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MMRC-F-19

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Promotion of Japanese White-Collar Employees
The Case of the House of Mitsui

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January 2005



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Introduction

Scholars have zeroed in on lifetime employment and the seniority-based wage system, along with in-house labor unions, as sources of Japanese firms' competitiveness, in the 1970s.¹ Abegglen argued that these features derived from Japanese culture, though many other scholars thought they were formed by conditions particular to the Japanese economy.² The period of a worker's employment at a firm began to lengthen in the 1920s, but it is commonly accepted that lifetime employment and the seniority-based wage system became established after the Second World War.³ Although a recent suggestion that reforms during the controlled economy from 1937 to the end of the war were responsible for the formation of these features is gaining the support of scholars, this theory does not basically contradict the accepted view, because it admits that lifelong employment and seniority-based wages spread decisively and widely among large corporations after the Second World War.⁴

Lifetime commitment and the seniority-based wage system are generally thought to be specific to Japanese employees after the Second World War. Koike, however, brought to light the following three facts. First, white-collar workers' years of service are longer than those of blue-collar workers, and white-collar workers' salaries rise in step with seniority in Western countries as well as in Japan. Second, Japanese blue-collar workers' years of service are much longer than those of their Western counterparts and as long as those of Western white-collar workers. Third, Japanese blue-collar workers' wages increase with seniority,

while their Western counterparts' wages do not. On the basis of these facts, Koike concluded that blue-collar workers' 'white-collarization' was a feature particular to the postwar Japanese economy.⁵ That is, employment and promotion practices with regard to white-collar employees acted as reference points for dealings with blue-collar workers after the Second World War.

It has already been shown that, even in the early 20th century, in Japan white-collar staff who had received a higher education served their companies longer than blue-collar workers, and that white-collar workers climbed the promotion ladder at regular intervals.⁶ Little attention, however, has been paid to how employment customs in merchant houses in the Edo period (1603-1868), in which the exceptional practices of internal promotion and a seniority-based wage system were adopted for 'white-collar' staff working in purchasing, marketing, and sales divisions, were developed and modified in modern times. This paper aims to analyze, as far as possible in terms of remuneration practices, how a merchant family, the House of Mitsui, changed its employment system in order to adapt to new environments after the Meiji Restoration of 1868.⁷ The House of Mitsui, which ran drapers' shops and money-exchange shops, was one of the largest merchants in the Edo period; later it began banking, trading, and mining businesses and grew into one of the country's major zaibatus.⁸ After an examination of the employment system and the types of remuneration paid in the Edo period, it will be shown how the House of Mitsui made changes in each area about the time that it established Mitsui Bank in 1876. The discussion then moves on to the House's employment of new university graduates and the introduction of seniority-based promotion in Mitsui Bank in the early 1900s, with particular reference to salaries, bonuses, and retirement allowances.

Employment and Remuneration in the Edo Period

Takatoshi Mitsui opened a draper's shop in both Edo (renamed Tokyo in 1868) and Kyoto in 1673. He laid in stocks in Kyoto, which was the center of the textile industry at that time, and sold them in Edo. His shop in Edo was so prosperous that in 1691 he opened a similar draper's shop in Osaka, which was the center of commerce in Japan in the Edo period. With funds accumulated through the drapers' shops, he opened money-exchange shops in Edo (1683), Kyoto (1686), and Osaka (1691) to make loans to merchants and to conduct a money-transfer business. The three drapers' shops in Edo, Kyoto, and Osaka, and other related shops, together formed the Drapers' Shops Group, and the three money-exchange shops, and other related shops, formed the Money-Exchange Shops Group. After Takatoshi's death, the heads of Mitsui families established a House of Mitsui headquarters—the Ōmotokata—in Kyoto in 1710. The Ōmotokata then made investments in the Drapers' Shops Group and Money-Exchange Shops Group and made loans to them. The Mitsui shops and the

Ōmotokata employed double-entry bookkeeping, and the accounts were settled twice a year. In each accounting period, shops paid a certain percentage of dividends to the Ōmotokata (dividend rates differed from shop to shop) and the remaining profits were retained at the shops. The grand book balancing took place every 3 years, and about 10 percent of retained profits at the shops were paid to executives. Profits that were not paid out as a bonus were paid to the Ōmotokata as dividends, and the Ōmotokata usually reinvested the money in shops.

