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Impact of Financialization on Labor Policies at Japanese Joint-Stock Companies: Case of Nikkei Index 400

Abstract

This paper aims at finding out how financialization has affected labor policies at selected Japanese listed enterprises. Financialization is generally understood as an emergence of a finance-led growth regime. In particular, we consider the adoption of the shareholder-oriented reforms of corporate governance as financialization key element. In Japan, the partial shift from the stakeholder model of corporate governance towards the one preoccupied with firm's equity value occurred in early 1980s. This was a consequence of unraveling ties between corporations and partner financial institutions under the 'main bank system'. Whereas the latter consists in 'relational' supervision of corporate managers by partner banks, the shareholder model implies arm's-length and rule-based monitoring.

JPX-Nikkei Index 400, on which this paper focuses, was introduced in 2015, being a product of the government-initiated structural reforms. It is composed of companies that overall satisfy shareholders' demands for outsider monitoring and equity value creation. The index links the neoliberal reforms promoted by the Shinzo Abe cabinet with the underlying financialization element. This paper argues that the arm's-length supervision of the Nikkei Index 400 firms is largely responsible for an increasing number of temporary workers as well as their growing job insecurity. Apart from the link with deregulation, whose effects are also similar in the U.S., precarious conditions of part-time workers are further exacerbated by the existing institutional duality that the Japanese labor regulations entail.

Introduction

Financialization has been extensively treated as a complex phenomenon that encompasses fields from political economy to corporate governance. According to the general definition of Krippner (2005: 174), financialization is "a pattern of accumulation in which profits accrue

primarily through financial channels rather than through trade and commodity production". The author came up with such explanation after showing the ever-growing tendency of the US non-financial corporations to reduce their bank funding in favor of equity finance. Lapavitsas (2011: 611) argues that the concept of financialization has become particularly relevant for learning the lessons of the 2007-8 financial crisis, whereby political economists have tried "to relate booming finance to poorly performing production".

In the existing scholarly literature (Dore, 2008; van der Zwan, 2014, Hager, 2015), financialization is understood as: (1) a specific regime of accumulation on the political-economic level; (2) ascendance of shareholders right on a corporate level and; (3) discursive association of individual merits with ability to participate in financial markets. This paper focuses on the second aspect, wherein positioning it within the wider range of critical works on political economy. Thereby, first and third aspects will help to clarify the connection between financialization and corporate governance.

Talking about political-economic regime, Streeck (2014) and Hager (2015) attribute financialization to the shift from the 'tax state' to the 'debt state'. Whereas before 1970s oil crises, developed countries used to rely on fiscal policies for extracting revenue, during the following decades they have been preoccupied with creating favorable conditions for creditors ranging from commercial banks to publicly traded companies. The emergence of a 'debt state' in Japan is associated with the dwindling of the relational system of corporate finance and governance called 'main bank system' in the mid-1970 (Aoki, Patrick and Sheard, 1994; Amyx, 2004). It was spurred by the 1985 Plaza accord that led to yen revaluation and consequent structural reforms. The misfortunes of the new finance-led regime triggered a bubble burst that almost depleted available public funds in early 1990s. This tendency has continued further: in 2013 private savings of Japanese households turned negative (Saito, 2015). The burgeoning of Japanese public debt followed, reaching 230 percent to GDP in 2014, which is the highest ratio in the world (Trading Economics, 2016).

Along with the general positioning of financialization as a new regime of accumulation, scholars tend to emphasize the promotion of shareholder value orientation as its underlying feature. Whereas such mainstream economists as Friedman (1970), Jensen and Meckling (1976), Rappaport (1997), consider maximization of shareholder value as an utmost goal of any corporation, the critical theory scholars, such as Lazonick and O'Sullivan (2000), Duménil and

Lévy (2001), Dore (2008) and van der Zwan (2014) recognize the ideological implications of such approach. 'Shareholder value' ideology became a dominant view of a stock company in 1990s, making corporation a property of its stock-holders that have a right to extract revenue from it with all available means. In academia, such view of a company was substantiated by the increasingly influential agency theory. It views corporate managers as agents and thereby servants of their principles – shareholders.

One of the main features of large listed companies is the separation of management from ownership. It has been formally transposed on Japanese realities in the post-war period following the respective model represented by Berle-Means observation. These authors of the 1932 book "The Modern Corporation and Private Property" pointed at the fact that corporate managers do not necessarily share shareholders' interest in stock-value-maximization (Gilson and Roe, 1993: 876). Therefore, the trade-off between corporate owners and management has become a cornerstone of the Anglo-Saxon corporate governance.

