9. See Chapter 8 or, for data sources and more details, Francks (2012), especially pp. 154–6.
10. For more on how this worked, see Francks (2012).
11. The following is chiefly based on Onorci (2006) and Yamada (2006).
13. For data, see Rani and Saxonhouse (1985: 139–40), and on appropriate labour-using technical change in the industry, see Otuka et al. (1988).
14. For more details, see Minami (1987: ch. 9).
15. For a more detailed description of available techniques in the industry, see Saxonhouse (1985) or Kiyokawa (1995).
16. Incidentally – or perhaps not – the two largest mule-spinning mills were subsequently destroyed in fires (Saxonhouse 1985: 219).
17. For more on the role of engineers, see Otuka et al. (1988: 73–6) and Kiyokawa (1995).
18. The following is chiefly derived from Fukasaku (1992).
19. When its shipping company was merged into NYK in 1885 (see Chapter 4), Mitsubishi itself gave up its interest in shipping and moved into shipbuilding (and other areas of activity such as mining and banking).
20. The following is derived from Cuniamme (1985: 46–9, 60–72).

13 The institutions of industrialisation

The creation of an industrial labour force

The role of institutions in bringing about and perpetuating industrialisation has long represented a contentious area of economic history, as Chapter 10 suggested. For Marxist historians, the breakdown of feudal institutions of land control and the emergence of landowning and landless-labourer classes was a necessary precondition for the development of industrial capitalism; for others, it was the establishment of systems of private property rights and market institutions that played this role. More recently the emergence of institutional economics has opened the way for the analysis of a wide range of historical institutions in terms of their economic causes and effects. In relation to Japan, examination of the role of what could be regarded as ‘unique’ institutions in explaining the country’s economic rise was at one time something of an industry in itself, giving rise to widespread efforts to copy what were seen as the key institutional factors in the success of Japanese businesses from the 1960s onwards.

The crucial institutions in question have generally been taken to be: (1) a set of labour-market and employment practices that includes ‘permanent employment’, ‘age-related pay’ and company-based trade unions (the ‘three sacred pillars/treasures’); (2) a system of company finance and control centred on long-term relations between businesses and their banks; and (3) a structure of ‘industrial groups’, subcontracting arrangements and labour-market practices linking businesses, large and small, within long-term production and financial relationships. These are seen as forming an interlocking structure distinctly different from its market-based counterpart in the Anglo-American world and it was not difficult to see its features as reflecting social values and approaches to interpersonal relationships that could be labelled ‘Japanese culture’.

While there was plenty of evidence that these distinctive institutions were in operation during the years of ‘miracle’ economic growth following the Second World War, the stagnation that set in from the 1980s cast doubt on both their economic efficacy, in comparison with archetypal Western business institutions and, as they seemed to begin to crumble, their interpretation as expressions of an unchanging Japanese culture. At the same time, historians of pre-war economic growth were beginning to question the depth of the historic roots of the ‘pillars’ and other post-war institutions, along with their characterisation as culturally determined. In particular, the argument that it was
not until the establishment of the war economy in the 1940s that Japanese economic institutions began to diverge significantly from their Western counterparts, has gained considerable ground. Nonetheless, as approaches to Japanese industrialisation have shifted with, for example, the turn towards the 'traditional' sector and the regional economy, concern with institutions has not disappeared, even if it now focuses less on big-business organisation and more on the household, the regional business grouping and even the joint-stock company.

Meanwhile, the emergence of other non-Western industrial societies with institutional structures quite different from those of Europe and North America, and indeed the growing awareness of the range of institutional forms associated with industrialisation even within Europe, have placed analysis of the role of Japanese institutions in economic development in a new context. The Japanese case no longer stands out as the only counter-example against the principle of 'convergence' towards the Anglo-American model of industrial institutions. Rather, it now describes the institutional basis of one of a range of possible paths towards industrialisation. This chapter and the next will therefore focus on the role of institutions in enabling the more intensive use of labour, promoting the survival and development of the 'traditional' as well as the 'modern' sectors of the economy, and providing the framework for technical change and the accumulation of labour-force skills.

