female employees were expected to leave their jobs in the event of marriage or childbirth, in order to devote themselves completely to household work and child care at home.

Both in Russian state enterprises and in Japanese large-scale public and private corporations, directors and managers were recruited mostly from the employees of long-time service inside the firm, and they were regarded by ordinary employees as "benevolent bosses" (Andrle, 1976). The relations between management and the labour unions were cooperative. Relations and practices such as above were legitimated by the ideology of *trudovoy kollektiv* along with *communism* in Russia and *managerial familism* in the *Japanese style of management* in Japan. The majority of employees relied on the assumption that their jobs would be secured by the management and spent their whole life at one company. There was an expectation that the employee would stay at the same enterprise for a long time, until the age of retirement with pension.

It is needless to say that the political, administrative, and economic systems that determine the functions of the firm were completely different in Russia and in Japan. The Russian/Soviet enterprise was managed on the principle of *khozraschet* in the socialist state-planning economic system, while the Japanese corporation was working in the capitalist competitive market economy. In spite of this difference, the managerial patronage was commonly practised and was seen as an indis-

pensable normative value for management under both models. The workplace was perceived by ordinary employees not only as the place for performing their daily scheduled work, but also as a social space for interpersonal human relations with colleagues. From time to time, after their obligatory work hours they would, for example, go drinking together, exchange funny anecdotes, and share informal knowledge of their enterprise or plant. Those situations were necessary to enhance the “we”-feeling of employees as “the members of our corporate community”, in which employees were socially integrated in the corporate life. The corporation, in this sense, played an intermediary role in the socialization of individual workers, which brought on social stability in the Russian and Japanese societies until around 1990.

### Changing Pattern

Since around 1990, however, both models have undergone a drastic change in the new circumstances: a collapse of the Communist regime in Russia and a breakdown of “bubble economy” in Japan, followed by an ever-growing wave of globalization in both countries. In those situations, how have two models been modified or transformed? An answer to this question will be sought in the following section of this article, by using the data on the attitudes of employees to their working life in their companies. The data were obtained from three questionnaire surveys described below.

1. International survey of the perception of corporate culture by employees conducted in Russia, Japan, and some other countries in 2008 (Ishikawa, Sasaki, Shiraishi & Dryakhlov, 2012). The samples in Japan included employees of six large companies (two from electric machine industry, two from machine building industry, and two from retail business), while the Russian samples came from a variety of firms of different sizes and branches of economy.
2. Survey of Russian employees’ attitudes toward their jobs, companies, unions, and society conducted in four large-scale firms of machine industry (Ishikawa & Yamamura, 1997).
3. Survey of the attitudes of Japanese electric machine workers toward their working life, management, and the unions conducted in 1984 and 1994 (Denki Roren, 1986; Denki Rengo 1996).

By comparing the data from two periods, namely, the mid-1990’s and the end of 2000’s, changing patterns of the two models will be analysed. The samples in the above surveys were different in terms of the economic sectors and the sizes of the firms, and a precise comparison across time cannot be expected. Therefore, it should be taken into account that the following analysis can only be used to form tentative hypotheses that need to be tested by rigorous analysis based on more comprehensive data.

### Japanese case

The conventional Japanese model of employee care practices is often characterized by the *life-guarantee management* (Matsushima, 1961) with the practices of lifelong employment, seniority-based wage system, well-arranged in-house welfare provision, employees’ company-centered mentality and lifestyle, and the company ideology of “managerial familism” and, later, “managerial welfarism” (Hazama, 1979). These characteristics of the conventional Japanese model are found exclusively in large-scale companies and among regular (permanent) employees.

There are a number of employees not covered by this model, working in small- and medium-scale businesses, those in irregular employment as small part-timers, casual employees, temporary workers, and the like. The employees in small- and medium-scale businesses are estimated to comprise two thirds of the total workforce in Japan, and the number of regular

employees of different types is estimated to be around 40%. Rough calculation based on these figures results in an estimate of workers within the framework of the conventional model of employee-related practices to be less than 50% of the whole labour force in Japan. Their proportion has been declining gradually over the last two decades, and this trend is still continuing today. For reference, even in the second half of 1970's, those who spent their whole lives up to retirement age in the same company comprised approximately 20% of Japanese employees (Ishikawa, 1980, p. 37).