The most common mechanism of allying managers with shareholders is the delegation of incentive payments to the former as a reward for corporate performance reflected in increased corporate share-value. Van Arnum and Naples (2013) as well as Zalewski and Whalen (2010) have demonstrated how in the U.S. financialization understood in terms of shareholder rights' enhancement leads to a significant growth of income gap between top-managers and ordinary employees. Although Japan is characterized by considerably lower CEO compensation rates compared to other OECD states (The Globalist, 2013; Jacoby, 2007: 13), there is a growing evidence of the adoption of shareholder-centered corporate practices leading to increasing job insecurity. On the other hand, Kubo (2005) and Dore (2005) found no correlation between corporate share-value and directors' compensation in Japan. Van der Zwan (2014: 109) covered this emerging phenomenon of the 'work bifurcation', meaning the growth in managerial rewards is combined with general decline in working conditions. However, her research mostly relates to Anglo-Saxon economies whose institutional foundations differ substantially from Japan.

Existing literature on financialization does not provide enough evidence to consider the Japanese economy as financialized. Moreover, the varieties of capitalism writings situate such 'coordinated' systems as Japanese and German on the pole opposite to the financialized Anglo-Saxon economies (Froud et al., 2010; French et al., 2011). In addition, Morgan and Takahashi (2002) present an argument (which we build up on in this article) about the need for institutional

arrangements for enabling shareholder value discourse to bear fruits. According to the authors, at time of their research publishing, these conditions were absent in Japan. However, almost 15 years later, the situation has changed significantly. One of the major transformations is the decline in cross-shareholding amid the drastic increase in foreign stockholding, as shown in the Tokyo Stock Exchange Shareownership Survey (TSE, 2016) (Figure 1). It is not enough to conclude that equity market starts to outweigh bank-based finance (Epstein, 2005), but the proportion is continuously changing in favor of the former. This corresponds to the understanding of financialization by French et al. (2011) more as a process than a completed event.

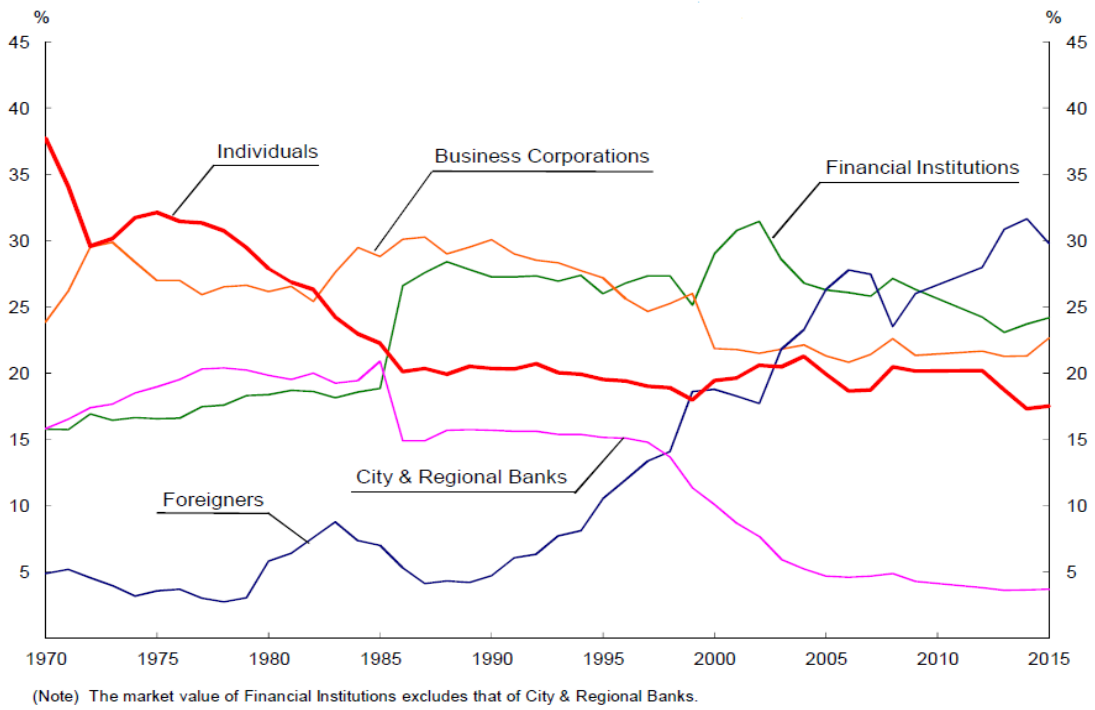

***Figure 1**: Distribution Percent of Market Value Owned by Type of Shareholder. Source: Tokyo Stock Shareownership Survey (2016)*

Furthermore, as this paper argues, in case of Japan, the ascendance of the shareholder value is related to the growing numbers of the non-regular workers, currently amounting to almost 40 % (Labour Force Survey, 2016) (Figure 2). Being linked to financialization, promotion of external labor flexibility is also a common attribute of a neoliberal ideology (Duménil and Lévy, 2001; Epstein, 2005; Harvey, 2006). Whereas on the discursive level the neoliberal proponents emphasize the notions of 'freedom' and 'individuality', critics point that such flexibilization entails

"job insecurity, low wages, and poor working conditions faced by nonregular workers" (Fu, 2013: 27).