Japanese merchants in the Edo period hired their employees from among youngsters in their early teens, and gradually promoted them to higher ranks. Employees who did not gain promotion to higher ranks within a certain number of years were dismissed. Salaries increased as employees were promoted to higher ranks. To top up salaries, a portion of profits was retained and paid to employees as bonus rewards. And when employees left their jobs, they received retirement allowances that helped them to become independent merchants. Compared with their salaries and bonuses, retirement allowances were usually very large. Employment and compensation varied slightly from merchant to merchant, but they were highly systematized in the House of Mitsui.⁹

Employment and promotion practices in the drapers' shops were almost the same as those in the money-exchange shops, so an examination of what was done in the drapers' shops, especially in the Kyoto Draper's Shop, will give a clear picture of House of Mitsui practices.¹⁰ There were no female employees in Mitsui shops in the Edo period. Most employees were recruited in Kyoto and then sent to one of the shops. The Kyoto Draper's Shop took 1,754 males into employment between 1719 and 1866, of whom 1,546 were aged between twelve and fourteen. Only 36 employees entered the shop over the age of twenty.¹¹ There were many ranks in the Kyoto Draper's Shop (Table 1).¹² Young boys entered the shop as *kodomo* (apprentices) and were promoted to *tedai hira* (full-fledged clerical employees) in 5 or 6 years. In another 8 or 9 years they would be promoted to *tedai myōmoku-yaku* (full-fledged executive employees). Since employees in ranks under *tsūkin shihai-yaku* ("commuting officers") lived in the shop, they were given meals by the shop.¹³ Executives on the *motokatakakari myōdai-yaku* level or higher dealt with affairs in the Ōmotokata. As the range of years of service in each rank is narrow, employees were probably promoted to higher ranks in order of seniority. Some people quit voluntarily, others were dismissed for various reasons, so that the higher the rank, the smaller the number of employees in each rank. About 60 percent of those who entered the Kyoto Draper's Shop as *kodomo* between 1753 and 1866 were promoted to *tedai hira*. In other words, about 40 percent of those who entered as *kodomo* left the shop in about 5 years. Out of 1,236 employees who entered the Kyoto Draper's Shop as *kodomo* between 1720 and 1839, 292 were promoted to *jōza-yaku* or higher and 45 to *tsūkin shihai-yaku* or higher.¹⁴ Only 3.6 percent of them were promoted to commuting officers, and they were about 40 years old at the time of promotion. We can also see from Table 1 that only a few highly rated employees were promoted to *jōza-yaku* and the rest dismissed (note the absence of workers with 15 to 17 years of service; since 30 people

were newly employed between 1847 and 1849, all these must have left the shop because they were judged not qualified for promotion to *jōza-yaku*). Moreover, we see that only 5 out of a total of 24 employees in the *tedai myōmoku-yaku* ranks were allowed to commute.

Mitsui shops rewarded each employee with a salary, a bonus, and a retirement allowance. An employee in the *kodomo* rank was supplied livery by the shop, so his salary was very low. When he was promoted to *sannenme*, supply of livery was stopped and his salary was raised proportionately (Table 2). Once he became *kumigashira-yaku*, his salary increased rapidly. When he was allowed to commute to the shop (namely, promoted to *tsūkin shihai-yaku*), his salary rose significantly because it included an allowance from the shop to pay for his accommodation. An executive in the *motokatakakari myōdai-yaku* or *kahan-yaku* ranks (Table 1) received a salary from both the shop and the Ōmotokata, and executives on the *motojime-yaku* level received a salary only from the Ōmotokata.

