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AN EXAMINATION OF THE WHITE-COLLAR LABOR MARKET IN JAPAN IN LIGHT OF THE DUAL LABOR MARKET THEORY

by
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INTRODUCTION

It is generally accepted that success in the job market for male Japanese white-collar workers depends a great deal upon whether or not he is a university graduate, and if he is, upon which university he attended. This paper will examine whether there exists a major difference in achievement between graduates of a few select universities and graduates of other universities.

Doeringer and Piore (1971) have done pioneering work in constructing the theory of internal labor markets, Piore (1975) has extended this to a theory of dual labor markets, and Becker (1964) has done work on the theory of human capital. The contention of this paper is that these theories can be helpful in examining the existence of a dual labor market for Japanese white-collar workers. This paper does not pretend to explain the workings of the entire Japanese white-collar labor market by a strict application of these theories; the institutional differences between the Japanese and American labor markets are such that any grand attempt to explain the two by the use of a few theoretical models would be subject to question. Instead, emphasis will be upon the use of these theories as heuristic devices.

The dual labor market theory and its proposition of the

existence of upper and lower tiers will be useful in looking at the alleged differential achievement of Japanese workers by university attended. The theory of internal labor markets will be used to examine hiring decisions by Japanese firms. Human capital theory may provide some insights into the individual's choice of college attended and occupational achievement thereafter.

A contention of this paper regarding hiring decisions and internal allocations is that analytically there exist certain parallels between racial minorities in the United States and graduates of less prestigious universities in Japan. Rationales for discrimination in hiring in both Japan and the United States will also be examined. A cautionary note -- ultimately, any theory of selection is about a process of discrimination, using the term in its broadest sense.

Dual Labor Market Theory

The dual labor market theory has been used as a hypothesis for understanding problems concerning socioeconomic mobility in the United States (Piore 1975:125). Its development stems from the attempt to understand labor force problems peculiar to disadvantaged urban workers.

The basic premise of the dual labor market theory is that the United States labor market is distinctly segmented. Piore holds that the labor market consists of basically two sectors, the primary and the secondary.

Piore characterizes the primary sector as composed of jobs with "relatively high wages, good working conditions, chances of advancement, equity and due process in the administration of work rules, and, above all, employment stability" (Piore 1975:126).

The secondary sector, however, is characterized by jobs which "tend to be low-paying, with poorer working conditions and little chance of advancement; to have a highly personalized relationship between workers and supervisors which leaves wide latitude for favoritism and is conducive to harsh and capricious work discipline; and to be characterized by considerable instability in jobs and a high turnover among the labor force" (Piore 1975:126).

Recognizing that such a cleavage into primary and secondary sectors may put too narrow an emphasis on only disadvantaged workers, Piore argues that important distinctions between jobs within the primary sector alone can be made. Thus, he divides the primary sector into upper and lower tiers (Piore 1975:126). Piore claims that upper tier jobs, which are professional and mangerial, "tend to be distinguished from those of the lower tier by the higher pay and status and the greater promotional opportunities afforded" (Piore 1975:126). Interestingly, he points out that upper tier jobs have some similarities with secondary sector jobs: 1) there is high horizontal mobility and turnover, and 2) they lack the extensive set of work rules imposed upon jobs in the lower tier.

Employment in the upper tier seems to require a formal education, a requisiste Piore claims to serve as an "absolute barrier" to entry. Finally, he notes that upper tier jobs apparently afford more room for expressions of individual creativity and initiative than lower tier jobs (Piore 1975:127).

Internal Labor Markets

The notion of the internal labor market refers to an administrative unit in which decisions concerning pricing and labor allocation are made according to a set of administrative rules and procedures (Doeringer and Piore 1971: 1-2). The important distinction between this and external labor markets is that such decisions in the former are made by administrative rules, while those of the latter conform to conventional economic theory and are governed by competitive forces. The interconnection of the two markets occurs at points known as "ports of exit and entry" into and out of the internal labor market. Jobs which are not located at the ports are filled by internal allocative decisions and are therefore not directly responsive to competitive forces in the external market (Doeringer and Piore 1971:2).

The idea of internal labor markets will be quite useful in viewing decisions concerning labor allocation among white-collar workers in Japan. Doeringer and Piore's work on discrimination and internal labor markets will be of special interest in examining the proposed differences between

workers who are graduates of prestigious Japanese universities and those from other universities.

Human Capital Theory

Briefly stated, the human capital approach "...emphasizes, not differences among jobs, but differences among people. It attempts to relate a worker's earnings directly to his personal characteristics, including age, sex, race, years of formal education, amount of on-the-job training, years of work experience, family background, and measures of inherent ability" (Reynolds 1978:252).

This paper will examine the applicability of the human capital approach, particularly the aspect of formal education, to Japanese white-collar workers and the specific universities they attended.

THE PRIMARY SECTOR IN JAPAN

Prior to any further examination, we will now introduce two concepts commonly thought of as peculiar to Japanese employment, namely, shūshin koyō (lifetime employment) and nenkō joretsu (reward based on seniority). The purpose of this introduction is to enable us to more accurately assess the condition of the Japanese white-collar labor market in view of institutional factors which may be peculiar to Japan. Thus, examination of the existence of labor market segmentation in Japan, internal labor market decisions, et cetera, will be conducted with the purportedly Japanese concepts of nenkō and shūshin in mind.

At this point, suffice it to say that, although these two characteristics are commonly thought of as representative of the Japanese labor market in general, they are actually observed more among male white-collar workers in large firms than among any other group (Azumi 1969:31).

University Graduates and the Primary Sector in Japan

For the purposes of this paper, we will look at university graduates in the white-collar labor force as composing the bulk of the primary sector, both upper and lower tiers. Actually, many white-collar workers are graduates only of

high schools, but their starting positions within a firm are lower than that of college graduates; consequently, promotions among their entering groups in accordance with nenkō joretsu proceed at different levels than the promotions of university graduates.

Assuming a steady increase in the amount of white-collar jobs available, the projected increase in employment of university graduates (Table I) implies that an increasing number of such graduates in the labor force will be available for white-collar employment. Furthermore, Figure

Table I

Estimated Employment of New School Graduates in Japan by School Level, Selected Years, 1970-85

School Level	1970	1975	1980	1985
Middle School	19.1%	17.0%	14.9%	11.0%
H. S. and Jr. College	66.3	64.6	65.7	67.9
College	14.5	18.4	19.3	20.9
	99.9	100.0	99.9	99.8

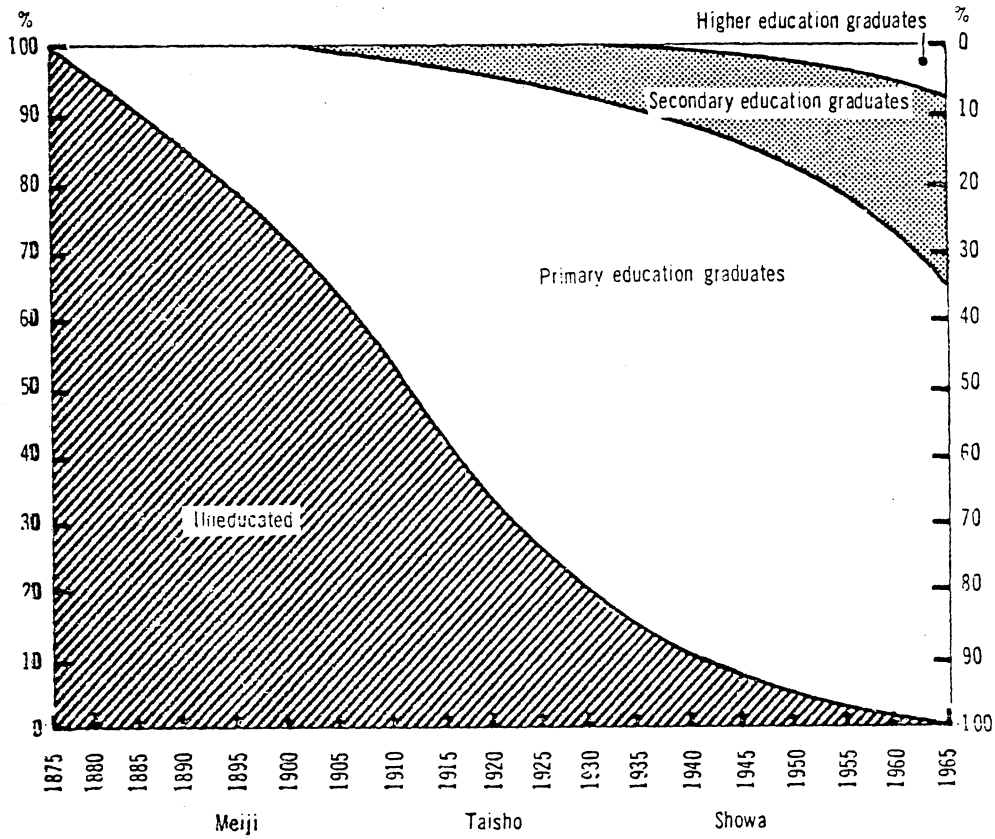
Source: Adapted from Japan Economic Research Center, "The Outlook for a Trillion Dollar Economy" (1971), in Galenson and Odaka, "The Japanese Labor Market," in Patrick and Rosovsky (eds.), Asia's New Giant, Washington, D. C.: Brookings, 1976, p. 595.