The argument that Japanese organisational forms and practices, embodying 'Japanese culture', have played a key role in determining the success of Japan's industrialisation has been applied, like institutional economics in general, to a wide range of historical institutions. However, its post-war emergence as an element in the explanation of the 'economic miracle' was largely the result of work on employment systems and their role in the creation of the skilled and disciplined labour force for which Japan had become famous. This chapter therefore examines the various routes by which the institutions of 'modern' employment practice were created in the Japanese case, and their part in the historical determination of 'the Japanese employment system', as the starting point for our analysis of the institutional basis for Japan's industrialisation. Nonetheless, it is now recognised that the practices involved were only workable within the wider framework of business institutions that emerged as Japan industrialised. This will be the subject of the next chapter which completes the picture of the interlocking institutional structure of Japanese industrialisation.

Male workers in heavy industry

It was against the background of the prevailing technological determinism that, in 1958, James Abegglen first published his seminal discovery of 'the Japanese factory', and introduced to an eager audience of sociologists, management theorists and business-people the practices of 'life-time employment', 'payment by seniority' and 'paternalistic management' which have since been seen as characterising 'the Japanese employment system' and as providing a key element in the explanation of Japan's post-war economic success. What Abegglen's study suggested was that large-scale factories in Japan had not, by that stage, 'converged' towards British or American practice, and while some argued that they still would — their peculiar features being 'feudal remnants' not yet discarded by a late-comer to industrialisation — Abegglen himself saw them rather as evidence that culturally determined social characteristics could influence the nature of factory organisation. He thus interpreted the particular practices of Japanese factories, contrary to the technological-determinist view, as manifestations of 'traditional' Japanese attitudes to group organisation, hierarchies, status structures and family relationships.

An implication of this was that, since the nature of the contemporary Japanese factory was a reflection of 'traditional' Japanese culture, these factories must also historically have incorporated the same aspects of earlier forms of social organisation, and Abegglen went on to argue that the use by early factory owners and managers of, for example, the ideas and practices of the Japanese family group eased the transition to industrial work for early factory employees. In the years after Abegglen's ideas were published, research into the history of the Japanese industrial labour force very largely undermined this view, to the point at which Andrew Gordon, in his large-scale study of the development of labour relations in Japanese heavy industry (Gordon 1985), was able to argue that Japanese industrial workers more closely resembled their Western counterparts in the early stages of industrialisation than they ever did thereafter.

Such studies see the emergence of Japanese management practices as the outcome of a long process of interaction and conflict between the needs and demands of recruits to the industrial labour force, the requirements of managers operating new forms of technology, and the political environment created by the goals of the state. They thus provide the historical backdrop to more recent economic analysis of the nature of the 'Japanese employment system' operated by large-scale companies during the post-war period, which demonstrates the effectiveness of the system of lifetime employment, seniority-based pay and company unions, and of the 'internal labour market' which complements it, as a means of generating labour force skills and promoting on-the-job investment in human capital.

These studies focus on workers in heavy industries, such as shipbuilding, metalworking, mining and engineering — even though these sectors employed only a small proportion of the Japanese industrial labour force until well into the inter-war period — on the grounds that such industries were central to the industrialisation process and their practices came to determine the model of modern industrial organisation in Japan. During the Tokugawa period, such industrial activities were the preserves of craftsmen, that is to say of male workers trained, generally through relatively long periods of apprenticeship, in the arts of their trade, and themselves then able to operate independent businesses, with their own apprentices learning in their turn through observation and experience. During their apprenticeships, trainees lived as members of the households of their employers and all aspects of their lives fell under the control of their masters. However, it should not be inferred from this that Tokugawa craftsmen
were necessarily incipient lifetime employees and paternalistic employers; rather, the ethos to which they subscribed placed a high value on mobility and independence, on spending freely and enjoying the pleasures of wine, women and song. Thus it was common for such artisans, once trained, to travel around the country, hiring themselves out to employers and moving on when the fancy took them. They could do freely, since the traditional urban craft guild organisations proved unable to exert their influence over the expanding rural industrial activity of the later Tokugawa period and provided no network of support for, or control over, the journeymen artisans who travelled the country.