Two kinds of bonus were paid in Mitsui shops. The first type, called *nenhōbi*, was paid to employees in ranks from *kadomaegami* to *hittō* once a year. The amount of the *nenhōbi* was prescribed in bylaws and was raised in order of seniority. There was a crucial difference, however, between the salary and a *nenhōbi* bonus. While an employee was allowed to spend money paid as salary as he wished, he was forced to deposit the *nenhōbi* money in the shop, which had opened a reserve account for it, with interest.¹⁵ He could withdraw all the money only when he left the shop. Moreover, the amount of a *nenhōbi* was much smaller than that of a salary. According to tables for salaries and bonuses in 1790, *hira* in their first year, for example, received a salary of 190 *monme* and a *nenhōbi* of 60 *monme*.¹⁶

The second type of bonus, called *warigin*, was paid to executives at the time of the grand book balancing, which took place separately in the Drapers' Shops Group and in the Money-Exchange Shops Group. The amount of *warigin* for each person was determined in three steps. First, because each rank had a certain base figure assigned to it in the bylaws, the figures for all executives in each group were added up. Next, the total amount of money available for the *warigin* (about 10 percent of retained profits for 3 years) was divided by the sum of figures to calculate a unit amount.¹⁷ Lastly, the unit amount was multiplied by each base figure to calculate the bonus for each rank. Consequently, the amount of *warigin* bonus for each executive depended on each group's profit, the composition of executives, and that executive's rank. In this way, any individual achievements or efforts during that 3-year period were not taken into direct consideration in determining the amount of each executive's bonus. Executives were also forced to deposit the *warigin* in the shop with interest, and they were allowed to withdraw the entire amount when they left the shop (as with *nenhōbi*, the shop kept the balance in a reserve account). Thus the *warigin* bonus in Mitsui shops was a kind of profit-sharing system. The smaller the number of employees to be rewarded by a profit-sharing plan, the stronger the motivation they

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feel; in this sense, it makes good business sense for employers to pay the *warigin* type of bonus only to executives.¹⁸

Another thing to note is that the ratio of *warigin* to salary for an executive was higher than that of *nenhōbi* to salary for a clerk. For example, at the grand book balancing covering the 3 years 1800 to 1802, the amount of *warigin* for an executive in the *jōza-yaku* rank was 1,200 *monme*; that for *yakugashira-yaku* 1,920 *monme*; that for *kumigashira-yaku* 2,880 *monme*; and that for *shihai-yaku* 4,560 *monme*.¹⁹ Dividing the *warigin* by three to show how much it was worth for a single year, one finds it was as much as the annual salaries shown in Table 2, or larger, except for *shihai-yaku*. For commuting officers, the amount of *warigin* was smaller than that of a salary (see Table 3). Middle class executives were thus highly motivated to make a large profit.

When an employee in the *hatsumoto* rank or higher left the shop, a retirement allowance was paid. There were no bylaws to prescribe the amount of a retirement payment according to ranks. In practice, the longer the years of service and the higher the employee's last rank, the larger the amount of payment. Some average amounts of retirement allowances for employees who entered the Kyoto Draper's Shop between 1800 and 1839 were as follows:

332 *monme*, for employees with 5 years of service who left the shop as *hatsumoto*

1,043 *monme*, for employees with 10 years of service who left the shop as *hira*

5,750 *monme*, for employees with 18 years of service who left the shop in their third year as *jōza-yaku*

12,250 *monme*, for employees with 22 years of service who left the shop in their first year as *kumigashira-yaku*

17,750 *monme*, for employees with 25 years of service who left the shop in their third year as *shihai-yaku*.²⁰

When an employee was allowed to commute to the shop, he was paid a retirement allowance. He had to deposit the money in the shop with interest. The amount of retirement allowance was almost equal to the total amount of salaries and bonuses that he had earned since his entry into the shop. Because the bonuses during his service and the retirement allowance could be drawn out at the time of termination of service, an employee was motivated to be loyal to the House of Mitsui until that time.

The amount of salary, bonus, and retirement allowance increased when an employee was promoted to a higher rank, but the number of employees who were promoted to *tedai myōmoku-yaku* was small and those who were allowed to commute to the shop were an even smaller minority; in this way the shop was able to keep its employee base young and cheap. Employees competed with one another for higher ranks and higher payments during their service, and only a very few highly evaluated executives were rewarded quite generously for their long service.