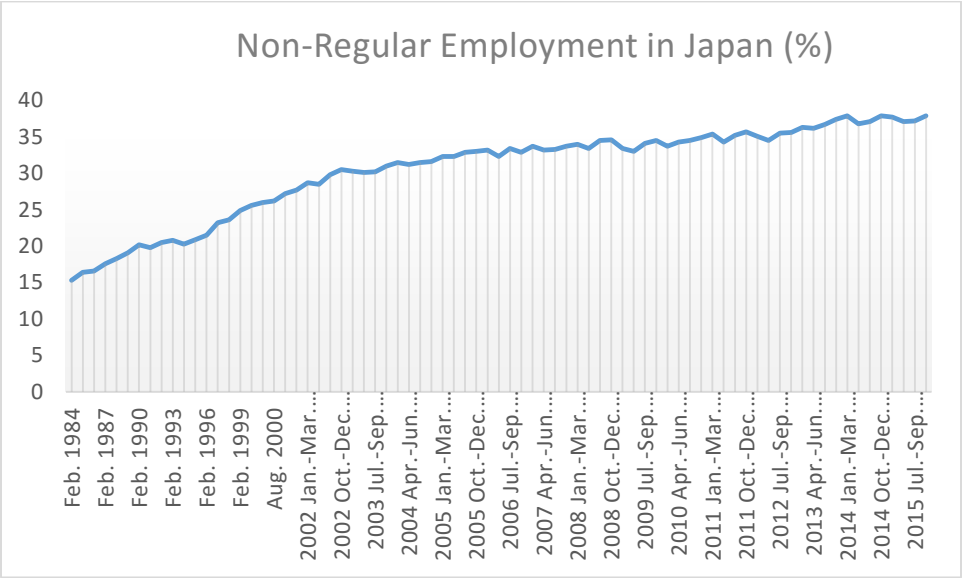

***Figure 2**:* Employee by type of employment. Source: Labour Force Survey (2016)

Though the regular Japanese employment system (so-called 'lifetime employment') has been subject to criticism from different sides, especially due to lasting economic stagnation and intensified global competition, most of the non-regular employees in Japan have found themselves in this growing niche involuntarily[1], i.e. not being able to find regular positions (Asao, 2011; Higuchi, 2013). In addition, whereas according to the ILO standards[2] a part-time employee is the one working no more than 30-35 hours per week, around 30% of Japanese part-time workers exceed this limit, being "full-time part-timers" (ibid). Moreover, non-regular force in Japan is additionally composed of dispatched workers and contract employees[3].

The problem of growing non-regular employment in Japan is significant due to the weak institutional representation of this labor segment. Against the background of the declining

[1] "Involuntary part-time workers are part-timers (working less than 30-usual hours per week) because they could not find a full-time job" (OECD, 2014).
[2] According to the ILO Part-Time Work Convention, a part-time worker is an "employed person whose normal hours of work are less than those of comparable full-time workers" (ILO, 1994).
[3] At the same time, a considerable part of non-regular workforce has continuously extended contracts, which makes them 'quasi-regular employees' (Keizer, 2009: 1527).

unionization rates (Figure 3)[4], the labor unions which are members of Rengo (Japanese Trade Union Confederation) tend to represent the interests of core employees, but not contributing to the protection of the temporary workforce (Ishiguro, 2008; Fu, 2015). This can be explained by the entrenched employment duality, where management and permanent employees of large enterprises have traditionally formed coalitions (Aoki, 1988). Before 1990s recession, when employment guarantees have covered vast majority of the Japanese labor market, such companyist compromise was institutionally complemented by the high cost of changing occupation and enterprise-based unions (Morishima, 1984).