Later the conditions of working life for regular employees in large-scale companies have changed considerably since around 1990. These changes started already in the 1970's, when the Japanese economy fell into recession resulting from oil crises that progressed noticeably in the ever more competitive environment of globalized economy of the 1980's. The seniority-based wage raise system was first modified by the ability-based system and then replaced by the ability-based or the achievement-linked system. Redundancy, transfer to subsidiary, dispatch to another company, and practices alike have undermined the lifelong employment system.

Faced with a pressure to cut down the costs of labour in the competitive environment, the management takes efforts to minimize the number of regular employees, which leads to longer working time and increased workload accompanied by their negative effects upon the health of employees. Besides, for the survival of their companies in the competitive market, the management attaches more importance to the accumulation of maximum internal reserves, and, on the other hand, keeps the labor costs low, which results in a stagnancy of wage increases for regular employees. For the last ten years or more, and even during the period of economic prosperity at the beginning of 2000's, the average wages of regular employees have been going down.

Within those trends, how did the attitudes of regular employees toward their working life in large-scale companies change? Table 1 presents the degrees of employee satisfaction with aspects of their working life measured in three periods: before the collapse of the "bubble economy" (1984), a few years after its collapse (1994), and recently (2008). Based on the figures in the table, we could make hypotheses about several trends outlined below. Satisfaction with "Employment security" declined to some extent after the collapse of the "bubble economy", presumably due to a diminishing demand of workforce in the labor market and increasing anxiety of losing a job. At the same time, however, satisfaction with "payment and bonus", as well as "welfare provision", increased to a certain degree, probably due to more positive evaluations by regular employees of their relative positions in income and welfare, compared to irregular workers or small business employees, in spite of the objective fact of an ongoing degradation of wage levels and company benefits.

An increase in satisfaction with the relations with management and supervisors is also noticeable between 1984 and 1994. By 2008 the satisfaction with management did not change much, and satisfaction with co-workers decreased, compared to 1984 and 1994. A possible reason is the spread of a cooler climate of personal relations in the workplace, likely because of individualization of job performance outcomes as part of achievement-oriented human resource management approaches, as well as a general cultural change toward more individualistic patterns of behavior and social life.

Table 1. The degree of satisfaction: Japan (average in the five point scale)

Aspects of working life	1984	1994	2008
Employment security	3.5	3.3	3.3
Payment and bonus	2.2	2.3	2.6
Welfare provision	2.8	3.2	3.1
Competence of management	2.6	2.9	2.8
Trust between workers and management	2.8	3.0	2.9
Relations with the boss	2.9	3.3	3.2
Relations with co-workers	3.7	3.8	3.5

Footnote: The point in the table = ( “Satisfied”%x5 + % of “Satisfied to some extent”%x4 + “More or less”%x3 + “Dissatisfied to some extent”%x2 + “Dissatisfied”%x1) / 100

In parallel with these trends, the willingness of employees to commit to their firm seems to have declined from the pre-bubble economy period to the post-bubble economy period. Between 1984 and 1994, as shown in Table 2, the degree of unconditional involvement in the firm (5) decreased, while that of reciprocal commitment (4) increased. This trend is similarly found in 2008 as well, even taking into account the answer option “Unsure” (3) that was added to the 2008 survey. The average point shows a declining trend of the attachment of employees to their firms. We can presume that the attitudes toward their companies have become more individualistic and calculating.