Reforms after the Meiji Restoration

Social changes around the Meiji Restoration in 1868 heavily influenced Mitsui's businesses and necessitated some drastic reforms. Mitsui's business operations turned slack after the 1840s, and after the opening of Japan's ports in 1859 the business environment became even worse for Mitsui. When the Tokugawa Shogunate government collapsed in 1867, the House of Mitsui gave a large donation to the new government and was appointed the government's official accountant. Mitsui's government-related business expanded rapidly, and Kawaseza Mitsui-gumi was established in 1871 to take care of such business efficiently. This new organization mainly accepted deposits from the government and made loans to merchants. Now, Mitsui family heads were reluctant to modernize their business practices, but government officials expected them to cooperate with official policies to modernize Japan. As the government had a large amount of deposits in Kawaseza Mitsui-gumi, it was able to intervene in Mitsui business. Thus, government officials like Kaoru Inoue and Eiichi Shibusawa actually forced Mitsui to separate their government-related business from their drapers' shops, which had been in the red for many years. In 1872 Mitsui family heads entrusted these shops to "owners" who, owners in name only, were controlled by the family heads; despite the reorganization, the drapery business failed to recover. In addition, in 1872 and 1873 the three money-exchange shops (in Tokyo, Kyoto, and Osaka) were merged with offices of Kawaseza Mitsui-gumi in each of those cities because the money-exchange business was also stagnant. In this way the House of Mitsui's two main businesses in the Edo period, the drapers' shops and money-exchange shops, were drastically reorganized, and Kawaseza Mitsui-gumi became the main line of business under the simplified name of Mitsui-gumi. In 1876 it was once again reorganized, this time into Mitsui Bank with a capitalization of 2,000,000 yen.²¹ Twenty thousand shares were issued, of which ten thousand were subscribed for by the Ōmotokata (which had gradually been moved from Kyoto to Tokyo between 1871 and 1873), five thousand by Mitsui family heads, and five thousand by employees. Many employees of Mitsui-gumi became shareholders of the bank, and a total of 383 shareholders assumed unlimited liabilities at the time of establishment. The president and directors of Mitsui Bank came to be elected by a ballot vote taken among shareholders.

Immediately after the Meiji Restoration in 1868, House of Mitsui bylaws covering ranks and salaries were changed several times. Following the establishment of Mitsui Bank in 1876, however, they were subject to much less change. All office employees were divided into fifteen grades (Table 4), and there were also office helpers (*yatoi*) and caretakers (*yōtei*) who are not listed in Table 4. In some grades, the grade was divided into higher and lower levels (for example, Grade 14 higher and Grade 14 lower). Directors (elected at the

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shareholders' meeting) were also ranked in grades. For example, Hachirōemon Mitsui, president of Mitsui Bank, was ranked Grade 1. In comparison with the salaries given in Table 2, the difference between higher-grade salaries and lower-grade salaries narrowed. As all employees were permitted to commute to the office from their homes after the establishment of the bank, and from that time even employees in lower grades paid their own food, rent, and other expenses, it is very difficult to evaluate the narrowing of the difference in salaries. As no salary was paid to employees in Grade 15 (they were paid a bonus) and salaries in lower grades were very low, employees in these grades are thought to have lived in the office building or with their families (they are assumed to have been very young).