While the independent master or journeymen remained free within Tokugawa industrial society, by the end of the period the small but growing number of han-run projects in fields such as metalworking and shipbuilding was beginning to offer some scope for employment in larger-scale enterprises. The workers recruited by such enterprises were drawn from the existing supply of traditional artisans and they continued to move freely among the larger-scale han projects, local workshops and travelling employment. It was these han enterprises which the Meiji government inherited after the Restoration and which constituted the starting point for state, and later private-sector, development of heavy industry, and with them were inherited their practices of labour recruitment and management. Thus although foreign engineers and technicians might be brought in to teach and direct the operation of imported machinery and techniques, it was traditional artisans to whom they imparted the new industrial skills and who were to dictate the pattern of employment and the lifestyle of the male industrial labour force until at least the turn of the century.

As early modern industrial enterprises began to expand, therefore, they were faced with the problems involved in recruiting a labour force from among the former Tokugawa artisan classes, with their traditions of high mobility and relatively lax discipline as regards, for example, working hours, not to mention their heavy drinking, gambling and womanising. The only method for the recruitment and control of such workers then available depended on the traditional master/worker relationships through which employment had been regulated in the Tokugawa period. A master or labour boss, generally referred to as an oyakata or pseudo-parent, would recruit his own group of workers for whatever task he was contracted to perform and would take his own responsibility for paying and controlling his gang. The inexperienced and semi-bureaucratic managers of the emerging modern-sector enterprises of the early Meiji period saw no alternative but to make use of this indirect system as the means of recruiting and managing the kinds of workers they needed for their shipyards and arsenals.

As a result of the inability of management to impose new industrial practices directly on to its labour force, the ‘traditional values’ which early industrial workers brought to the modern sector tended to perpetuate the high mobility and lax discipline which had characterised Tokugawa industrial society. Employers in the early heavy industries thus found that workers who had acquired skill and experience under their management frequently capitalised on this by moving to other employers or setting up on their own account, and the maintenance of a stable labour force proved extremely difficult. Furthermore, Tokugawa traditions imbued early industrial workers with respect for the independence and dignity which their skills gave them, and modern industrial employers had to come to terms with this, as they sought to impose greater direct control and discipline over their labour forces in later periods. The Tokugawa craftsman had possessed some, though lowly, social status, and had augmented this with a belief in the value of the skills that could be acquired through travel and experience. With the abolition of the fixed Tokugawa class structure, such official social status as he had possessed disappeared and the values of traditional crafts were undermined by the demands of new forms of technology and industrial organisation. One of the persistent demands of industrial workers, therefore, as they gradually came into conflict with management, was on imposing greater control over them, was for respect, dignity and ‘human treatment’. As both Gordon (1985) and Smith (1984) show, such pressure from the workers’ side has represented a significant influence on the nature of labour relations within companies ever since.

In addition, the persistence of the strong oyakata/work-gang relationship militated against the development of wider, horizontal links between workers in the same trade both within and beyond individual plants and localities. The lack of a broad tradition of craft guild organisation, combined with the reliance of the worker on his oyakata for the protection of his interests and welfare, limited the emergence of any sense of solidarity among workers in similar occupations which might have fostered a labour or trade-union movement of the European or American kind. As a result, when union activity began to develop after the turn of the century, it was the factory or workplace, rather than the trade, which was to provide its organisational focus.

The progress of industrialisation through the second half of the nineteenth century brought with it both greater sophistication in the technology employed and work skills demanded in heavy industry, and also a more professional and experienced managerial class, increasingly recruited from the ranks of university graduates. Both the need and the capacity for greater managerial control over workers operating expensive and complex new machinery were therefore growing, and this led to efforts to limit the powers of the oyakata. Labour bosses were gradually incorporated into the layers of the management structure, and they traded their independence for the greater security of positions as foremen within the company. Managements continued to find it difficult, nonetheless, to maintain stable labour forces, despite their increasing realisation of the costs of high rates of movement among skilled workers. From around the turn of the century, therefore, pioneering companies were beginning to experiment with incremental wage scales, bonus systems and paternalistic benefits, applying systems modelled on those of the state bureaucratic organisations, in the first instance to their own management hierarchies but gradually to those key skilled workers whose mobility they wished to discourage.

