

Human Resource Management and Corporate Governance in Japanese Small- and Mid-Sized Firms

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Small- and mid-sized firms play an important role in the Japanese economy. *Chushou Kigyou Hakusho in 2011* said that the percentage of Japanese industries was more than 99% and these firms represent approximately 60% of all employers in Japan. But, due to lower profits, small- and mid-sized firms offer lower wages relative to that of large firms. Long term employment and a seniority-based wage system, which are characteristic in the Japanese employment environment, are not generally followed in small- and mid-sized firms. Moreover, corporate governance in individual small- and mid-sized firms is not subject to public scrutiny, since most of these firms are not listed on a stock market and therefore, the micro data for these firms is not published.

In this paper, the relationship between the characteristics of firm management and human resource management in small- and middle-sized firms is analyzed. More precisely, we will first consider the effect that the characteristics of the corporation, management, and labor union have on human resource management decision making, e.g., the type of wage system that will be implemented at the firm. Second, the effect of human resource management on the wage curve is analyzed. Third, the effect of human resource management and the wage curve on turnover and execution of employment adjustments and recruiting is reviewed. The data used in this analysis is the micro data from the Questionnaire entitled “Dialogue at Condition of Employment between Managers and Employees in Small and Middle Firms in 2006” (Chushou Chuken Kigyou ni oketu Keieisha to Jugyoun tonou Roudou Jouken wo meguru Taiwa ni kansuru Anketo Chousa) designed by the Japan Institute for Labour Policy and Training (JILPT).