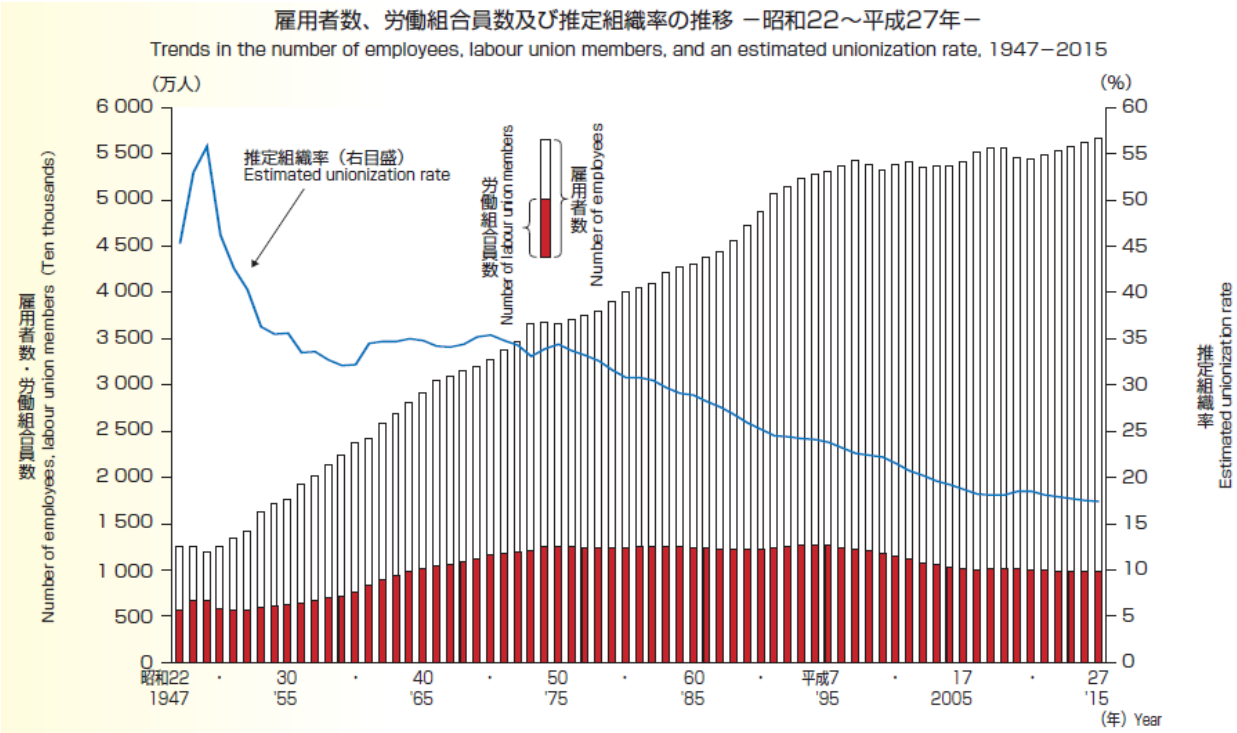

***Figure 3**: Estimated Unionization Rate. Source: "Basic Survey on Labour Unions" (2014), Ministry of Health, Labour and Welfare*

Recently, however, along with the enterprise-centered model legacy kept intact for core employees, Japanese government has been promoting occupational orientation primarily for flexible or temporary workforce (Fu, 2015). Thereby, the creation of two almost equal and mutually dependent institutional arrangements has been supported (Fong, 2015).

[4] Although, the percentage of part-time worker membership in labor unions has increased from 7 (2009) to almost 10 % (2014) (Basic Survey on Labour Unions, 2014), the proportion of part-timers during this period also grew from 34 to 38 % (Labour Force Survey, 2016).

This link between the neoliberal policies and the growing number of non-regular workers in Japan has not been highlighted sufficiently in the existent literature. However, more and more authors emphasize at the interconnectedness between financial and labor deregulation (Watanabe, 2015). Moreover, Shibata (2015) demonstrated that the category most vulnerable to neoliberal reforms in Japan is temporary workers[5]. Existing studies have also extensively covered the normative labor deregulation – from 1999 amendment of the Temporary Work Agency Law until 2015 revision of the Worker Dispatch Act – due to which, temporary employment was allowed for all occupations and sectors. While agreeing upon the fact that large business represented by *Keidanren* (former *Nikkeiren*) had a major interest in labor reforms, no attempts have been made to research the corporate privies. Most work concentrates on industries benefiting from accepting growing numbers of temporary employees (Ishiguro, 2008; Keizer, 2009). At the same time, hardly any papers have studied the link between corporate governance reforms and the growing proportion of flexible workforce. The first proposition aims to address this gap.

Proposition 1. Top Nikkei Index 400 firms have improved their accounting indices (such as ROI and EPS) at the expense of the growing numbers of non-regular employees.

There is no consensus on whether the drift towards shareholder model can alone serve as a proof of financialization. According to Jürgens, Naumann and Rupp (2000), financialization should be accompanied by certain institutional conditions that include a dominant role of equity funding for the national economy as well as individual and corporate participation in stock markets. French, Layshon and Wainwright (2011: 804) embed the latter aspect into a phenomenon called 'financialization of everyday life' that can enforce investor's subjectivity. Whereas on a macro level stock markets have gained substantial weight for the Japanese economy (World Bank, 2016), the evidence shows that there has not been much grassroots and corporate enthusiasm for entrusting funds to financial markets.

[5] Apart from being a common trend for the countries characterized by the strong protection of core-workforce (such as France and Italy), the rise in temporary employment in Japan further contributes to a perceived job insecurity among workers (Kuroki, 2012). There is a number of studies showing the perils of the 'job flexibility'. Kachi, Otsuka and Kawada (2014) have equalized non-regular employment with precarious and demonstrated that the involvement of the Japanese middle-aged males into it increases their risk of getting serious psychological distress (SPD). Tsurugano, Inoue and Yano (2010) observed the similar detrimental effects of involvement into full-time jobs under non-regular employment.