The boom period of 1900–20 served to intensify the problems of the shortage of skilled workers and high labour turnover, and at the same time saw the
begunnings of the development of a labour movement influenced by Western socialist ideas. Demands for shorter hours, profit-sharing and collective bargaining arrangements were accompanied, however, by efforts to improve the social status and dignity of the industrial worker and to extend to a greater proportion of the industrial labour force the benefits of security and respect conferred by ‘membership’ in the company, as enjoyed by the select group of managers and white-collar workers. The individual workshop or factory remained the focus of labour-movement activity, but the increased economic strength of labour, especially during the First World War boom, and the brief flowering of a wider national union movement, giving rise to fears of severe labour unrest, led to management concessions in various industrial conflicts and to improvements in the conditions and status of workers in a number of major heavy-industry companies.5

The collapse of the boom weakened labour’s position and enabled management to break the strength of the national union movement and cultivate direct relations with their own employees. The worsening position of workers in the labour market discouraged ‘travelling’ and increased the concern for job security within individual companies. Although many employers had little hesitation in firing workers during the depressions of the period, and practices that emphasised status differences between white- and blue-collar employees continued to be widely enforced, the persistent pressure from workers for dignified treatment and respect was beginning to bear fruit in a growing recognition of the idea that loyalty to the company should, and could profitably be rewarded with job security, access to paternalistic benefits and ‘membership’ of the company. Meanwhile, employers themselves began to create an ideological basis for the emerging ‘Japanese employment system’ by ‘inventing the tradition’ that labour relations in Japanese companies, in contrast to those in ‘Western’ ones, should be based on harmony rather than conflict and competition.6

It would undoubtedly be a mistake to conclude that the practices of the ‘Japanese employment system’ were widely applied to blue-collar workers, even in the most prestigious companies, before the end of the Second World War. It was the increase in labour-movement activity in the immediate post-war years and the greater economic strength of educated labour-market entrants during the economic-miracle period that gave rise to its widespread adoption in large-scale companies and organisations. Nonetheless, its outlines are visible in the pre-war period, emerging out of the conflicts and compromises between, on the one hand, managers experiencing the same kinds of pressure as their post-war successors to maintain and develop a skilled and committed labour force in rapidly growing modern industries and, on the other, workers who brought with them into factory life a concern for status and respect born of their traditions as independent and roving craftsmen. Employer paternalism and the ‘Japanese management system’ are best viewed, not as culturally determined devices for converting surplus labour into a uniquely productive workforce, but rather as outcomes of the conflicts generated in the process of creating a skilled industrial labour force under the conditions of relatively rapid heavy industrialisation in the twentieth century.

Women workers in the textile industries

The male heavy-industry workers who were beginning to define the ‘Japanese employment system’ as it would later be recognised represented only a very small proportion of those who worked to bring about industrial growth in pre-war Japan. In practice, factories, defined as enterprises employing five or more workers, continued to account for less than half of the manufacturing labour force until well into the 1930s, and of this factory employment the textile industries consistently accounted for the largest share: of the 2.3 million factory workers in Japan in 1934, 41 per cent were engaged in textile production (Lockwood 1968: 178, 183, 203). Of these the great majority were women: females represented 80 per cent or more of the labour force in cotton textiles throughout the pre-Second World War period, and over 50 per cent of all factory workers into the 1930s, and Saxonhouse’s figures suggest that the early Japanese industrial labour force was more predominantly female than that of other developed or developing countries at the time (Saxonhouse 1976: 99–100). In Japan, as in many other industrialising countries, therefore, it was the female textile worker who represented the typical factory employee during the process of the creation of the early industrial labour force.

Spinning and weaving had always been part of the work of women in rural households in Japan as elsewhere and, as we have seen in earlier chapters, opportunities for the commercial production of textiles in the home or in small-scale workshops expanded as the Tokugawa economy developed. However, with the opening up of the country to trade with the West in the 1850s and the rapid increase in the demand for Japanese silk for export, growing numbers of silk filatures were set up using water and later steam power to process the fast-expanding cocoon output of farmers in sericultural regions. Such filatures were for the most part quite small and were located where power sources were available in and around their regions of cocoon supply. They relied on recruiting labour from the surrounding rural areas, and the majority of their employees were women from local farm households, typically with previous experience of silk-reeling techniques.