When the *warigin* bonus was abolished in 1870, the bylaws on bonuses changed several times, but they stabilized after the establishment of Mitsui Bank. About 20 percent of the profit of the bank was paid to both executives (including the president and directors) and clerks as a bonus at every half-year settlement, according to the following formula. First, each 10 yen of the annual salary of each person in Grade 14 or higher was made one "unit." Thus, everyone in Grade 14 or higher had some units. Next, the units were added up for all employees. Then the total amount of the bonus money for that half year (about 20 percent of profits) was divided by the number of added-up units, to give the amount of bonus money per unit. Lastly, the number of each person's units was multiplied by the amount of money each unit was worth. As the amount of money per unit was determined in half-yen intervals (for example, 4.5 yen, 5 yen, and 5.5 yen), a fractional amount remained that was not paid to employees in Grade 14 and higher.²² This remainder was distributed among employees in Grade 15 (to whom salaries were not paid), office helpers, and caretakers. Thus, the amount of the bonus was nearly exactly proportionate to the amount of salary listed in Table 4. Unlike the earlier Mitsui practice, bonus money was given directly to the employees, and they were able to spend it as they wished. The amount of the bonus per unit was 5 yen or more in twenty-three out of thirty accounting periods from 1877 to 1891; thus the amount of a bonus was nearly equal to that of a salary.²³ As we saw in the discussion of the two types of bonuses paid in Mitsui shops, the annual amount of the *nenhōbi* bonus for a *hira* was 60 *monme* in 1790, while the amount of the *warigin* bonus for a *shihai-yaku* between 1800 and 1802 was 4,560 *monme*; thus the difference between the amounts of bonuses paid to higher ranks and those paid to lower ranks was greater in the Edo period than those paid by Mitsui Bank.

In the money-exchange shops, retirement allowances were paid almost in the same way as in the Edo period until the shops were merged with offices of Kawaseza Mitsui-gumi. No documents, however, have been found that show how retirement allowances were paid in Mitsui-gumi. When Mitsui Bank's bylaws were drawn up, an allowance for family survivors in case of death was implemented.²⁴ Under these bylaws half of the amount of an annual salary was paid as allowances for one and a half years (for grades 7, 8, and 9), 2 years (for

grades 4, 5, and 6), two and a half years (for grades 2 and 3), and 3 years (for Grade 1) after an employee died. For clerks in Grade 10 or lower, however, the amount of this allowance was at first decided on a case-by-case basis by managers, as were the retirement allowances prescribed to be paid to an employee who left the bank because of age, illness, or injury. In 1881, however, new bylaws on an allowance for family survivors in case of death and on a retirement allowance were implemented for such employees. These bylaws prescribed an allowance equal to about half of the annual salary for cases of death, and an allowance equal to about one-fourth that of the annual salary for retirements. Thus, we can surmise that the amount of a retirement allowance for an employee in Grade 9 or higher was less than that of an allowance for family survivors in case of death.

The ratio of the amount of retirement allowance to the amount of salary for an employee in Mitsui Bank was much lower than the corresponding ratio had been in the Edo period. To be more specific, in the Edo period, family survivors of an executive on the *motokatakakari myōdai-yaku* level (Table 1) or higher (who would have been paid a retirement allowance when he was given permission to commute to the shop) would receive an allowance in the case of his death; this allowance would be paid by the Ōmotokata rather than by the shop, and it would not amount to much. Then, because Mitsui-gumi faced financial difficulties after the Meiji Restoration, the generous retirement allowances of the Edo period were abolished, and instead an allowance for family survivors in case of death would be paid to survivors of any employee in any rank, and about half of this amount would also be paid to any employee who left the bank.

Because there are no documents that indicate the kind of persons the bank hired, the only remaining aspect we can look at is that of promotion. Table 5 shows how employees who started out in the lowest grade in 1876 and again in 1880 were promoted as time passed. In both groups, half of them left the bank within the first 4 years, and half of the remainder left within the next 4 years. However, though only four out of sixty-five employees in the lowest grade in 1876 were still working for the bank in 1888, sixteen out of seventy-nine employees in the lowest grade in 1880 were still working in 1892. Because about half of the employees who were in Grade 13 in 1876 left the bank by 1880, about half of Grade 13 employees in 1880 left there by 1884, and about half of Grade 13 employees in 1884 left by 1888, it seems the attrition rate for the 1876 group is higher than the average year, and for the 1880 group it is lower.²⁵ Once a person remained in the bank for over 10 years the probability of his leaving the bank significantly declined. Moreover, there were no major differences between the grades to which employees in each group belonged after the same number of years working for Mitsui Bank, so it seems that employees who continued to work for the bank were promoted to higher ranks at almost the same speed. Employees who performed extremely well were not treated differently from others at the first stage of service.