Until mid-1970s, banks played an exclusive role of financial intermediaries between government and large corporations (Nabeshima, 2002: 105). Thus, the so-called 'main bank system' that implied cross-holding ties between firms and partner financial institutions was a part of an underlying institutional arrangement developed in early post-war period. Accordingly, the growth of alternative sources of finance at Japanese firms marking the adoption of shareholder policies (issuance of market securities and selling equity) in 1980s was associated with the drift from this interlock practice (Aoki, Patrick and Sheard, 1994: 4).

As opposed to the Anglo-Saxon corporate governance, where financial representatives have served as outsiders able to introduce market discipline to a firm's realm, main-bank-affiliated auditors at Japanese firms have been agents of a state-regulated safety network. "The result of these interlocking factors was to create an internally focused style of governance that was self-regulating, hostile to outside interference, and rooted in the belief that corporate planning, management and execution formed an integrated process that could neither be fragmented nor entrusted to outsiders" (Buchanan and Deakin, 2007: 2).

This leads us to understanding that contrary to the U.S. economy, where corporate managers have been main drivers of shareholder-oriented strategies, Japan's shift towards market-based corporate governance has been a governmental initiative. In this regard, enhancement of shareholder-centered practices by promoting "equity culture" (Dore, 2008) has served as a mean to substitute loyal bank-affiliated monitors with possibly non-hostile outside directors. Whereas the emergence of the shareholder model in the US has been a consequence of financial deregulation, Japanese case provides rather an evidence of 'reregulation', which does not necessarily correspond to the classical definition of financialization.

As evidence suggests, even in the classical shareholder model shareholders often do not execute their principle rights via managers directly. In this regard, Roberts (2001: 119) mentions "disciplinary effects of [stock-] markets" as major stockholders' leverage against investee companies. Aglietta (2000: 149) concludes that due to the unification of accounting standards among public companies, institutional investors can neglect corporate peculiarities and rely on quantitative parameters reflecting firms' share-value. This can hold true even to a greater extent in case of inward-oriented Japanese companies where the corporate stock-price can embody a reputational asset for corporate managers, thereby disciplining them without a direct shareholder interference.

Lapavitsas (2006) pointed at the fact that, in spite of the lasting economic crisis in Japan, main bank system was only marginally complemented by arm's-length shareholder supervision. In the aftermath of the prolonged recession, rather than bluntly rejecting former system of relational monitoring, Japan's officials have aimed at gradually modifying existing 'institutional fit' (Aoki, 1997). So far, there have been very few studies that would investigate into the mechanisms of the shareholder-value enhancement in the Japanese context and its repercussions for the labor market. We argue that the new agenda has been strongly influenced be the growing number of foreign shareholders.

Proposition 2. The rise of the proportion of non-regular employees at Nikkei Index 400 listed firms is largely conditioned by the growing share of the foreign stockholding at these companies.

1. 'Community Company'

The promotion of an arm's-length monitoring at Japanese listed firms has been reflected in the number of corporate governance regulations throughout 2000s, resulting in Corporate Governance Code introduction in 2015. Those companies that relatively succeeded in enhancing their shareholder value through introduction of outside directors were included in a newly formed JPX-Nikkei Index 400 (Miyajima, 2014)[6]. It is composed of "companies with high appeal for investors, which meet the requirement of global investment standards, such as the efficient use of capital and investor-focused management perspectives" (JCGC 2015: 2). Following the observation of Darcillon (2015), we argue that a shift towards shareholder-centered model leads to an increasing external labor market flexibility and insecurity at targeted enterprises.

This is likely to be further exacerbated in case of Japan due the existing institutional duality. On one hand, main bank system has been compatible with peculiar treatment of regular employees – it has included long-time employment, seniority wage system (*nenko*) and various social guarantees (OECD, 1973). On the other, in addition to obvious payment differences, non-regular work in Japan is linked to an inferior employment status (Gottfried, 2008). Moreover, contrary to the continental Europe with its relatively strong industrial labor unions that can confront employers,

[6] In his research, Miyajima (2006) found out that among such corporate practices as shareholder rights, board structure and disclosure only the last two are significantly related to firm's performance. Therefore, in theory, under the stakeholder model, there is not much rationale for the Japanese firms to adopt shareholder corporate governance practices (Jacoby, 2007).

Japanese unions are enterprise-based, more aligning with rather than confronting firm's management. "The J-firm is a coalition of the body of stockholders and the body of employees, integrated and mediated by management, which acts to strike a balance between the interests of both sides" (Aoki, 1988: 101). Thus, under conditions of a joint-stock Japanese firm turning from a shareholder-employee coalition to an arm's-length-controlled entity, employees would be the ones subject to the most drastic changes.