Unlike the later employees of larger-scale cotton mills and silk filatures, such workers were generally able to commute from their farm homes, often using the expanding local rail network, and were paid daily wages graded according to their skill and the quality of their output. Wage rates remained among the lowest recorded for the various kinds of employment available, since employers were able to tap a source of relatively abundant labour in the generally under-used time (at least as regards cash-earning opportunities) of the daughters of farm households. But as the amount of such employment on offer steadily increased and the number of hours worked rose, the earnings of silk-reelers grew substantially and the contributions they were able to make to the total income of their families became significant.7
However, as the application of mechanical power sources and other technical changes spread, larger-scale silk filatures started to appear, requiring larger workforces with new, factory-based skills and disciplines. In this they resembled the emerging large-scale cotton mills, the number of which had begun to increase rapidly from the 1880s. These mills were usually located in urban areas, in particular around Osaka, and at first looked for recruits among the local city-dwellers. However, the rapid expansion of the industry led to fierce competition among employers for the available workers, and particularly for those with some experience, since, docile and dextrous as traditional Japanese girls might have been on entering the mill, operating large-scale spinning machinery under factory conditions proved to be an occupation in which experience undoubtedly raised productivity. Poaching of experienced workers became common and labour turnover among mill workers was high.

Cotton-spinning employers responded in various ways to this difficult situation, which was continuing to result in relatively low levels of labour productivity in the Japanese industry, as compared with its Indian and Chinese competitors, up to the turn of the century. In the effort to prevent workers leaving mills, dormitories were established and considerable restrictions placed on workers' movements outside the factory. The provision of residential facilities also enabled employers to recruit workers from further away, and mill-workers increasingly came to rely on girls brought from rural areas, where networks of recruiting agents began to operate for each mill. These agents were empowered to offer advances on wages to the families of girls contracted to work for a given period in a particular mill, and received commission on their recruits. They therefore painted a rosy picture of factory life, stressing to parents that their daughters would be housed and cared for by their employers, and implying it seems plausible that the prospect of leaving home and going to the city, while at the same time contributing to family finances or building up savings in preparation for their own marriages, might not have been unattractive to girls otherwise faced with life and work on small family holdings in the country.

Needless to say, conditions in the mills when the girls got there rarely lived up to the picture that had been painted. Twelve-hour shifts were the rule, so that the mills could operate 24 hours a day; living conditions were cramped and crowded, leading to high incidences of diseases such as tuberculosis, and the restrictions placed on the girls' lives were severe. Employers were prepared to pay for experience and the higher productivity it brought, so that it was possible for workers tough and persistent enough to see through their contracts to earn incomes that made a considerable difference to their families' livelihoods. But nonetheless, and despite efforts among companies to collude against poaching and to divide up recruiting areas among themselves, the commitment of mills to the employment of young girls on contract from distant places meant that labour turnover remained high.

This situation did not prevent the Japanese cotton-textile industry from establishing its dominant position in Asian markets, but its causes and consequences have been widely discussed and are important for an understanding of the emerging characteristics of industrial labour in Japan. Mills in India in the late nineteenth and early twentieth centuries employed a much higher proportion of men than their Japanese competitors and experienced lower rates of labour turnover. By contrast, the competitive nature of the Japanese industry, and the almost identical technology employed in the various mills, discouraged firms from investing in workers who might so easily go to work in rival mills and from offering the wages and conditions that might have reduced labour turnover. Instead, they opted to go further and further afield and to pay more and more for dubious recruiting services, in search of the young and unknowing workers who alone might be prepared to come to the mills in return for what the employers believed themselves able to afford. According to Sax, Whouse's estimates, the productivity improvements resulting from better training and greater experience among workers who were, by international standards, relatively well educated would have yielded a substantial return on the investment required, but a return which, under prevailing market conditions, might well have been reaped by competitors in the industry. As it was, workers continued to come and go, and the shady methods of recruitment and control, infiltrated on the fringes by gangsters and the underworld, persisted. The costs of acquiring training and experience continued to be borne by the worker, in the form of initial wages too low to compensate for the disutilities of mill life or to compare with other possible sources of income once these were known.

As the industry matured, however, and despite continuing high rates of turnover among new recruits, a growing core of experienced workers inevitably began to develop. Furthermore, employers, particularly the emerging large spinning companies, did eventually, from the 1910s, begin to experiment with methods of improving life in the mills and encouraging a longer-term commitment from workers. These included purely monetary incentives, in the form of pay scales related to length of service and grades of skill and experience, together with the abandonment of the use of middle-men as recruiters. But they also involved efforts to develop social and moral values which, it was hoped, might help girls to adapt to factory life. Thus some educational and cultural activity was organised, and management preached and encouraged, on the one hand, loyalty on the part of the worker and, on the other, respect for a worker's effort and dignity on the part of the company.