Because Mitsui Bank began in 1886 to require applicants for employment to take a test, and the test for older applicants was different from that for young people, the bank was more likely to hire older people. A vice president of the bank emphasized at a branch managers' meeting in 1891, however, that the bank should recruit young people and train them on the job.²⁶ The pattern of recruitment and promotion of employees in the 1880s remained practically unchanged from what had been done in the Edo period. About one-seventh of the employees that entered the bank remained there over twelve years (Table 5). The bank seems, therefore, to have selected employees eligible for promotion in the same way as Mitsui shops did in the Edo period.

Employment of New School Leavers and Their Internal Promotion

At the beginning of the 1890s the House of Mitsui controlled four firms: Mitsui Bank; Mitsui Draper's Shop, which had nominally been separated from the House in 1872 (government officials were no longer inclined to impose this separation in the 1890s); Mitsui & Co., which had been established in 1876 for foreign trading; and Mitsui Mining, established in 1892 to control a number of mines that the House had been operating for years. After the Commercial Code was enforced in 1893, the Ōmotokata bought all the shares of the bank owned by employees and reorganized Mitsui Bank into an unlimited partnership capitalized at 2,000,000 yen. At the same time the other three firms were each reorganized into unlimited partnerships, and the Ōmotokata was renamed the Mitsui Family Council. Of the eleven Mitsui family heads, five became partners of Mitsui Bank, two of Mitsui & Co., two of Mitsui Mining, and two of Mitsui Draper's Shop. The Mitsui Family Council controlled all four companies collectively in reality. Five years later, in 1898, the eleven family heads became the partners of each of the four companies. In 1909 Mitsui Bank was reorganized into a joint stock company capitalized at 20,000,000 yen, and its shares were wholly held by a newly established holding company, Mitsui Gōmei Kaisha, whose partners were confined to the eleven Mitsui family heads. Mitsui & Co. was reorganized into a joint stock company at the same time, and Mitsui Mining 2 years later in 1911.²⁷ The Mitsui Family Council came to deal only with familial affairs. The bank's board of directors was made up of three kinds of members: Mitsui family members, one of whom assumed the presidency; internally promoted Mitsui Bank executives, three or four of whom assumed managing directorships; and executives dispatched from the holding company. In 1919 Mitsui Bank's capitalization was raised to 100,000,000 yen, new stocks worth 30,000,000 yen were offered to the public, and two outside directors were elected.

At the beginning of the 1890s Mitsui Bank was saddled with an accumulation of a large amount of bad debts. Hikojirō Nakamigawa, a graduate of Keiō Gijuku (now Keiō University), was appointed director in 1891 on the recommendation of Kaoru Inoue, a former Minister of Foreign Affairs and a former Minister of

Agriculture and Commerce, to rebuild the bank, and he was promoted to vice president the following year.²⁸ In order to modernize the bank Nakamigawa began to employ graduates from Keiō Gijuku and other higher educational institutions, most of whom had majored in economics, commerce, or law. The number of Keiō graduates that the bank hired between 1893 and 1901 was 102, of whom 25 were hired within 1 year of their graduation; 32 were hired within 2 to 5 years of their graduation; and 33 were hired after a lapse of 6 or more years after graduation (the remaining 12 employee's year of graduation cannot be identified).²⁹ Now, while the bank hired many Keiō graduates, most of whom changed careers, it also hired a significant number of new school leavers at the same time. Of the 102 Keiō graduates, we can identify the jobs of 43; 11 had been journalists; 6 had been employees of railroad companies; 4 had worked for banks; 4 had been employees of Tokyo Mercantile Agency; 4 had taught at Keiō Gijyuku; and 14 had held miscellaneous other jobs. Nakamigawa had been president of a newspaper company and of Sanyō Railway Co. before entering the bank, so he readily employed many ex-journalists and ex-employees of railway companies; he was equally keen to employ people who had worked for banks or bank-related companies. As graduates from higher educational institutions were ranked above employees who had no higher education, they received higher salaries at the time of entry. Some of them were promoted to branch managers within a few years of their entry, thus receiving even higher salaries. The practices on recruitment and promotion that the bank had preserved since its establishment were drastically changed. As the number of employees with higher education increased and the number of employees with only primary education decreased, the grade system, which was premised on employees starting out at very young ages and being promoted in gradual steps, must have surely become unworkable. As a result, the number of grades was reduced in 1892 and 1895, and then abolished altogether in 1897.