The reason why the workers have traditionally cooperated with capital while associating their interest with corporate goals is the importance of status in Japanese society. "Status-inconsistent individuals tend to find it difficult to share coherent class-based interests and class solidarity. Accordingly, the growth of status-inconsistent conditions has led to the decline of clearly demarcated class lines" (Sugimoto, 2014: 47-48). Status in Japan is normally actualized through belonging to a certain corporation. Due to the strong psychological ties resembling kinship that pertain to a traditional corporate environment, large Japanese firms are sometimes called a 'community company' (Inagami and Whittaker, 2005: 4).

Historically, the first workers' movements in Japan during the 1920s and 1930s were "not driven by the assertion of class interests as much as the aspiration of being recognized as 'equal members of their enterprises'" (Aoki, 1997: 240). In the post-war times, it has been not only about a prestige of a firm's name, but also about the number of privileges, primarily during retirement, which a former employee receives. This includes pension, provision of medical facilities, additional holidays as well as the possibility for a white-collar worker to "get a post of a director of the enterprise within the same group" (Morishima 1984: 173). Thus, such factors as high costs of changing occupation by core-workforce as well as social benefits have been effectively used in order to sustain enterprise-based regulation model.

2. Emerging Labor Duality amidst the Decline of Relational Monitoring

Since the burst of the bubble in 1989, Japan has demonstrated a high degree of institutional resistance to the implementation of the Anglo-Saxon monitoring practices on a corporate level. Although the pertinence of the main bank system and its relational supervision is compatible with the enterprise-centered labor regulations, its inability to function effectively under conditions of the growing role of the internal and direct finance has also been clear (Amyx, 2004). The main banks provided massive amounts of risky credit in the late 1980s due to the shortage of the

traditional clientele – large corporations that accumulated considerable surpluses by that time and therefore no longer needed to continuously borrow from partner banks. The consequent burst of the bubble had negative repercussions not only for banks, but also for ordinary households, from which most of the investment funds originated. Up to that time, Japanese economic growth was possible due to the channeling of households' savings into business sector within state-promoted public programs (Cargill, 2000: 39).

The burgeoning of bad credits resulted in the contraction of traditionally high Japanese household savings. Therefore, it would have been logical for the Japanese government and the Ministry of Finance (MOF) in particular to deal with the problem of the non-performing loans. However, instead of reforming highly regulated financial system, the policy-makers concentrated their attention on corporate sector. Due to the aforementioned institutional rigidity and reputational concerns, the decision to equip the financial system with market-related monitoring tools (through implementing accountant standards and deregulating investment banking) was delayed by the fraction of the ruling Liberal Democratic Party (LDP) and the MOF acting as 'veto players' (Watanabe, 2015: 427). In turn, among others, the government opted for attracting the necessary funds by abandoning costly employment practices (Aoyagi and Ganelli, 2014: 12).

Before 1990s, mostly throughout large enterprises, there existed a companyist compromise centered on the acceptance of unlimited job duties by employees in exchange for the provision of job security by management (Yamada, 2002: 21). However, amid the economic backdrop, the *Nikkeiren* (the Federation of Employers' Association; absorbed into *Keidanren*, Japanese Business Federation, in 2002) in its 1995 report offered to limit the compromise to core employees by stratifying the workers into: "core regular workers, professional and skilled workers and all other unskilled workers" (Shibata, 2015: 3). This was the first step to undermine the stakeholder foundations of the Japanese corporation. Traditionally, it has implied that "a variety of firm constituencies – including employees, suppliers and customers, and the communities companies are located in – enjoy 'voice' in the firm and whose interests are to be balanced against each other in management decision-making" (Vitols, 2001: 337). The practices tagged as 'Anglo-Saxon' by *Nikkeiren* implied the increased share-value of the firm as the major success criterion.

One of the factors that contributed to the overall smooth alignment of management and employees interests throughout the post-war period was the existence of enterprise unions. Together with the long-term employment, it served as a pillar of firm's social organization (Westra,

2003). Around 90-95% of employees belonged to corporate unions in early 1990s, making this entity inclusive and universal, therefore "superseding traditional blue-collar, white-collar distinctions" (Fruin, 1992: 171). Indeed, the non-regular workforce existed in Japan long before 1990s, however its proportion was relatively low. Before 1990s, part-timers were replicated on a macro level with the dual corporate structure where the regular employees of the large enterprises were most privileged. When the share of non-regular employees at Japanese enterprises started to grow, the enterprise unions originally called to function under conditions of long-term institutional arrangements, rendered ineffective for representing the emerging labor force not affiliated with the 'community company'.