I shows us the secular trend of the increasing percentage of college graduates among the working-age population.

It is today well known that a university education has become a critical station of the career ladder leading to success at the executive level in Japan (Glazer 1969:90). Glazer (1969:91-92) went as far as to state that the system

Figure I

PERCENTAGE DISTRIBUTION OF GRADUATES
FROM DIFFERENT SCHOOL LEVELS IN THE WORKING-AGE POPULATION
(15 TO 64 YEARS OF AGE)



Source: Organisation for Economic Co-operation and Development (OECD), Educational Policy and Planning - Japan, Paris: 1973, p. 57.

of nenkō joretsu observed particularly among white-collar workers thus provides assurance that most Japanese university graduates will more or less automatically move up the career ladder to at least the kakari-chō (assistant section head), and maybe the ka-chō (section head) and bu-chō (division head) levels.

Glazer's observations must be qualified, however, partly because of the fact that much has changed since 1969. For example, as a consequence of a slowdown in economic growth and a rapidly aging labor force, promotions in large companies are more difficult to obtain than was the case a decade ago. This makes the notion of nenkō joretsu and its implicit automatic promotion mechanism more problematic.

Furthermore, some college graduates today prefer employment in small- and medium-scale companies instead of the more prestigious large firms. In this case, the benefits to the individual include the relatively certain prospect of promotion after a certain amount of time, while the costs include the risk that the smaller firm will face bankruptcy.

Another qualification of the impact of the nenkō joretsu system is the fact that some employees receive "promotions" reflecting status vis á vis their colleaues (mibun seido) -- promotions which, although enhancing status, are not necessarily accompanied by a pay increase or increases in autonomy.

This system is used to mollify, or "cool out" workers

who will not in fact be promoted (Cole 1971:109-111).

Assuming that shūshin koyō (lifetime employment) is a characteristic of large Japanese firms in general, let us now recall Piore's comment that employment stability, "above all," characterizes employment in the primary sector. Therefore, an analogue between Japanese university graduates (at least those in large firms) and the primary sector can be made on the basis of employment stability.

Comments on the Nature of the Japanese University System

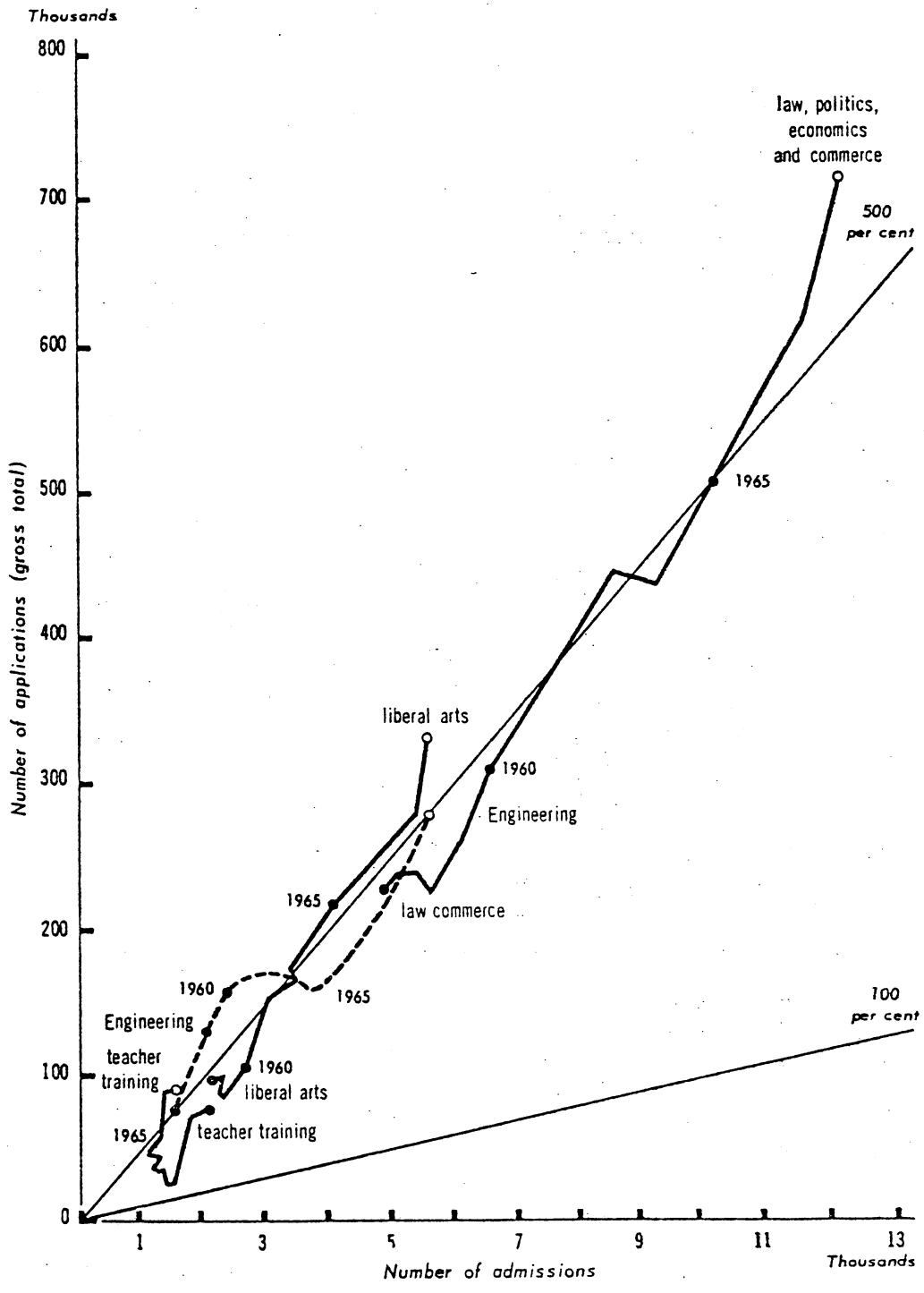
At this point, a brief digression concerning some general characteristics of the Japanese university system is warranted.

In examining the increased enrollments in higher education after the war, we note that postwar national income spent on education decreased in relation to the proportion spent before the war; there is now a greater propensity for individual investment in education (OECD 1973:37). Figure II gives us a graphic representation of the social demand for education -- the rates of competition for admission and preferences for fields of study.

One indication of the individual demand for quality higher education is given by the rōnin student phenomenon: the unsuccessful applicants for university admission who await another chance for entrance. Roughly 31 per cent of those successfully gaining entrance in 1967 had been through a "rōnin" period. The percentage was especially

Figure II

NUMBER OF APPLICATIONS AND ADMISSIONS
TO UNIVERSITIES AND JUNIOR COLLEGES,
BY FIELD OF STUDY



Source: Organisation for Economic Co-operation and Development (OECD), Educational Policy and Planning - Japan, Paris: 1973, p. 39.

high (almost 50 per cent) for the fields of medicine and dentistry. Of all applicants to institutions of higher education in 1965 (see Figure III), 95.3 per cent successfully entered a university of some kind up to 1967: "75 per cent succeeded on their first application, 16 per cent on their second, and about 4 per cent on their third. The repitition of this situation every school year makes it difficult to find a solution to the ronin problem" (OECD 1973:41).

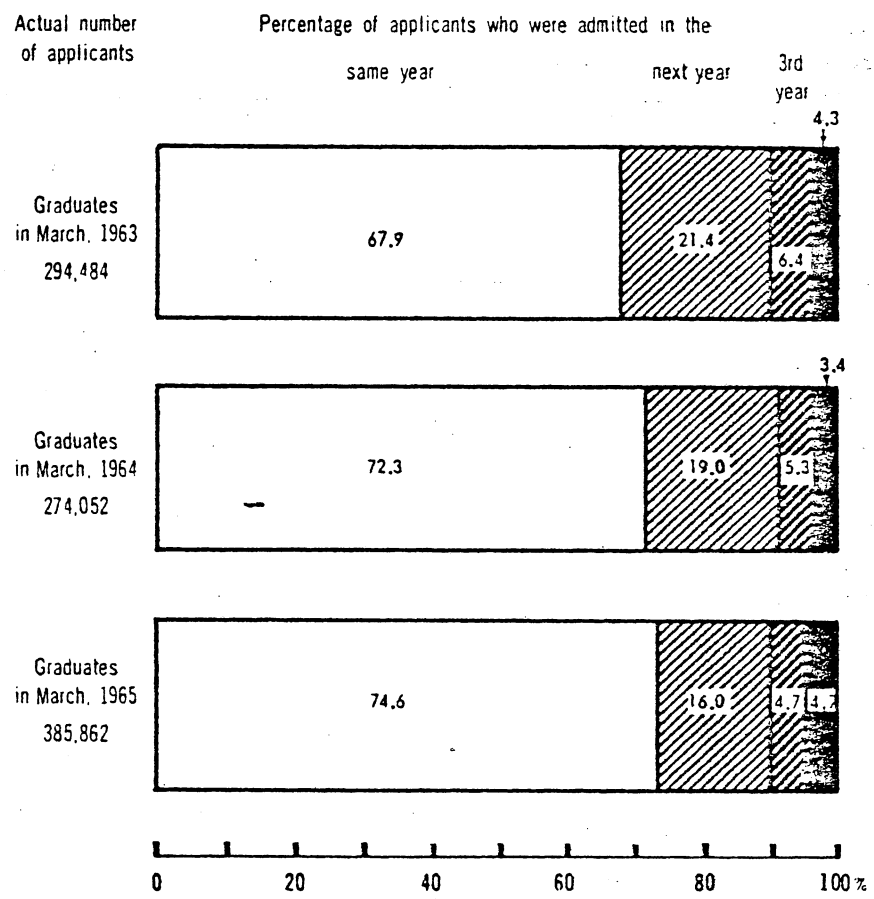
Concerning university attendance and occupational achievement, Abegglen tells us that the "point of entry into the company hierarchy, compensation for the career, and chances for a high-status position in the career are substantially determined by the amount of education the employee obtains before joining the company and thus the status level at which he enters" (Abegglen 1969:107). In Table II, he shows us the relationship between company position and educational level for the years 1956 and 1966.