Table 2. “How do you relate yourself to your firm?” (Japan)

Sample	(1) “I don’t have any concern with my firm”	(2) “I don’t have any special feeling to my firm”	(3) “Unsure”	(4) “I would do as much for my firm as it would reward me”	(5) “I would do my best for the development of my firm”	NA	Total	Average point
1984	2.3	21.8	—	49.4	24.8	1.7	100.0	3.74
1994	2.0	22.2	—	54.2	19.4	2.2	100.0	3.68
2008	2.5	14.3	23.1	39.3	19.5	1.2	100.0	3.59

Footnote: Average point = {(5) x5+ (4) x4+ (3) x3+ (2) x2+ (1) x1} / (Total-NA)

The Japanese conventional model has faced the necessity of modification in times of economic recessions, first, a modest reform during the oil crises of the 1970’s and, later, a second significant change after the collapse of the “bubble economy”, which continues to this day. This trend seems to have been reflected in employees’ attitudes toward their working life and their firms.

## Russian Case

As far as the Russian model is concerned, a collapse of the Communist regime and the privatization of state enterprises diminished the in-house provision of benefits for employees to a great extent, while the market did not yet work efficiently and high rates of inflation aggravated the living conditions. There emerged a vacuum in the provision of measures that guarantee the living of employees. In order to fulfill this vacuum, it was necessary to maintain a benevolent style of management for at least a while even after the privatization of enterprises (Hosking, 2012), though it would be replaced sooner or later by the calculative style of management suitable to the logic of market economy.

How did the Russian employees react to this situation? The following data concerning the employee attitudes toward working life might suggest some answers to this question. Table 3 displays the degree of satisfaction of Russian employees with their company-related life in the middle of the 1990's (a few years after the collapse of the Communist regime) and at the end of the 2000's (almost twenty years after its collapse).

Table 3. The degree of satisfaction: Russia (average in the five-point scale)

Aspects of working life	1995–1996	2008	Difference
Employment security	2.8	2.9	+ 0.1
Payment and bonus	2.1	2.6	+ 0.5
Welfare provision	2.2	2.6	+ 0.4
Competence of management	2.8	3.2	+ 0.4
Trust between workers and management	2.7	3.4	+ 0.7
Relations with the boss	3.6	3.7	+ 0.1
Relations with co-workers	4.1	4.2	+ 0.1

See the footnote of Table 1.

It is noticeable in this Table that there was no remarkable difference between the mid- 1990's and 2008 in terms of satisfaction with “employment security”. After a collapse of the Communist regime the universal employment system was abolished, and many employees lost their jobs or quit their firms, while the satisfaction of those who kept their jobs was medium (nearly 3.0), as far as “employment security” was concerned. And the satisfaction with this aspect was at the same level even in 2008.

Concerning “payment” and “welfare provision”, the level of satisfaction was low in the mid-1990's, presumably due to the deterioration of wages and the degradation of the system of company welfare provision during the critical times for Russian economy. In 2008, however, these satisfaction levels were significantly higher. Besides, the levels of satisfaction with the “competence of management”, as well as “trust between workers and management”, increased fairly. The satisfaction with the relations with boss and with co-workers at the workplace was quite high even in the mid-1990's, and had still increased by 2008. In spite of the fact that the employment and labour market conditions worsened remarkably in the first half of the 1990's and remained this way until the present time, the low levels of satisfaction with wage and welfare provisions seen in the mid-1990's have later increased to some extent. The levels of satisfaction with the relationship with managers, supervisors and co-workers were medium or high even in the mid-1990", and still increased afterwards. Table 4 shows the data on the degree of willingness of employees to commit themselves to their firm.

Table 4. “How do you relate yourself to your firm?” (Russia)

Sample	(1) “I don't have any concern with my firm”	(2) “I don't have any special feeling to my firm”	(3) “Unsure”	(4) “I would do as much for my firm as it would reward me”	(5) “I would do my best for the development of my firm”	Total	Average point
1995—1996	2.5	7.0	-	52.3	38.2	100.0	4.17
2008	2.5	8.3	22.1	42.3	23.5	100.0	3.72

The data reveal that, although the proportion of employees with negative or indifferent attitudes toward the firm was very small and the willingness to commit was shared by many employees both in the mid-1990's and in 2008, the degree of willingness has decreased. Most likely, the attachment

of employees to their firms declined in parallel with the spread of market economy in the post-Communist period. Nevertheless, the levels of employee satisfaction with material provisions, as well as relationships with management, supervisors, and co-workers have remained stable or even increased. This suggests some changes in the Russian model of employee-care practices provided by companies.