The roots of the labor bifurcation can be traced to 1986, when the Yasuhiro Nakasone cabinet issued the Maekawa report. This document paved a way to a series of structural reforms that led to privatization of some strategic state-owned enterprises, such as 'Japan National Rail' and 'Nippon Telegraph and Telephone Corporation (NTT)'. Interestingly, many of those companies have been most eager to implement Anglo-Saxon shareholder-centered corporate governance reforms, which is reflected in their inclusion into the Nikkei 400 Index in 2015. During the recent times, these pioneering neoliberal mediums have been increasingly adopting the policy that favored the coexistence of traditional regular jobs and non-regular occupations as two separate institutional arrangements (Fong, 2015). The aforementioned companies, though varying according to their scale and profile, have become an epitome of the deepening institutional gap between the core and part-time employees. The dualism that used to be embedded into a particular firm's structure before 1990s has become more of a common phenomenon for the Japanese labor market.

3. Coalitions Embodying New Labor Antagonism

As described above, contrary to many Western countries where labor disputes reflect wider class antagonisms, Japan presents a different case. In a 'liberal market economy' (Hall and Soskice, 2001), standoffs between shareholders and management is a disciplining factor that complements arm's-length monitoring by market forces. In turn, Japanese relational model has traditionally implied coordination between various stakeholders, which to some extent relates to other 'coordinated market economies' (ibid), such as German. "In both Germany and Japan, [corporate governance] reform is perhaps less about class conflict than about crossclass coalitions among

insiders that bind together insider management, stable shareholders and core employees" (Jackson and Moerke, 2005: 359).

The concurrent rise of shareholder activism and the decline of the relational main-bank monitoring since 1990s have modified the formerly entrenched arrangements on a corporate level. The lack of monitoring previously carried by partner banks together with a continuous rise in foreign stockholding have provided a platform for the emergence of an investor-oriented supervision at Japanese listed enterprises. This new model is so far very different from the Anglo-Saxon rule-based market-oriented case. Also in the latter, board of directors often sides with the corporate management rather than with shareholders (Yeh, 2014: 312). Even more this holds true in case of Japan. Until nowadays, Japanese joint-stock firms have mostly remained with the inwardly oriented model of corporate governance. Contrary to Anglo-Saxon practices, their board of directors does not have be composed of outsiders' majority. Furthermore, higher concentration of Japanese stock plus the existence of long-term loyal shareholders makes the possibility of hostile takeovers practically impossible.

Whereas the core companyist compromise between management/board and core employees has been kept intact, the labor flexibility as a key neoliberal feature has been steadily attained through the growing proportion of part-time employees. According to Asao (2011: 9), the most common (53.6%) motivation for hiring part-time workers was "to reduce labor costs". Furthermore, sparing on non-regular employees ensures the stability of the core workforce (Hashimoto, 2012: 42). At the same time, as Keizer (2009, 1530) notes, lowering labor costs for non-regular employees also allows firms to offer them long-term career paths as opposed to a common neoliberal strategy that underlines flexibility. However, most likely, this observation does not hold true any longer nowadays, when the number of non-regular employees grew five per cent compared to 2009, thus showing a continuous upward trend (Labour Force Survey, 2016).

The policy of forming lower-cost non-regular employees' cohort was implemented in the early 1990s following the recommendations of *Nikkeiren* (Keizer, 2009). This could be done almost unilaterally, without accounting for the employees voices due to the lack of their institutional representation through labor unions. "The unionization rate was a little more than 30% until 1975, but has continued falling annually since then. Since the mid-90s the decrease of union members combined with the rapid increase of non-regular employees to whom enterprise union in the majority of cases have been denying membership, has resulted in a decrease in union density"

(JILPT, 2012: 3-4). Moreover, on a political level, the degree of unions' representation in the ministerial debates on labor reforms was minimized starting from the Koizumi era in early 2000s. Its administration completely removed labor representatives from the policymaking process led by the Deregulation Committee (Watanabe, 2015: 420).

Thus, the emerged coalition advocating labor deregulation has been mainly comprised of (1) the Japanese government showing its allegiance to making the listed companies look more attractive for investors. It has done so through series of legislations in the sphere of corporate governance (2013 Japan Revitalization Strategy, 2014 Companies Act Amendment, 2015 Corporate Governance Code), aimed at enhancement of corporate share value, and labor reforms (2015 revision of the Worker Dispatch Act), centered on lifting the industrial restrictions on hiring non-regular employees. The second (2) element of the coalition is Keidanren interested in wider usage of flexible workforce against weak institutional resistance from the labor side (Yun, 2015: 5). The third (3) element of the coalition is arguably Rengo. In spite of the evidence of the Trade Unions Confederation limiting LDP's political entrepreneurship in 1990s (Yun, 2015: 10), the main advocate of workers' interest has been losing its bargaining power in the new millennium. Rengo has only been able to protect the core employees against neo-liberal perils, while not spreading its influence over alternative workforce (ibid).