Given that there has been a recent increase in the demand for higher education, we note that there has been an increase in the number of graduates of private universities. The number of graduates of junior colleges and universities increased by 60 per cent during the period from 1957 to 1967. The proportion of graduates from private universities increased from 48 per cent to 72 per cent from 1954 to 1967 (OECD 1973:50).

Despite the growing demand for higher education, the

Figure III

PERCENTAGE OF THE TOTAL NUMBER OF APPLICANTS TO HIGHER EDUCATION WHO WERE ADMITTED



Source: Organisation for Economic Co-operation and Development (OECD), Educational Policy and Planning - Japan, Paris: 1973, p. 42.

Table II

Education and Company Position, 1956 and 1966
(average of 25 companies in %)

	College or University	Higher School	Middle School	Total
1956				
Top Management	91%	5%	4%	100%
Middle Management	75	21	4	100
1966				
Top Management	94	5	1	100
Middle Management	74	23	3	100

Source: James C. Abegglen, "Organizational Change," in R. J. Ballon, The Japanese Employee, Tokyo: Sophia University, 1969, p. 107.

number of public (including "national") universities expanded only moderately, showing a 4.5 per cent increase during the ten year period from 1966 to 1976. However, the number of private universities increased by 30.6 per cent during the same time span (Monbushō 1970:4 and 1976: 3).

Figure IV shows the increasing number of college students by type of university attended during the same ten year period, 1966 to 1976. The number of students attending public and "national" universities increased by about 37 per cent and those attending private universities increased by roughly 86 per cent.

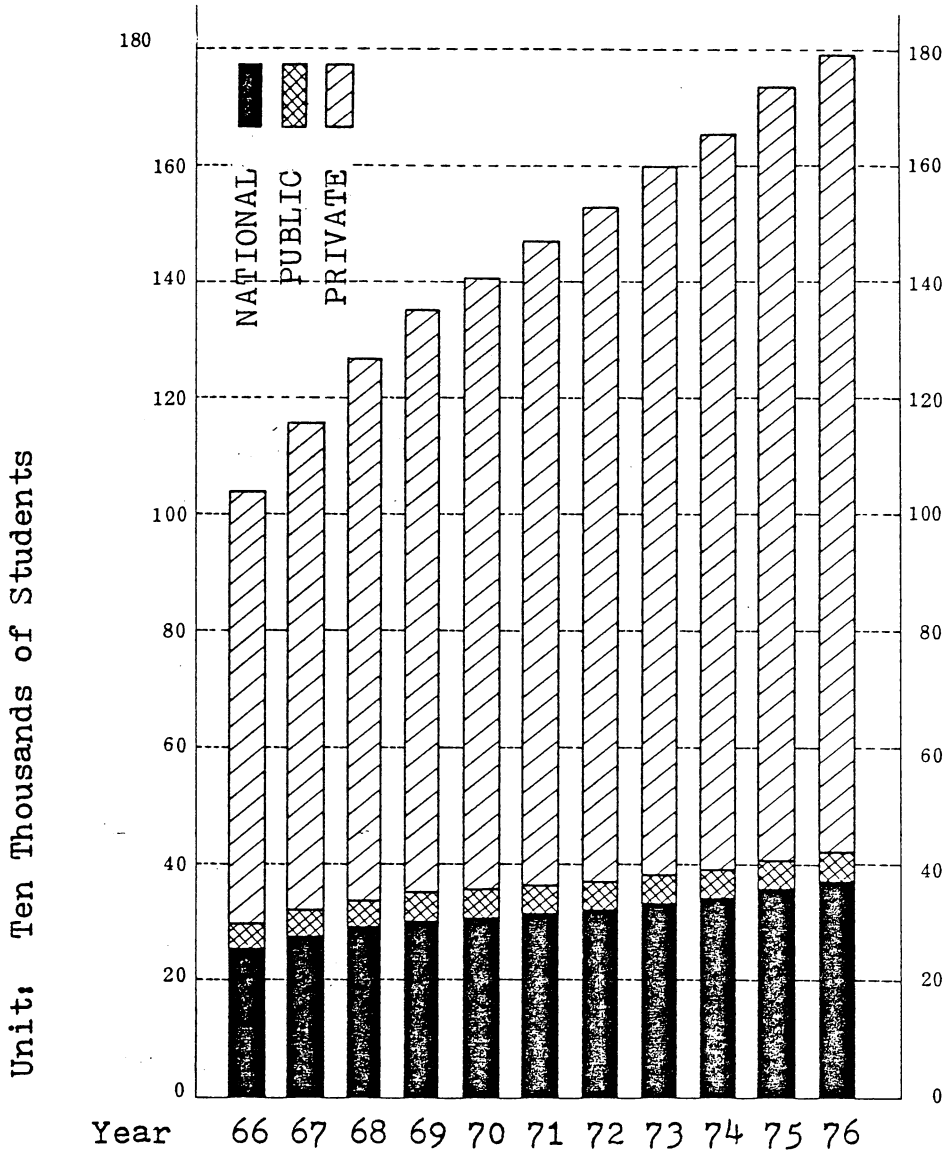
Clearly, the bulk of the increased demand for higher education was absorbed by private institutions. Many of these were of low quality, new and ill-equipped to provide a high quality education.

Regarding Japanese industry's policy of recruitment of university graduates, it is said that as many as 60 to 70 per cent of all firms restrict or designate their recruitment to specific universities, a tendency which increases as the scale of the firm increases. The largest number of firms recruit largely from national and well-known private universities (OECD 1973:81).

It must here be noted that all national, or "old imperial" (re: p. 25n.), universities are not of equal quality. Tokyo University, a national institution, is acknowledged as the top college in Japan. Kyoto University, also

Figure IV

Shifts in the Number of University Students - National, Public, and Private



Source: Monbushō, Gakkō Kihon Chōsa Hōkokusho, Tokyo: 1976, p. 4.

national, is generally regarded as second only to Tokyo University in quality. Generally speaking, the "old imperial" national universities are all perceived as being first rate institutions. However, Tokyo and Kyoto Universities are seen as having a level of prestige much higher than the others. The two private institutions generally considered most prestigious in Japan are Keio and Waseda Universities.

Relevant to the action of restricting or designating recruitment to specific universities is the concept of gakubatsu, or school clique. Gakubatsu can be seen as roughly analogous to the American notion of "old-boy" networks. The word "batsu" itself refers to a group or clique, an important concept in viewing Japanese society since batsu of many types, not only graduates of a particular school, exist. (For an interesting and brief treatment of batsu in general, see Vogel 1963:105-106.).

However, the parallel of gakubatsu to "old-boy" networks must be qualified, for the gakubatsu appears to play a more significant role in Japan than its counterpart in the West (Ballon 1969:66). Azumi states that the existence of gakubatsu is often justified by elites as a manifestation of the desire for the succession of "good men like themselves," and even goes as far as to say that the gakubatsu phenomenon accounts for the "vastly disproprotionate representation of Tokyo University graduates" in circles of business elites (Azumi 1969:21-22).

Upper and Lower Tiers

We now wish to examine whether or not specific university attended is a good predictor of upper tier status as measured by promotion rates of selected university graduates. For this purpose, we will use Table III, which gives us a look at the percentage of "successful" employees, that is, those above the rank of ka-chō (section chief), according to university attended in forty leading Japanese companies. We must of course keep in mind the fact that some promotions are more nominal than substantial; for example, the "mibun seido" approach mentioned previously.

In Table III, we note that graduates of Tokyo University make up 40 per cent or more of the total number of "successful" employees in seventeen of the forty companies, or 42.5 per cent of all the companies listed. In twelve companies, or 30.0 per cent of the total, the percentage of "successful" graduates of Tokyo University make up from 30 per cent to 40 per cent of the total. Thus, in over 70 per cent of the companies listed, 30 per cent or more of the number of "successful" employees are graduates of Tokyo University.