As a result, although female textile workers probably did not enter the factory with either the traditions or the economic strength possessed by early male industrial workers, textile-industry employers were still obliged to come to terms in these ways with a labour force which was not without other employment alternatives and whose members, and their families, continued to entertain their own ideas as to how workers should be treated. By the 1920s, women workers in the textile industries wereorganising to press for better conditions, and female participation in unions and in the large-scale strike activity of the decade was significant. In general, by this time, the picture of female textile workers as passive and docile girls, working out their time until they could return to their rural homes, was far from accurate, with the majority...
committed to urban industrial life and many prepared to work to improve their skills and better their conditions of employment.15

Japan's textile industries were in many respects phenomenally successful in establishing themselves during the latter part of the nineteenth and the early twentieth centuries. A great many factors, relating both to the internal structure and technology of the industry and to external market forces, can be cited in explanation of this, but a stable, experienced and committed factory labour force does not seem to have been one of them. Nevertheless, the productivity of Japanese workers in the silk and cotton industries began to rise after the turn of the century, as technology and factory organisation changed, and also as the educational levels of workers increased and factory conditions were improved through shorter working hours and the implementation of factory legislation.

It would, however, be hard to present the experience of the early Japanese textile industries in creating their factory labour force as a model of the transformation of surplus labour resources into productive industrial workers. Neither does it suggest that the attitudes and approaches of early Japanese workers and employers embodied traditional values that, in any immediate or straightforward sense at least, eased the transition into factory work. Employers were obliged to work long and hard developing the management practices, payment systems and working conditions which would generate the experience, attitudes and values required of a disciplined workforce. By the inter-war period, the transformation had been achieved and a relatively skilled and high-productivity female labour force, managed by trained and experienced supervisory staff, was in existence in the textile industries, but the historical process of transition had been by no means a smooth or costless one.

The dominance of the textile industries over female industrial employment meant that this system continued to influence approaches to women's work well into the post-war period. The view that wage-employment represents a temporary phase in women's lives which ends with marriage, or at the latest, childbirth has persisted for much of the post-war period and the paternalistic practices of textile-industry employers, such as the dormitory system, were adopted in other industries, including electronic goods, that depended heavily on female workers. While pre-war industrialisation may have bequeathed to post-war male workers the security of the Japanese employment system, it did so on the basis of a gender-segregated labour market, widely seen as leading to the waste of female talent and education, which has only recently begun to break down.16

Workers in small-scale businesses and the urban informal sector

If the employment and management practices of the growing number of larger enterprises in the pre-war period undoubtedly helped to form the Japanese employment system of the post-war years, it should equally not be forgotten that, both before and after the Second World War, it was in small-scale enterprises that the majority of the labour force, male and female, came to experience industrial work. While a relatively small number of those brought up in the traditions of Tokugawa-period craft work eventually adapted to modern industrial work, many more continued to acquire skills through apprenticeship and 'roving', with a view to setting up their own independent businesses. As we saw in the last chapter, the practices of such enterprises proved by no means inimical to technical change and product development, and their systems of employment and training created the basis of the 'modernised' small-scale business sector that was to play a significant role in the industrial growth of both the pre- and post-war periods.

This process depended, in many ways, on the adaptation to industrial purposes of the ie structure of the rural household, and the small-business sector does indeed represent an area in which 'tradition' can be seen as moulding the transition to industrial work. Like the farms from which many of their owners and employees had come, urban small businesses continued to operate as household-based enterprises in which the household head and his wife formed the core labour force, with their eldest son expected to inherit the business. Additional labour could be brought in, in the form of male apprentices who would learn the trade through observation and experience, or female servants who could combine housework with other tasks as required. Such workers typically lived in the household, receiving board and lodging as part of their payment. They were frequently recruited through family or village connections, and the move to employment away from home as a household servant or apprentice was the standard route in the urbanisation of the daughters and younger sons of rural households.