4. Preliminary Results

The primary data used in this research consists of yearly securities reports produced by the top Nikkei Index 400 companies within the last two decades. While assessing the impact of financialization on labor polices at listed enterprises I incorporated the following thesis of Morgan and Takahashi (2002: 173-4): "The shareholder value discourse in integrally related to the ability of managers to engage in major and rapid organizational restructuring in order to quickly respond to 'poor figures'". Firstly, I have found out that the increase in the proportion of outside directors at the companies in focus has been negligible over the course of last years. This means that in spite of the declared aim of the recent corporate governance reforms to enhance outsider monitoring, the supervision has by and large remained internal. Thus, in order to meet the requirements of institutional investors on part of corporate transparency and accountability, managers had at least to show their determination to improve the respective accounting indices.

In Japan, the realignment of shareholders' and managers' interests formally started with the introduction of stock options in 1997 (Shishido 2007: 312). At the same time the main bank system undermined by the 1990s' bubble burst still plays a crucial role for the modern Japanese financial system. With the dependence on the long-term main-bank credits, corporate managers are often not motivated to meet short-term shareholders' goals. That is why, for the majority of the listed companies, the shareholder-value discourse is not yet institutionally rooted. Against this background I base my argument on Lazonick and O'Sullivan (2000), Roberts (2001), Amernic and Craig (2010) that underline the manipulative and therefore ideological features of corporate accounting. For example, Roberts (2001) states that "The intensification of market discipline produces a heightened awareness in the minds of directors of the perceived interests of shareholders reflected in dividend policy, share price, etc. It encourages directors to identify themselves with these purely financial indices of business success".

In order to test, how the formal adoption of the new corporate governance standards (which is the prerequisite for the inclusion onto Nikkei 400 Index) have been perceived by managers, I took a closer look at such reputation-sensible indices at EPS (earnings per share) and ROI (return on investment). According to Amernic and Craig (2010), these parameters most significantly determine CEO's remuneration under the shareholder model. The described values are relevant for this research inasmuch as they can explain the increase in the share of the non-regular employees as stated in the Proposition 1. Furthermore, as we have established that the shareholder-value discourse stems from shareholders rather than from outside directors, we are eager to test, whether this discourse has been substantiated by the growing proportion of foreign stockholders (Proposition 2).

The application of Pearson's correlation has revealed the following. In more than 25 % of the companies concerned we observe medium to strong positive correlation between foreign stockholding and proportion of non-regular employees. We can therefore conclude that foreign shareholders frequently initiate reforms aimed at increasing labor flexibility. Furthermore, in about 23 % of the researched cases, the growth of non-regular employment segment is accompanied by the improved EPS characteristics. At the same time, proportion of flexible workforce is positively correlated with ROI in only 15 % of the cases.

Conclusions

Based on the aforementioned results we can conclude the following. The ongoing drastic increase in the numbers of non-regular employees at Japanese stock-listed companies reflects the legacy of the prolonged economic stagnation. By resorting to such policy, corporate management aims at increasing productivity by cutting labor costs. This action can be made almost unilaterally by employers due to virtually non-existent institutional representation of flexible workforce in Japan. On the other hand, the practice of lifetime employment still remains intact, meaning that core employees are protected against dismissals. In this regard, Rengo – Japanese Trade Union Confederation – sides with business on the matter of regular employees' protection.

The resulted work bifurcation that has become apparent especially during the last two decades explains why the burden of worsened labor conditions rests almost solely on the shoulders of non-regular employees. Making them a 'scapegoat', management can by and large preserve existing institutional structure and hope that such selective labor deregulation can solve existing corporate problems. In some cases, the increase of non-regular employees' proportion is a consequence of the growing numbers of foreign shareholders. The latter tend to associate firm's ability to invest in liquid assets with performance-based employment system called to replace traditional lifetime employment.

On the other hand, more and more stock-listed companies view labor deregulation as key to implementing corporate governance reforms. Through not leading to the increase of outside directors, the new model manifests itself through the heightened awareness of corporate managers towards indices such as EPS and ROI. Their resolution to improve these numbers is a consequence of managers turning into agents of their principles – corporate shareholders. However, unlike the Anglo-Saxon shareholder model, Japanese managers tend to impose market discipline over themselves 'voluntarily', i.e. under reputational concerns. At the same time, their direct supervisors – board of directors – remain formally inward-oriented.

Thus, concurrent increase in the numbers of non-regular workers and EPS at some Nikkei 400 companies might demonstrate the growing readiness of managers to prioritize market-related performance over social wellbeing of employees.

Though the drawbacks of the traditional employment system complemented by the relational bank supervision have been apparent for about two decades, its legacy has still to be accounted for during the course of reforms. Currently dominant shareholder-value discourse does

not have a solid institutional fundament in Japan. Due to this, the transformations in corporate sector remain fragmentary, fencing core employees and leaving non-regulars unprivileged. Apart from playing an economic role, Japanese enterprises have also had a strong social agenda embedded in a stakeholder model. Therefore, it is not enough to promote rule-based monitoring and managerial accountability towards institutional investors. In turn, the ongoing deregulation must account for corporate peculiarities in order to avoid short-termism and to favor sustainable transformations.

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