It is important to note that Nihon University, and to some extent, Chuo University, are examples of what Dore describes as "mass production" institutions of higher education, places which absorb the large number of unsuccessful applicants of more prestigious schools (Dore 1973:294). Therefore, the high "success" rates of Tokyo

Table III

"Success" Rankings in Forty Leading Companies by University Attended (expressed as percentage of total)

	Tokyo	Kyoto	Keio	Hitotsubashi	Waseda	Tohoku	Kyushu	Osaka	Tokyo Kogyo	Hokkaido	Nagoya	Nihon	Chuo	TOTAL
Shin Nihon Steel	53.5	15.8	2.2	3.5	3.1	5.7	9.6	1.7	0.4	2.6	0.9	0.4	0.4	(99.8%) 223
Nihon Kōkan (Pipe)	44.7	8.5	11.8	2.0	9.9	8.5	4.6	2.6	1.3	2.0	0.6	1.3	2.0	(99.8) 152
Sumitomo Metals	45.1	27.4	1.0	3.9	2.0	2.9	6.9	10.8	0.0	0.0	0.0	0.0	0.0	(100.0) 102
Toyota Auto	18.7	25.0	8.3	0.0	6.2	12.5	0.0	0.0	2.1	2.1	18.7	4.2	2.1	(99.9) 48
Nissan Auto	53.5	3.0	6.9	3.0	10.9	4.0	3.0	1.0	4.0	5.9	1.0	3.0	1.0	(100.2) 101
Honda Giken	28.6	14.3	14.3	14.3	0.0	14.3	0.0	0.0	0.0	0.0	14.3	0.0	0.0	(100.1) 7
Mitsubishi Jūkō	45.9	10.9	5.0	6.8	5.4	0.9	13.2	5.9	0.9	0.9	1.4	1.8	0.9	(99.9) 220
Ishikawajima Harima	42.2	2.2	6.5	1.1	7.6	5.4	8.6	7.6	4.3	5.4	4.3	3.8	1.1	(100.1) 185
Hitachi Seisakujo	38.0	11.7	5.4	2.2	6.7	9.8	5.2	6.3	6.1	3.9	3.3	0.2	1.1	(99.9) 460
Tōshiba Electric	37.9	6.5	8.4	6.5	16.1	4.0	2.3	3.1	9.3	1.5	1.5	0.9	1.5	(99.5) 322
Matsushita Electric	13.5	10.8	5.4	24.3	10.8	13.5	5.4	10.8	5.4	0.0	0.0	0.0	0.0	(99.9) 37
Sony	27.6	3.4	3.4	0.0	31.0	3.4	0.0	10.3	10.3	3.4	0.0	3.4	3.4	(99.6) 29
Fuji Tsū	40.6	8.8	6.6	5.5	12.1	5.5	3.3	6.6	6.6	4.4	0.0	0.0	0.0	(100.0) 91
Sumitomo Chemicals	34.0	43.7	0.0	3.5	0.7	3.5	4.2	6.2	2.1	0.7	1.4	0.0	0.0	(100.0) 144
Takeda Pharmaceutical	44.0	28.0	8.0	0.0	4.0	0.0	0.0	8.0	0.0	4.0	0.0	4.0	0.0	(100.0) 25
Ōji Seishi (Pulp)	28.6	3.6	13.1	7.1	7.1	8.3	4.8	1.2	4.8	19.0	1.2	1.2	0.0	(100.0) 84
Fuji Film	30.3	21.2	4.5	7.6	9.1	4.5	3.0	6.1	12.1	0.0	0.0	1.5	0.0	(99.9) 66
Nihon Kōgaku (Nikon)	48.6	5.4	13.5	5.4	10.8	10.8	0.0	0.0	2.7	0.0	2.7	0.0	0.0	(99.9) 37
Nihon Petroleum	32.4	10.8	27.0	0.0	24.3	2.7	0.0	0.0	2.7	0.0	0.0	0.0	0.0	(99.9) 37
Tō Re (Rayon)	43.9	27.3	12.1	6.1	1.5	1.5	3.0	0.0	1.5	1.5	1.5	0.0	0.0	(99.9) 66
Tokyo Denryoku	40.7	9.3	12.8	2.3	16.3	4.6	3.5	1.2	2.3	2.3	1.2	1.2	2.3	(100.0) 86
Kashima Construction	37.1	14.4	3.8	3.8	12.1	1.5	3.0	0.0	3.8	3.8	0.0	12.1	4.5	(99.9) 132
Nihon Suisan	37.5	12.5	16.7	12.5	8.3	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2	(100.1) 24
Aji no Moto (MSG)	34.0	1.9	13.2	18.9	5.7	9.4	0.0	3.8	9.4	0.0	1.9	0.0	1.9	(99.8) 53
Kirin Beer	20.0	11.4	11.4	28.6	2.8	0.0	14.3	0.0	2.8	5.7	0.0	0.0	2.8	(99.7) 35
Japan Air Lines	42.7	6.2	18.7	6.2	11.4	1.0	4.2	2.1	0.0	0.0	1.0	1.0	5.2	(99.7) 96
All-Japan Air	27.3	3.0	12.1	0.0	18.2	6.1	6.1	12.1	0.0	0.0	0.0	0.0	15.1	(100.0) 33
Nihon Yūsen	64.3	14.3	7.1	7.1	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(99.9) 28
Kintetsu	31.0	32.7	3.4	0.0	5.2	3.4	5.2	17.2	0.0	1.7	0.0	0.0	0.0	(99.8) 58
Mitsukoshi	4.8	0.0	78.6	4.8	7.1	2.4	0.0	0.0	0.0	0.0	0.0	2.4	0.0	(100.1) 42
Mitsubishi Real Estate	38.7	3.2	6.4	12.9	9.7	3.2	0.0	0.0	0.0	0.0	0.0	16.1	9.7	(99.9) 31
Dai Ichi Kangyō Bank	41.4	12.2	11.1	14.7	5.4	6.8	3.2	1.8	0.0	1.4	0.7	0.0	1.1	(99.8) 278
Fuji Bank	42.7	11.2	15.2	9.5	11.2	6.2	2.2	0.6	0.0	1.1	0.0	0.0	0.0	(99.9) 178
Tokyo Bank	58.1	10.5	8.1	16.3	1.2	2.3	1.2	2.3	0.0	0.0	0.0	0.0	0.0	(100.0) 86
Tokyo Kaijō Kasai	46.9	10.2	24.5	12.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(99.9) 49
Nomura Securities	14.3	17.6	8.8	14.3	11.0	7.7	3.3	11.0	0.0	1.1	6.6	1.1	3.3	(100.1) 91
Mitsubishi Shōji	32.1	10.4	10.4	35.8	6.7	2.2	0.0	0.0	0.7	0.0	0.0	0.7	0.7	(99.7) 134
Mitsui Bussan	28.9	6.3	19.0	24.6	6.3	4.9	2.8	0.0	2.1	1.4	0.7	2.1	0.7	(99.8) 142
Marubeni	36.0	18.7	13.3	21.3	6.7	1.3	0.0	1.3	0.0	0.0	0.0	0.0	1.3	(99.9) 75
Itōchū Shōji	29.9	20.6	10.3	20.6	9.3	0.0	1.0	5.1	0.0	2.1	0.0	0.0	1.0	(99.9) 97

Note: Figures reflect employees with ranks higher than section chief (ka-cho).

Source: Adapted from Daiyamondo, (Company Employee Rosters, 1973), in Bijinesu Kenkyukai (eds.), Todaide wa Sogyosha ni Narenai, (Kojima Shohei, Tokyo: 1973), pp. 214-215.

University graduates are particularly impressive when we compare them with the low "success" rates for the major "mass production" universities on the list. The average of the total of the "success" rates for Nihon University is 1.56 per cent and that for Chuo University is 1.68 per cent.

This suggests that promotional opportunities are a function of university attended in many of the companies listed (all are large firms), and here we note Piore's claim, made earlier, that upper tier jobs, which are professional and managerial, "tend to be distinguished from those of the lower tier by the higher pay and status and the greater promotional opportunities afforded." It should be noted that in Japan's case, differences with regard to "higher pay" do not show up immediately; differences among new employees, should they exist, are usually very small. However, larger differences become manifest ten to twenty years after entry into a firm.

Previous mention was made of gakubatsu and its role in recruitment practices of various firms. The existence of gakubatsu is by no means restricted to graduates of Tokyo University. Indeed, we find that a "study of school cliques in business has found that Keio University had its dominance in certain companies, and Waseda University in journalism in general" (Azumi 1969:22). Looking again at Table III, we find evidence of the existence of a Keio University gakubatsu in the Mitsukoshi company, where fully 78.6 per cent of those holding ranks higher than section chief are

Keio graduates.

A note of qualification concerning Table III: it is important to remember that a "success" ranking may be misleading, or even meaningless, without information on hiring rates by the firms according to university attended. Therefore, we recognize the limitations of the usefulness of such a ranking scheme. Nonetheless, it is included because of its suggestive value in indicating a distinct upper and lower tier dichotomy.

In a later discussion of hiring decisions, recruitment rates are indeed used. Unfortunately, the rates reflect recruitment conducted after the data for Table III was collected, and many of the firms shown are different from those of Table III.

INTERNAL LABOR MARKETS

Screening and Recruitment

Job performance is the truest measure of an employee's ability. Yet, Doeringer and Piore acknowledge that performance assessment before hiring is usually not feasible (Doeringer and Piore 1971:103). Therefore, screening procedures are adopted for the prediction of job performance, and ultimately, for making the hiring decision. Doeringer and Piore state in no uncertain terms the importance of educational attainment in screening procedures:

> Common screening devices include educational attainment, personal interviews, work histories, references, criminal records, security checks, and test score. The cost of these devices varies: the utilization of a worker's level of educational attainment is quite inexpensive; elaborate testing and lengthy personal interviews are most costly (Doeringer and Piore 1971:103).