With the abolition of grades, salary tables such as the one given in Table 4 disappeared from the bylaws. The consequent lack of documentation on employee salaries makes it impossible to determine the relationship between salary and years of service after 1897. Still, from 1904 on, the bank's records identify the educational institution from which newly hired employees graduated.³⁰ Also, it is possible to ascertain the year of graduation of those who graduated from the University of Tokyo, Tokyo Higher Institute of Commerce (now Hitotsubashi University), the University of Kyoto, and Keiō Gijuku (hereafter, "the four institutions").³¹ Finally, documents are available that make it possible to know the position to which each employee was assigned.³² From the available sources, therefore, we can determine the extent to which Mitsui Bank hired new university graduates and mid-career employees after 1904, how long employees remained with the bank, and how employees were promoted. In 1897 older office helpers were classified as full-fledged clerks and 2 years later young ones were classified as probationers (*minarai-in*) who could qualify for promotion to clerks. Graduates

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from commercial schools were employed as probationers. By 1907 higher primary school leavers began to be employed as trainees (*renshūsei*) who could qualify for promotion to probationers. Though Mitsui Bank thus at various times hired various types of workers, it is only the clerks, who were employed from outside the bank rather than nurtured from a young age within the firm, that will be looked at here.

The number of graduates from higher educational institutions increased after the Sino-Japanese War of 1894 -1895. The number of graduates from the four institutions, for example, were 150 in 1895, 244 in 1900, 483 in 1905, 832 in 1910, and 1,417 in 1915.³³ Meanwhile, the number of white-collar employees of private companies also increased, especially during and after the First World War in the wake of private companies' organizational development.³⁴ As late as 1914 large private banks and government-related banks, along with trading companies and manufacturing companies, were employing many university graduates, who majored in economics, law, or commerce. Of all the companies in Japan employing university graduates, Mitsui Bank ranked thirteenth in 1914, with 162 on its payroll. Among the banks it ranked fourth, with Yokohama Specie Bank (197) first, the Bank of Japan (189) second, Mitsubishi Bank (168) third, Daiichi Bank (122) fifth, and Sumitomo Bank (114) sixth.³⁵ Each of these banks had well-organized head offices, most had more than 10 branches (Mitsubishi Bank had only 4), and Yokohama Specie Bank, Mitsui Bank, and Sumitomo Bank were engaged in foreign exchange business; for these reasons they needed a large number of highly educated managers. Mitsui Bank recruited 147 clerks between 1904 and 1913, of whom 91 were from the four institutions, and 66 of the 91 had just graduated (Table 6). Although Nakamigawa (d. 1901) hired mainly mid-career employees in the 1890s, Mitsui Bank showed a preference for new graduates in the 1900s. This tendency mirrored that of Kanegafuchi Cotton Spinning Company, one of the largest companies in Japan in those days (in 1914 it ranked fifth as an employer of university graduates, with 269).³⁶ Mitsui Bank acquired a good reputation as a stable company once Nakamigawa's reforms took effect, and large numbers of university students were graduating by now, so the bank could recruit new graduates regularly on an equal footing with the likes of Kanegafuchi and other large companies.

Half of those who entered the bank in 1876 and 1880 left it within 4 years, and half of the remainder did so in the next 4 years. Half of the graduates from the four institutions that entered in 1906, however, remained in the bank for more than 20 years (Table 7). They were promoted gradually, and since it can be assumed that their salaries increased as they rose to higher positions, it is safe to conclude that a seniority-based wage system existed in the bank. The commitment of its employees changed greatly between the 1870s and the 1900s, and two possible explanations for the difference can be suggested. First of all, university graduates were about 25 years old, or about 10 years older than those who entered the bank in the 1870s, so they would have been more motivated to work for the bank. Secondly, since university graduates were highly rated and treated as potential

executive material, they would have been more inclined to stay at the bank (the average length of service of graduates from the four institutions who entered the bank in 1906 was longer than that for commercial school graduates who entered the same year).³⁷