For the boys and young men who took this route, apprenticeship or less formal training opened up the opportunity of life as an industrial worker. Tanimoto (2013) shows that, while remuneration as a small-business employee remained below the wages of workers in larger-scale enterprises, those who were eventually able to set up on their own enjoyed the prospect of higher incomes and greater independence than factory workers, provided they could master and develop the skills and disciplines of their particular trade and commit to the hard work and long hours in the interest of the household that the ie had always fostered. For the successful, there opened up the possibility of admission to the middle class, alongside the similarly self-employed in many white-collar professions.

Fewer such prospects presented themselves to the thousands of rural girls and young women who went to work as shop assistants, maids and waitresses in the service sectors of the expanding cities of the early twentieth century. Domestic servants outnumbered textile-workers within the female labour force by the inter-war period, and service-sector work represented the main means whereby rural girls and women moved to the cities.17 Following Tokugawa practice, such employment was supposedly fixed-term and might have been considered preparation for later married life in the countryside, but for many it was to become the route into urban life, albeit still ideally through eventual marriage and motherhood. Meanwhile, however, growing opportunities for
white-collar female work in modern business environments such as offices put wages into the hands of the growing number of young women graduating from the school system, and it was these who created the market for fashion, women's magazines and feminist ideas that formed the world of the 'modern girl'. Telephoneists (in kimono) and bus conductresses (in Western-style uniforms) symbolised the growing opportunities for 'modern' forms of work that were open to women with school qualifications, as urbanisation advanced, even if the scope for promotion beyond the 'female-only' areas of employment remained very limited.

Nonetheless, the vast majority of the increasing number of urban workers – men as well as women – continued to be employed in what has come to be called the 'informal sector'. Such workers included large numbers in retail and wholesale commerce, alongside the restaurateurs, bar-owners, fast-food sellers and providers of all manner of personal services, through to casual day-labourers, servants, prostitutes, pickpockets and beggars. Although some were long-term residents of the traditional craft-industry areas of cities like Tokyo and Osaka, many more were newcomers trying their luck with greater or lesser success. Like migrants everywhere, the inhabitants of Japan's urban informal sector therefore tended to come from the younger, economically active age-groups and to have fewer dependants than average.

Historical evidence of the employment conditions and living standards of informal-sector workers is not easy to find, but Chûbachi and Taira (1976) were able to bring together survey data for the Meiji and inter-war periods relating to both quite well-paid urban factory workers and casual workers living in the ghetto areas of the main cities. In the Meiji-period survey, the factory workers appear to have been settled with quite stable nuclear families or elderly parents, living in two or three rented rooms in tenement houses, whereas broken families and temporary accommodation were in evidence among the ghetto-dwellers. All were spending a large proportion of their household income on food, as most Japanese households continued to do throughout the period up to the Second World War. This expenditure should, however, have bought even the casually employed rickshaw-man in the survey an adequate supply of rice, and more than that if he and his family ate rice extended with other grains. The factory workers were literate and recorded expenditure on, for example, newspapers, but it is difficult to know what, if anything, the ghetto families bought beyond the bare necessities. None of the families surveyed, neither the factory workers nor the ghetto-dwellers, seem to have been living sufficiently within their means to be saving anything.

By the time of the inter-war period surveys, divergences between the lifestyles of factory workers and the more casually employed ghetto poor seem to have widened. The poor families were by then spending a higher proportion of their incomes on food than factory-worker households, and a lower proportion in rent on their poorer-quality housing, even where their incomes were similar. The stable worker-households also spent more on clothing, health, sanitation and education than the ghetto poor, suggesting the emergence of distinct differences in lifestyle and culture. As the incoming urban population sorted itself out, so to speak, significant numbers of those employed in the small-business sector began to develop less 'informal' lifestyles, although still living with greater independence and insecurity than big-company employees, while those who remained for whatever reason casually employed came to be distinguishable, whether or not living in the ghettos which continued to exist in the cities, as the poor, in need of relief or correction.

Nonetheless, despite this differentiation, the evidence does suggest that there was, overall, some improvement in the living conditions of the urban population which did spread to the mass of those working outside the big-company sector. Urban housing conditions gradually improved with the diffusion of better forms of heating and lighting (paraffin stoves, glass windows, etc.). Diets became more varied as households were able to include a wider range of vegetables and pulses in their meals. Books and magazines, travel, and newer forms of entertainment such as the cinema began to fall within the reach of increasingly settled urban households. Those who worked in the small-scale sector never attained the security or, on average, the earning-power of those with jobs in the large-scale sector but, nevertheless, small businesses were able to secure a sufficient share of the growth of income and employment consequent on industrialisation to survive and indeed to provide improved living conditions for a significant section of the emerging industrial labour force.