## Perspectives

As mentioned at the beginning of this paper, one of the important corporate responsibilities is to guarantee the employees' living, which is indispensable for a stable reproduction of society. If the living standards of employees were to deteriorate, a sustainable reproduction of the necessary workforce to bear the economic activities in a given society could not be expected. Besides this, the security of employees' living is necessary to maintain social integration in a given society. Uncertainty, instability, and degradation of employees' living standards would necessarily lead not only to a decrease of work motivation, but also to a decline of identity with the company, resulting in looser social ties in the workplace that might bring forth a deterioration of overall stability in society.

The conventional model of employee integration in the framework of corporate guarantee for employees' living in Japan and Russia has faced a pressure for change under the external conditions, such as, firstly, the radical transformation of socio-economic system in Russia and the collapse of bubble economy in Japan, and, secondly, the ever-prevailing globalization of economic activity in both countries. What were the patterns of change in the Russian and Japanese models as they adjusted to the new environments? And how have the employees been reacting to this adjustment?

Concerning the Japanese model, there is a notion of its "persistency" proposed by Furstenberg, who wrote: "The institutional framework of Japanese welfare corporatism still shows remarkable resistance to global trends towards increasing shareholders' influence" and pointed to a persistency of "the employee community model of Japanese corporations' even in face of globalization trends (Furstenberg, 2006, p. 85—86).

However, it should be noted that the institutional framework of welfare corporatism has covered mainly the regular workers, whose job and living are secured by large-scale companies where they are employed, but the proportion of employees of this type among Japanese workers is estimated to be less than half and is still decreasing. In addition, their situation in the firms has been getting harder as a result of introduction of achievement-oriented wage system, reallocation of existing employees to subsidiary firms, outsourcing of employee welfare facilities, and so on. These tendencies may have been reflected in the fact that the positive attachment of employees to their firms has weakened, compared to the period of pre-"bubble economy", and that their satisfaction with the relations with co-workers has gone down. This might imply a hollowing out of the community-like social climate in Japanese firms.

Concerning the Russian model, there is also a position that supports the notion of persistence, as follows: "Most ordinary people continued to place the trust in a "joint responsibility" group and in powerful personalities. ... The power of "stationary bandit" is imposed from above, but also reinforced from below as ordinary people seek security against adversity in the forms available to them" (Hosking, 2012, p. 64).

However, as far as the Russian employees are concerned, their attitudes toward intra-company life seem to have been getting better, but their attachment to the firms has declined at the same time. Thus, it is still unclear, whether the Russian model of employee-care practices will persist or revive in the companies functioning in market economy, or it has been completely replaced by another

model. Russia existed under the Communist regime for many years and developed a comprehensive model of employee-care practices. Have the functions of this conventional model been effectively transferred to the present enterprises in contemporary market economy, or will some model of a new type emerge? Has a dysfunction of the conventional model in the new environment led to a spread of diverse employment practices in contemporary Russian enterprises?

Both in Japan and in Russia, even if certain elements of the conventional model of employee-care practices can be noticed in any shape, the realm of its functioning has become significantly more limited today. What could compensate it in the place of the company? Individual-based responsibility? It might lead to an ever-growing polarization of society. Family or neighborhood? They may have been losing their functions of social ties and mutual assistance in the process of urbanization and individualization. The government? It is suffering from the state budget difficulties. Voluntary civic associations? They may be expected to perform some compensatory functions, but a development of such associations depends on the growth of middle classes in the society, while today the gap between the rich and the poor tends to be growing instead. Taking this social situation into account, the role of corporations in providing social practices of employee care should be re-awakened in some way or other.

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