In terms of cost minimization, therefore, the employer is a perfectly rational actor in relying on educational attainment as a key predictor of job performance as a screening criterion.

Let us now turn briefly to the recruitment situation in Japan. Yano and Hara, in their 1975 survey of recruitment by seventy-five Japanese firms (large, medium, and small), show that among these firms, the percentages of new recruits

from prestigious universities is disproportionately large in relation to that of new recruits from other universities. Table IV shows the results of some of their findings; the number of new recruits according to type of university attended, followed by the percentage in parenthesis.

The category "prestigious university" includes national universities such as Kyushu, Osaka, and Tokyo Kogyo as well as the more commonly accepted elite universities such as Tokyo and Kyoto. It may be argued that such a grouping has its limitations, since entrance examinations for Tokyo and Kyoto Universities are known to be more difficult than those of the others. However, due to Yano and Hara's method of grouping, we are forced to use this category as a proxy for the few more commonly accepted prestigious national schools. The addition of Keio and Waseda Universities to this category is justifiable in that they are commonly accepted as the two most prestigious private institutions of higher education in Japan. Furthermore, Yano and Hara justify this method of grouping by claiming that these schools are indeed relatively more difficult to enter vis à vis the other national, public, and private institutions (Yano and Hara 1975:353).

We should keep in mind the fact that out of the 420 institutions of higher education in Japan in 1975 (Monbushō 1976:3), these nine universities represent a mere 2.1 per cent of the total number of universities. Moreover, Figure IV shows that the increased demand for higher education has

Table IV

1975 Recruitment Situation
of Seventy-five Companies by University
(Office Workers)

Company	Prestigious University	Other	Total
Taisei Kensetsu	11 (28.9)	27 (71.1)	38 (100)
Shimizu Kensetsu	16 (23.9)	51 (76.1)	67 "
Fujita Kōgyō	15 (35.7)	27 (64.3)	42 "
Daiwa Hausu	6 (3.5)	167 (96.5)	173 "
Kumagaya Gumi	2 (6.7)	28 (93.3)	30 "
Sekisui Hausu	17 (11.7)	128 (88.3)	145 "
Aji no Moto	24 (55.8)	19 (44.2)	43 "
Kikkōman	4 (26.7)	11 (73.3)	15 "
Suntory	25 (45.5)	30 (54.5)	55 "
Kanebō	25 (53.2)	22 (46.8)	47 "
Tōre	53 (61.6)	33 (38.4)	86 "
Asahi Kasei	71 (69.6)	31 (30.4)	102 "
Wakōru	6 (9.5)	57 (90.5)	63 "
Jūjō Seishi	7 (41.2)	10 (58.8)	17 "
Sumitomo Kagaku	40 (63.5)	23 (36.5)	63 "
Mitsubishi Kasei	40 (83.3)	8 (16.7)	48 "
Mitsui Sekiyū Kagaku	22 (44.9)	27 (55.1)	49 "
Kaō Sekken	1 (9.1)	10 (90.9)	11 "
Shiseido	34 (34.7)	64 (65.3)	98 "
Asahi Shōji	33 (75.0)	11 (25.0)	44 "
Onoda Semento	5 (33.3)	10 (66.7)	15 "
Shin Nittetsu	53 (76.8)	16 (23.2)	69 "
Sumitomo Kinzoku	41 (60.3)	27 (39.7)	68 "
Nihon Kōgyō	22 (71.0)	9 (29.0)	31 "
Sumitomo Denkō	28 (53.8)	24 (46.2)	52 "
Nihon NCR	33 (16.4)	168 (83.6)	201 "
Nihon Densō	11 (28.9)	27 (71.1)	38 "
Ishikawajima Harima	19 (54.3)	16 (45.7)	35 "
Hitachi Zōsen	8 (29.6)	19 (70.4)	27 "
Tōyō Kōgyō	13 (48.1)	14 (51.9)	27 "
Fuji Xerox	46 (29.1)	112 (70.4)	159 "
Ricoh	8 (13.6)	51 (86.4)	59 "
Nihon Gakki	38 (36.5)	66 (63.5)	104 "
Kawai Gakki	23 (6.8)	313 (93.2)	336 "
Nihon Olivetti	27 (10.3)	236 (89.7)	263 "
Yamaha Shatai	0 (0.0)	1(100.0)	1 "
Toyota Jihan	27 (61.4)	17 (38.6)	44 "
Ataka Sangyō	19 (15.0)	108 (85.0)	127 "
Nihon Univac	24 (36.4)	42 (63.6)	66 "
Yanase	10 (9.2)	99 (90.8)	109 "
Sogō	8 (6.7)	111 (93.3)	119 "
Midori Ya	15 (11.8)	112 (88.2)	127 "
Seiyū Sutoā	32 (10.3)	278 (89.7)	310 "
Seibu Hyakkaten	61 (34.1)	118 (65.9)	179 "

Company	Prestigious University	Other	Total
Tōkō Sutoa	5 (3.3)	145 (96.7)	150 (100)
Suzu Ya	16 (14.8)	92 (85.2)	108 "
Chūjitsu Ya	1 (0.5)	181 (99.5)	182 "
Van J	27 (18.9)	116 (81.1)	143 "
Tokyo Ginkō	149 (36.2)	263 (63.8)	412 "
Yokohama Ginkō	35 (35.0)	64 (65.0)	100 "
Yasuda Shintaku Ginkō	60 (35.3)	110 (64.7)	170 "
Chiba Ginkō	17 (16.2)	88 (83.8)	105 "
Hokuriku Ginkō	25 (24.0)	79 (76.0)	104 "
Kyoto Ginkō	7 (4.8)	140 (95.2)	147 "
Hyōgo Sōgō Ginkō	0 (0.0)	109(100.0)	109 "
Kinki Sōgō Ginkō	4 (3.9)	99 (96.1)	103 "
Tokyo Sōgō Ginkō	17 (5.2)	313 (94.8)	330 "
Tokiwa Sōgō Ginkō	5 (5.0)	96 (95.0)	101 "
Nihon Seimei Hoken	42 (34.7)	79 (65.3)	121 "
Dai Ichi Seimei Hoken	56 (34.1)	108 (65.9)	164 "
Asahi Seimei Hoken	38 (30.9)	85 (69.1)	123 "
Sumitomo Kaijō Kasai Hoken	48 (36.4)	84 (63.6)	132 "
Nihon Kasai Kaijō Hoken	20 (20.4)	78 (79.6)	98 "
Nikkō Shōken	46 (31.1)	102 (68.9)	148 "
Shin Nihon Shōken	15 (8.9)	153 (91.1)	168 "
Mitsui Fudōsan	18 (72.0)	7 (28.0)	25 "
Kinki Nihon Tetsudō	13 (33.3)	26 (66.7)	39 "
Nihon Tsū Un	16 (23.2)	53 (76.8)	69 "
Nihon Yūsen	31 (91.2)	3 (8.8)	34 "
Zen Nihon Kūyu	23 (46.0)	27 (54.0)	50 "
Tōkyō Denryoku	12 (80.0)	3 (20.0)	15 "
Nihon Bijikon	5 (8.3)	55 (91.7)	60 "
Nihon Minibea	2 (15.4)	11 (84.6)	13 "
Komota Giken	0 (0.0)	1(100.0)	1 "
Shaken	1 (20.0)	4 (80.0)	5 "

Note: The heading "Prestigious University" consists of nine universities, both national and private. They are:
National (Old Imperial) - Tokyo, Kyoto, Hitotsubashi, Tohoku, Tokyo Kogyo, Osaka, and Kyushu.
Private - Waseda and Keio

Source: Yano Masakazu and Hara Yoshio, "Jinzai no Dokusen - Kigyō to Daigaku," in Chūō Kōron (Kikan) - Keiei Mondai, Tokyo: June 1975, pp. 352-353.

been largely absorbed by private universities; nonetheless, only two private universities (Waseda and Keio) are included in the "prestigious" group.

As for the number of students in the 1975 graduating classes of the nine "prestigious" universities, it is clearly stated that "...of the total number of graduates, the percentage occupied by the (prestigious) group is nothing but a small amount. Therefore, this results in a monopolization of human ability from first-rate universities on the part of those companies recruiting in excess of the standard level" (Yano and Hara 1975:354). Although not totally clear on this point, the "standard level" mentioned by Yano and Hara is presumably that recruitment rate which is more or less proportionate to the percentage of graduates from all Japanese universities.

The average of the total of the recruitment rates for the category "prestigious university" in Table IV is 31.0 per cent, and that of "other" is 69.0 per cent.

Categorization of the seventy-five companies leads us to the following finding regarding recruitment rates. Trading companies have the highest average percentage of recruitment from the "prestigious university" group (48.9%), followed by manufacturing (37.9%), foreign affiliated firms (23.0%), banks, securities and insurance (21.3%), the construction industry (18.4%), and finally, department stores (11.6%).

Since the seventy-five companies listed do not comprise a random sample, we must remember that there are limitations

concerning the validity of any conclusions drawn from such findings. However, we can surmise that a factor such as gakubatsu is present.

Furthermore, the findings tend to support the previously mentioned OECD study, in that many firms restrict (at least some of) their recruitment to specific universities and that many firms recruit largely from national and well-known private universities.