Notes

1. Okazaki and Okuno-Fujiiwara (1999) provide an English-language route into Japanese research along these lines.
2. See, for example, the classic presentation of this argument in Koike (1987). For a more recent analysis of the historical origins of the post-war system, see Odaka (1999).
4. See Gordon (1985: 25–38) for some examples of what would nowadays be thought of as very un-Japanese attitudes to work, saving and so on among Meiji-period industrial workers.
5. For details, see Gordon (1985: ch. 3) and Napier (1982).
8. The total workforce of such mills rose from 2,330 in 1887 to 25,448 in 1893 (Taira 1978: 180).
9. For evidence of this, see Saxonhouse (1976).
10. See Saxonhouse and Kyokowaka (1985: 196). In silk-reeling too, Japanese workers were considerably less productive than their European or Chinese counterparts in the second half of the nineteenth century (Enk 1986: 170).
11. For a vivid account of the motives for migration, and conditions in Meiji-period silk and cotton mills, see Tsurum (1990). For a full-scale, detailed analysis of the lives and work of female textile workers, see Hunter (2003).
12. The majority of girls employed in cotton mills were under 20, and typically 10–20 per cent were under 14 (Taira 1978: 184–5). For more detail on the age distribution of female textile workers, see Hunter (2003: 59–67).
14. For more details, see Taïra (1978: 201–5) or Hunter (2003: ch. 5).
17. For more on female domestic servants, see Odaka (1993) and Tanimoto (2012).
18. As early as 1908 a survey of those employed in Tokyo found only 35 per cent to be natives of the city (Nakamura 1983: 128).
19. The proportion of total personal income spent on food was 67.5 per cent in 1874–83, falling to 63.7 per cent in 1896–1906 and 58.9 per cent in 1917–26. It did not drop below 50 per cent until the 1930s (Hanley 1986: 463, using LTES data).
20. For Japan’s ethnic minorities – principally those of Korean or Chinese origin, along with members of the Japanese outcast group, the Bantu orin – discrimination constituted a major cause of poverty and ‘ghettoisation’. However, these groups make up quite a small proportion of Japan’s population (probably about 3.5 per cent today) compared with ethnic minorities elsewhere, and the problem of poverty now and in the past cannot be considered as exclusively a question of discrimination.

14 The institutions of industrialisation

Capital, corporate governance and the organisation of the business world

The establishment of industrial production requires the mobilisation not just of labour and technology, but also of the capital that pays for the initial investment in production facilities and inputs. The much greater scale and different nature of capital requirements that the industrial revolution generated necessitated new or much expanded forms of business ownership and finance, and new institutions whereby savings could be mobilised for investment in productive capacity. In the classic British model of industrialisation, the joint-stock, limited liability company was to provide the main mechanism for fund-raising, once sources of privately raised capital became inadequate to the demands of factory-building, railway construction and such like, and thereafter the owners of publicly traded shares, operating through their representatives on boards of directors, came to own and control the capital resources behind industrialisation. As share ownership spread, so did the activity of stock exchanges as the institutions where funds could be raised from savers and the allocation of capital competitively determined. In the increasingly complex world of finance and corporate governance, banks and other specialised financial institutions grew up to provide the widening range of services that smoothed the emergence of ever-larger business organisations.

Behind these institutional developments lay the intensified spread of markets – in capital and labour as well as goods – that seemed to be a concomitant of economic growth, and the principle that the efficient allocation of resources could only be achieved through free competition between shareholder-controlled companies in unfettered markets came to underlie the theoretical understanding of how the business organisations of industrial capitalism should operate. How far this model of corporate control and capital markets applied even across industrialising Europe is open to doubt, but once research began into the successful business organisations of later twentieth-century East Asia, it became clear that, there at least, a rather different structure of corporate governance, involving, for example, a much greater role for banks as suppliers of capital, was certainly in operation. Meanwhile, the existence of institutionalised non-market relationships among firms had long been recognised as another East Asian cultural phenomenon, and the view that business in Japan and elsewhere in the region did not operate according to the free-market, competitive model of Western theory took hold.