Returning to Doeringer and Piore's comments on the use of educational attainment as an inexpensive screening device, we find that the same seems to apply to Japan's case, except that educational attainment can be more finely discriminated in terms of the specific university attended.

This method of screening is used despite scholarly evidence that, not only is screening "almost always probabilistic," but that the link between screening variables and job performance is sometimes ambiguous, that "in fact, only in rare instances are managers able to articulate a plausible relationship between job performance and the screening procedure they employ" (Doeringer and Piore 1971:103).

Why, then, do Japanese firms persist in their use of university attended as a screening device for recruitment? At least part of the answer involves turnover costs and is related to screening devices.

The probabilistic nature of screening leads to the enumeration of two possible types of statistical errors: Type I, the rejection of a qualified candidate, and Type II, the

acceptance of an unqualified candidate (Doeringer and Piore 1971:103-104). In attempting to explain the tendency of enterprises to minimize Type II errors over the minimization of Type I errors, Doeringer and Piore claim that at least part of the reason is due to turnover costs borne by the enterprise, as well as constraints faced by employers in discharging unqualified employees.

The same tendency towards the minimization of Type II errors appears to occur in Japan's case as well. The cost of a Type II error is a result of the unqualified employee who presumably endeavors to maintain his job. The Japanese institution of shūshin koyō (lifetime employment) was referred to earlier as a phenomenon observed among white-collar workers in particular. To the extent that shūshin koyō is institutionalized, it presents a major constraint in employee discharges to the firm, the idea of the discharge being antithetical to the concept of lifetime employment. The qualification must be made, however, that the mandatory retirement age of fifty-five years generally observed in most Japanese firms serves to alleviate any stockpiling of unqualified employees.

The Japanese institution of nenkō joretsu, which suggests employee promotions for increasing years of service to an enterprise, presents the possibility that an unqualified worker's marginal productivity will eventually be less than his marginal cost to the firm, a situation clearly undesirable from an economic point of view. Thus, the combination

of the institutions of shūshin koyō and nenkō joretsu present a strong case for the Japanese employer wishing to minimize the Type II error, perhaps even more so than his non-Japanese counterpart. The minimization of the Type II error may well be perceived as a goal best accomplished by favorably recruiting the seemingly more qualified graduates of prestigious universities. Needless to say, the same recruiting practice may also be perceived by Japanese firms as an attempt to minimize the Type I error as well, that of rejecting a qualified candidate.

On the supply side, the relatively low rate of inter-firm mobility among Japanese white-collar workers is a phenomenon which can be attributed to actions seen as being economically rational from the employee's point of view. Examples would of course include the desire to maintain one's position of seniority and its concommitant material rewards, and risk aversion. Although some of the literature has made much of the Japanese employee's feeling of "lifetime commitment" to his firm, there is evidence that the concept is somewhat exaggerated, the "Japanese employee's reasons for staying in one firm (being) the same reasons that tie Western employees to a firm" (Marsh and Mannari 1971:811). Thus, Japan's case is not rendered unique when Azumi notes that "the longer the person has been employed, the less likely it is that he will change his employer, because he will have accumulated greater seniority rights and because he will face greater difficulties in finding other employment" (Azumi

1969:36).

Ports of Entry

Doeringer and Piore point out that the existence of internal labor markets contradicts the neoclassical notion of employment as a totally variable cost. Wages alone are a variable cost, but they do not constitute the entire labor cost by any means. The components of internal markets which make labor a largely fixed cost are the (fixed) costs of recruitment, screening, and training (Doeringer and Piore 1971:74). The employer naturally wishes to minimize his costs, fixed or otherwise. Since the "...marginal product of labor in the internal market must be sufficient not only to compensate the employer for wage costs, but also for nonwage expenditures on hiring and training" (Doeringer and Piore 1971:75), a high turnover rate among employees would certainly be costly to the employer.

The significance of the port of entry into labor markets is considerable, especially when seen in the light of the primary and secondary dichotomy. Gordon states that, "given a central hypothesis that there is very little intersectoral mobility in the course of individual labor market careers, one should be able to approximate the present distribution of workers between markets by projecting the distribution of workers between sectors as they begin their careers. A worker's first job in the labor force, in other words, should predict the sector in which he presently works

with some accuracy" (Gordon 1972:49-50).

Of what heuristic value are Gordon's comments on the lack of intersectoral mobility in the United States when looking at the relatively low rate of interfirm mobility among Japanese white-collar workers?

It must be noted that a Japanese university graduate obtains a position through a port of entry directly upon graduation; this becomes, to use Gordon's phrase, the worker's first job in the labor force.* A prospective Japanese white-collar worker faces the largest number of potential port of entry positions directly upon graduation from a university. Once a Japanese worker has entered an entry port at or near the bottom of the promotion ladder, he will in time have reached "(a) higher level job...(which is) earning well above the wages on entry jobs elsewhere. Turnover and interfirm mobility among such employees are therefore discouraged by the immediate earning loss which would result. This in turn implies that the wage rate on jobs filled through internal promotion are insulated from the direct in-

*Gordon mentions in passing that dual labor market theory apparently acknowledges the ability of white males to leave secondary sector jobs held as teenagers. Similarly, part-time jobs held by college students in Japan (arubaito) should not be considered positions obtained through ports of entry: they are closer to Gordon's example of the white male teenager with a secondary sector job. The "...arubaito... is different and separate from shushoku (occupation)...the job is not considered to lead to a permanent position...a word had to be invented to satisfy the working student's need to differentiate himself from others engaged in similar work and to tell himself and others that his job-commitment is only temporary, transitory, and secondary" (Azumi 1969:68).

fluence of external labor market competition and that the competitive market pressures upon the wage structure are felt almost entirely at entry-level jobs" (Doeringer and Piore 1971:75). This statement illustrates very well the job market faced by the prospective Japanese white-collar worker and the importance of obtaining a port of entry position most advantageous to the job seeker. It also reiterates an economic disincentive for interfirm job changing by Japanese employees. Simply put, the initial port of entry is more important in the Japanese than the American labor market.

The Japanese employer is fully aware of the fixed cost components of labor, neoclassical theory notwithstanding. The employer also realizes that the newly graduated Japanese probably faces several possible entry ports - usually a once in a lifetime situation - that once a commitment to a firm is made, the employee will most likely remain in the firm. "Since labor force participation is correlated with age, a negative correlation between age and change of employers may be assumed: that is, the younger the age, the higher the mobility" (Azumi 1969:34-35). This is, of course, true in any national labor market.

"There are...informally recognized elitist career channels within the firm. Since these channels seldom converge and since there is nenko joretsu, the future of a given employee can be predicted with reasonable accuracy, or so the belief goes. It is no wonder, then, that the recruit

awaits the initial job assignment with considerable anxiety. The announcement is not usually made until the end of the training period of a few months, after which securing other employment with a prestigious firm is difficult" (Azumi 1969:35 - emphasis my own).

It thus appears that Gordon's comments are indeed relevant, as are Doeringer and Piore's comments on the significance of the port of entry and its place in the internal labor market.

Azumi continues, "early in the 1960's, Hitachi Co., Ltd., the largest firm in Japan in terms of capital and number of employees, succumbed to the pressure of recruits to be informed of their first job, prior to the first day of work. The result was that a 'large number' (this firm hired 400 university graduates that year) sought employment elsewhere. That is, those who were dissatisfied with their assignments looked successfully for other employment."

"The following year the company withheld announcement until the end of the training period"(Azumi 1969:35).

In much the same way as Gordon's example of one's first job, which serves to reasonably predict one's sector of employment, the Japanese white-collar worker's first job assignment appears to reasonably predict his career channel. If his first job assignment is on an informally recognized "elitist" line of progression, he is reasonably sure of future success. Should his first job assignment fall elsewhere, there is little he can do but accept his fate. In

economic terms, the unfortunate employee assigned to a non-elitist line of progression finds that the cost of keeping his job upon learning of his position after the training period is less than the cost of seeking employment in another similarly prestigious firm; to quit would result in a lower expected future income-stream. The implication is that the "unfortunate employee" is a graduate of a non-prestigious university, although this assumption is admittedly speculative - the best we can do is to look once again at the "success" rankings of Table III. The economically rational animal that he is, the unfortunate employee realizes that his utility can be maximized by accepting the position assigned him by his firm. It must be noted, however, that the case of an employee quitting a position in a large firm in hopes of better opportunities in a small or medium firm position is not unheard of.

The practice described by Azumi, that of the firm's withholding the information of the initial position of its employees' until after the training period, is an effective means of reducing turnover costs to the firm. The practice is also nothing less than a subversion of the ideal competitive economic system. The notion of perfect information of available markets in which the individual is free to sell his labor to the highest bidder is deliberately and effectively quashed. Hitachi Co., Ltd., was quick in learning its lesson that the fixed components of labor costs could be best minimized by the denial of the individual's opportuni-

ty to maximize his own utility.

Discrimination

Doeringer and Piore note that internal labor markets are designed to "discriminate," that is, workers who have gained entrance through available ports are bestowed privileges which are not offered to those outside the internal labor market (Doeringer and Piore 1971:133).

First, we wish to examine whether or not socioeconomic class serves as a distinguishing social characteristic of those who are admitted to prestigious universities. Next, we will examine the extent to which racial discrimination in the United States is analogous to the discrimination experienced by Japanese graduates of less prestigious universities.

Much is made of the supposedly egalitarian situation in Japan, which presumably allows even the poorest of individuals to attend Tokyo University if he possesses sufficient ability. Let us now examine the validity of the above statement. Bowles notes that the "social division of labor based on the hierarchical structure of production gives rise to distinct class subcultures. The values, personality traits, and expectations characteristic of each subculture are transmitted from generation to generation through class differences in family socialization and complementary differences in the type and amount of schooling ordinarily attained by children of various class positions."

He continues, "given the capacity of the upper class to define excellence in terms on which upper-class children tend to excel (for example, scholastic achievement), adherence to this principle [that excellence in schooling should be rewarded] yields inegalitarian outcomes (for example, unequal access to higher education) while maintaining the appearance of fair treatment. Thus the principle of rewarding excellence serves to legitimize the unequal consequences of schooling by associating success with competence. At the same time, the institution of objectively administered tests of performance serves to allow a limited amount of upward mobility among exceptional children of the lower class, thus providing further legitimation of the operations of the social system by giving some credence to the myth of widespread mobility" (Bowles 1974:234-235).

How do Bowles' statements fit Japan's case? Excellence in scholastic achievement is indeed rewarded in Japanese society. Bowles may even be correct in his contention that the definition of excellence is created by the upper (or ruling) class. Rohlen states that the "...image of the poor but bright lad who graduates from Tokyo University and eventually wields great power remains widely popular. Most certainly this quite romantic portrait serves to color the impression the average man has of Japan's leaders...educational achievement is not only an avenue to elite status in Japan, it is a widely applied measure of character, ability, and modern virtue. The formula 'ability + hard work =

educational achievement = elite status' is a powerful one in Japan and its power hinges on the assumption that public education provides a very high degree of equal opportunity" (Rohlen 1977:37 - emphasis my own).

Perhaps a parallel can be drawn between Bowle's notion of credence being given to the "myth of widespread mobility" in a Western context and Rohlen's contention that the power of the Japanese success formula hinges on the assumption of equal educational opportunity in Japan. There is presented to us evidence that the percentage of children from the lowest two income quintiles in Japan who enter elite universities has decreased from 39.9 per cent in 1961 to 25.6 per cent in 1974, while those from the top two quintiles increased from 44.7 per cent to 58.4 per cent during the same time span (Rohlen 1977:41). Rohlen does, however, question the validity of these statistics on the basis of the Ministry of Education's definition of household - the basic unit of the five income strata - but maintains that the "trends illustrated are reliable indications of an increasing correlation between higher income and educational achievement...contrary to the popular stereotype, the nation's top university (Tokyo) contains a large number of students from well-to-do families" (Rohlen 1977:42-43).

Bowles' contention that class subcultures transmit "values, personality traits, and expectations" peculiar to the subculture by differences in the type of education attained by children of a particular class finds support in

Rohlen's observation that intellectuals sometimes find themselves in a dilemma regarding educational elitism and equal opportunity. "(The intellectuals') leftist perspective leads them to public criticism, but privately they remain anxious that their own (the parents') status (gained, of course, through elite education) be replicated by their children through their success in school" (Rohlen 1977:43).

Rohlen traces the unequal opportunity for entrance into elite universities back to the high school level, stating that "private high schools...are gradually coming to dominate elite secondary education. Private high school graduates entering Tokyo in 1975 and 1976 comprised over one-third of the freshman class" (Rohlen 1977:44).

Bowles' contention that a limited amount of upward mobility among exceptional children of the lower class is allowed, which serves to legitimize the "myth of widespread mobility," implies that lower income families as a whole find it difficult to send their children to elite schools. Similarly, the cost of private high schools in Japan present a significant obstacle for lower income households. Rohlen's study of Kobe high schools reveals signs of increasing educational (and class) segmentation even for those students not bound for college. It is sometimes the case that lower class families must nonetheless pay the costs of private schools (usually second rate) since the child simply has not been able to enter a public high school because of a poor academic record. Thus, lower class households shoulder the

burden of the shortage of public educational facilities in Kobe. "Since there is a solid correlation between family impoverishment and poor school performance...it is clear that typically the costs of private schooling fall most heavily on the families least able to afford them" (Rohlen 1977:48).

Let us now examine the role of discrimination in hiring practices according to university attended in Japan and according to race in the case of the United States. Is the preferential hiring of graduates of prestigious universities discriminatory as a purely neutral selection mechanism, or is it a mechanism involving a prejudice or partiality regarding the university attended in Japan?

Let us look at the example of the Higher Level Civil Service examination in Japan. It is usually the case that a large percentage of those passing the test are graduates of either Tokyo or Kyoto Universities (Sato, et al. 1972: 51). Faced with the concrete fact that more graduates of Tokyo and Kyoto Universities pass than those of other universities, we may at first be inclined to assume that, to the extent that such tests accurately measure productivity, these graduates must indeed be people of exceptional ability. But on the other hand, were they in fact better trained to pass the examination, that is, was a significant portion of their higher education a preparatory course of sorts for this and possibly other entrance examinations? Besides the question of why so many graduates of Kyoto and Tokyo Univer-

sities pass is a question concerning the nature of the examinations themselves. Just as further examination of the former question is beyond the scope of this paper, there is presently a lack of consensus concerning the latter. Namely, 1) exactly what do results of college entrance and firm entrance examinations reveal, 2) how accurate are they as predictors of one's "productivity" (do they measure traits such as creativity or adeptness at social intercourse?), and 3) to what extent is it fair to judge an individual by the university attended or the firm employed, considering that entrance depends largely upon the results of the entrance examination and that the lifetime socio-economic status of the individual is largely determined by this single measure?

It is, however, noted that "economists have long been aware that conventional measures of ability - intelligence tests or aptitude scores, school grades, and personality traits - while undoubtedly relevant at times, do not reliably measure the talents required to succeed in the economic sphere" (Becker 1964:61).

Furthermore, at the risk of creating a spurious analogue between discriminated minorities in the United States and graduates of less prestigious universities in Japan, perhaps we can find a parallel which illustrates discriminatory (prejudicial) hiring practices based on testing.

In the case of the United States, Doeringer and Piore state that "when overt discrimination is made illegal, those

employers seeking to exclude blacks and other minorities can do so by imposing exceedingly high educational and testing standards. These may then be justified by reference to requirements of jobs at the top of promotion ladders or to forecasts of changing job requirements. If these added requirements prove too restrictive in terms of the added recruitment costs, they can be relaxed ostensibly to adjust to a temporarily tight labor market. In the extreme, the company could relax the standards and hire only when no black applicants apply. But this seldom necessary since minorities soon learn where they will not be hired and do not waste time applying" (Doeringer and Piore 1971:138 - emphasis my own).

It is plausible, then, to say that the imposition of extremely high testing standards may be called discriminatory: it can effectively exclude a certain group from employment consideration. While such standards may be innocuously called "selective mechanisms," the fact remains that they may deny equal opportunity in Japan if we assume that graduates of prestigious universities are recipients of better training for the exclusive purpose of passing tests than are their non-prestigious university counterparts.

One may also, in lieu of evidence, speculate that, like the black job seeker who does not waste his time applying, many graduates of less prestigious schools simply feel they have no chance of successfully passing stiff entrance examinations and therefore do not bother to take the tests at all.

Doeringer and Piore argue that,

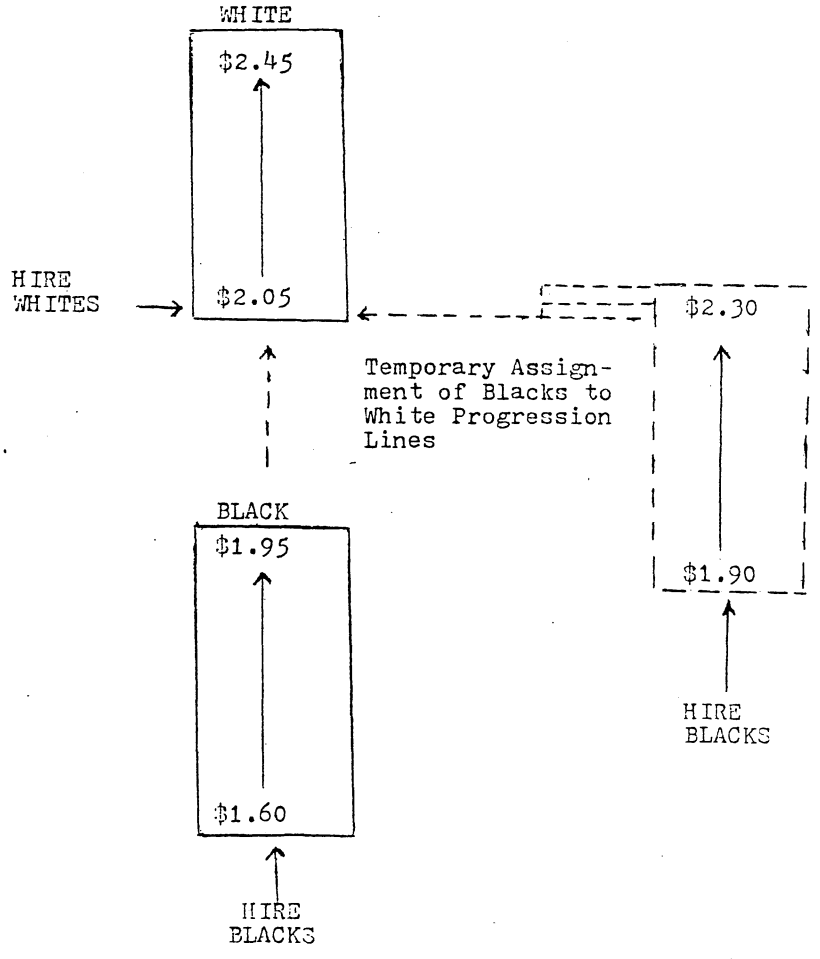
> the extent to which the requirements of higher-level jobs to which entry positions provide access should be permitted to justify high entry qualifications depends very much upon the structure of the internal labor market and the rules governing internal movement...when (seniority) districts are pyramidal so that the number of employees at each level of progression is in excess of the number at the level above, higher-level jobs need not necessarily determine entry qualifications inasmuch as nonpromotable employees can be bypassed. Where the progression line is a narrow ladder with one job at each level the requirements of higher-level jobs loom much larger in entry criteria. In all cases, the rate of promotion and the proprotion of "nonpromotables" already employed will also determine the relationship between screening criteria and the requirements of jobs filled internally (Doeringer and Piore 1971:151).

It is possible that the "nonpromotables" in the case of Japanese white-collar workers are the graduates of less prestigious universities. On the other hand, the appellation "nonpromotables" may be a misnomer since graduates of less prestigious universities may simply be hired at lower levels in a firm but be promoted at the same rate once they have gained entrance. In either case, the results could very well be the same as those enumerated by Doeringer and Piore.

Doeringer and Piore state that, in the context of racial discrimination, the rules for entry discrimination can be loose and flexible, while those for internal allocations are more clearly defined (Doeringer and Piore 1971:141). They contend that Figure V is a typical arrangement by which

Figure V

"Functionally Related Progression Lines with Racial Segregation"



Source: Adapted from Doeringer and Piore, Internal Labor Markets and Manpower Analysis, Lexington: D. C. Heath, 1971, p. 143.

blacks are restricted to the "lower-paying job classifications and mobility clusters" (Doeringer and Piore 1971:141-143).

Figure V, while not perfectly applicable to Japanese "nonpromotables" or those hired at lower levels in a firm, may have some relevance and is therefore included. Needless to say, the important distinction is that Japan's case would involve functionally related progression lines with segregation by university attended.

Finally, a discussion of discrimination in Japanese firms would not be complete without some mention of gakubatsu. The existence of gakubatsu in firms is a major factor in determining an individual's status therein. Kubota note that, in the case of the Japanese Higher Civil Service, the Tokyo University gakubatsu is particularly strong, i.e., appointment and promotion depends on the university attended, with certain key positions being always occupied by members of a few exclusive gakubatsu.

Kubota goes on to explain, "the term gakubatsu implies clannishness among graduates of the same school and discrimination against graduates of other schools, especially in appointment and promotion...there is, of course, a considerable body of evidence that gakubatsu do exist as informal, sometimes almost unconscious, associations of men with the same school background" (Kubota 1969:85-86 - emphasis my own).

HUMAN CAPITAL THEORY AND INVESTMENTS IN EDUCATION

We now wish to examine the value of the theory of human capital to the Japanese individual's choice of university enrollment.

In an attempt to treat the difficult concept of "ability" with an economic explanation, Becker states that it may be defined by earnings, but only when certain variables are held constant (Becker 1964:62). In order to separate the concept of ability from forms of investment such as education, health, on-the-job training, et cetera, these types of human capital investments must be held constant. Thus, if there are two individuals with equal amounts of human capital (also holding variables such as luck and discrimination constant), the individual who earns more shows superior "economic talent."

It is stated that, "since observed earnings are gross of the return on human capital, they are affected by changes in the amount and rate of return. Indeed, it has been shown that, after the investment period, earnings (Y) can simply be approximated by

$$Y = X + rC,$$

Thus, we have:

Y = earnings

X = earnings without investments in human capital

C = total investment costs

r = average rate of return

So, if we presently ignore the distribution of X and assume C to be constant, then Y depends only on r, and "ability" can be measured by r (Becker 1964:62).

This suggests that the incentive to enter a prestigious university is a function of r, especially when defining "ability" by earnings.

But Becker goes on to add that in "most capital markets the amount invested is not the same for everyone nor rigidly fixed for any given person, but depends in part on the rate of return." So, we are now closer to the real world, and a relationship between C and r is established.

It is important to realize that many Tokyo University students have attended at least a year of "juku" (special preparatory schools) prior to and for the purpose of gaining entrance. Aside from the cost of juku attendance alone, we may assume that the foregone opportunity costs of a year's absence from the labor market is considerable. The investment costs involved in this and other special preparatory schemes (special high schools, private tutoring fees, et cetera) imply that human capital investment (C) can run quite high. We must conclude, then, that the expected future income stream of those attending Tokyo University is great enough to justify the high investments in human capital generally made for such attendance.

Unlike Tokyo University, attendance at the two most prestigious private institutions (Waseda and Keio) involve much higher tuition costs, i.e., investment costs. Clearly, the rate of return (r) expected from attendance at either of these institutions is likewise perceived to be high enough to economically justify the relatively higher investment costs (C).

One presumes that entry into less prestigious universities brings with it a lower perceived rate of return (r). Perhaps this corresponds with smaller investments (C) made in human capital prior to college entrance. Unfortunately, detailed information on the rate of return to graduates of specific universities is scarce or nonexistant. Thus, the above comments on the applicability of human capital theory to educational investments in Japan is something we can only infer.

CONCLUSION

This paper set out to examine whether or not there were major differences in occupational achievement between graduates of prestigious universities and those of other universities in Japan. The theories of dual labor markets, internal labor markets, and human capital theory were used as heuristic devices. In using the dual labor market theory, emphasis was placed on the primary sector and its two components, the upper and lower tiers.

Although an analogy between the status of white-collar workers (seen as university graduates for simplification) in Japan and the primary sector in the United States can be made on the basis of employment stability, the qualification must be made that the Japanese institution of shūshin koyō is observed mainly in large-scale firms. Another factor supporting the analogy is the fact that most male university graduates in Japan have had available to them quite promising occupational achievement opportunities, although recent changes in promotion mechanisms and restrictions on the application of nenkō joretsu renders the notion of automatic promotion more problematic.

The existence of a distinction between upper and lower tiers is suggested by the "success" rates of graduates of

prestigious universities, Tokyo University being the most outstanding example, especially when compared with the rates of "success" of those from the non-prestigious universities in Table III. The validity of the ranking scheme must of course be qualified by the absence of initial recruitment data. The institution of gakubatsu appears to be a factor which reinforces and helps to perpetuate the upper and lower tier distinction.

The recruitment of Japanese white-collar workers appears to rely largely upon the factor of specific university attended as a screening device. Being an inexpensive form of screening, this is analogous to Western recruitment practices which rely upon educational attainment in general. Yano and Hara's data on the recruitment rates by university attended suggest that graduates of prestigious universities enjoy much higher demand from firms than graduates of other universities. The recruitment data also supports the OECD finding that many firms restrict a certain amount of their recruitment to specific universities. Part of the rationale for hiring the seemingly more qualified graduates of prestigious universities lies in the employer's desire to minimize the possible error of hiring an unqualified candidate. This desire may be stronger for the Japanese employer than for his Western counterpart to the extent that shūshin koyō and nenkō joretsu are institutionalized.

The commonly held notion of the Japanese employee's feeling of "lifetime commitment" to a firm may be somewhat

exaggerated. The individual employee's commitment may be explainable simply in terms of neoclassical concepts of economic rationality.

Given the relatively low rate of interfirm mobility in Japan combined with the fact that the Japanese worker faces the largest number of ports of entry upon college graduation, the initial port of entry is generally more important in the Japanese than in the American labor market.

The Japanese firm's practice of withholding information of the exact initial port of entry until after a lengthy training period serves as an effective means of minimizing turnover costs at the expense of the individual employee's attempts to maximize his own utility. However, the significant number of individuals who quit large-scale firms for better jobs in small- and medium-scale firms is a force which tends to increase the turnover costs of the large-scale firm and to extenuate the individual's loss of utility.

Concerning the matter of prejudicial discrimination in Japan, we have looked at entrance into prestigious universities and entrance into firms. Rohlen presents evidence which suggests that postwar entrance into prestigious universities is becoming less egalitarian. Juxtaposed with Bowles' views, further analysis of educational opportunity in Japan according to socioeconomic class would appear to be warranted.

The amount of prejudicial discrimination by university attended occurring in hiring decisions by firms is diffi-

cult to determine due to various factors. These include 1) the lack of knowledge of the content of the entrance examinations, 2) whether or not the curricula of prestigious universities provide examination preparation superior to that available at other universities, 3) the actual importance of the examination itself in the hiring decision of a given firm, and 4) the role of the gakubatsu in the firm. In some situations and given certain assumptions, the imposition of extremely high testing standards may indeed be called prejudicially discriminatory.

Finally, investments in higher education in Japan can be examined in light of human capital theory, although such examinations are necessarily speculative until detailed information on the rate of return to graduates of specific universities is available.

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