In the 1890s the methods for calculating bonuses changed several times. In 1892 the equation for determining the amount of bonus for each employee in the bank was set down as

$$\text{bonus (half year)} = \text{monthly salary} \times \text{days at business in each half year} \times 0.02.$$

If the last figure of the equation changed in proportion to the profit of the bank every half year, this formula would have resulted in a bonus very near to that of the formula used from 1877 to 1891. But it did not change in proportion to the bank's profit, nor every half year. Bonuses came to be calculated on the basis of salary, regardless of the bank's profit.

From 1896 more changes were made to the method of bonus payment. First, a bonus for top managers at all Mitsui firms was introduced.³⁸ The amount of each top manager's bonus was calculated in the following way. First, 10 percent of each company's profit was pooled. Second, a set figure was always assigned to each top manager, and these set figures were added up. Third, the pooled profits were divided by the sum of the figures, and a unit amount of money was calculated. Finally, to calculate the amount of an individual top manager's bonus, the unit amount of money was multiplied by that manager's set figure. Since the set figure for each top manager rarely changed, top managers were motivated to maximize the total profit of all the Mitsui firms rather than their own firms' profits. This encouraged them to refrain from forcing unprofitable contractual terms on another Mitsui firm, and instead to make decisions harmoniously. There were only two or three top managers in each firm, far fewer than the number of executives who received *warigin* in the Edo period. Thus, this bonus gave top managers a stronger incentive to turn more profits than the old *warigin* did. Table 8 provides a comparison of a top manager's bonus with his monthly salary. Each top manager's bonus clearly formed a considerable chunk of his income, and it ultimately depended on the profits of Mitsui firms taken as a whole.

In 1897 the bonus that was paid to employees was renamed "the employee bonus," and the equation for determining each employee's bonus was standardized among all the Mitsui firms. The equation used in 1903 was

$$\text{bonus (half year)} = \text{monthly salary} \times \text{days at business in each half year} \times 0.013.$$

This formula is the same as that used by Mitsui Bank in 1892, except for the last figure. So if an employee went to the office six days a week, that person's bonus was nearly equal to 2 months' salary. Naturally, the total amount of an employee's bonus was not related to the profit of each Mitsui firm.

In addition to the employee bonus, a bonus for executives and employees for special achievement, called a

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“special bonus,” was also introduced. No formula for determining the special bonus was laid down. As the correlation coefficient between the total amount of special bonuses in the bank and the bank’s profits is 0.250 between 1896 and 1904, there seems to have been little relation between the total amount of special bonuses and the bank’s profits. One regression has been done to determine the relation between monthly salary and special bonus in the second half of 1901.³⁹ The result is as follows:

$$\text{BSB}=15.45+1.75 \text{ BMS (ad } R^2=0.622, N=63).$$

$$(0.73) \quad (10.15)$$

BSB and BMS respectively stand for the amount of a special bonus for each person of Mitsui Bank, and the amount of a monthly salary for each person of Mitsui Bank. Numbers in parentheses are *t*-values. The coefficient of BMS is significant at a 1 percent level of probability. The amount of the special bonus is related to the amount of the salary for each person. In the bank the special bonus (per six months) was 1.75 times as much as a monthly salary.

Around 1897, people working for Mitsui Bank were divided into three categories: top managers, who received a top manager’s bonus (related to the profits of all Mitsui firms); executives, who received regularly both a special bonus and the employee bonus (both related to salary, not profits); and employees, who received the employee bonus regularly and a special bonus occasionally. A clear division separated top managers from executives and employees, and the former had a strong incentive to turn a profit. Because a person was promoted to higher ranks in the bank gradually, and because the person’s salary was raised in the same way, the person’s bonus should also have risen gradually. Half of the university graduates remained at the bank for 20 years after their entry, but it is impossible to know how the bonus payments motivated employees to work for the bank for a long time.

Unfortunately, there are few documents to tell us how these bonuses were paid in the twentieth century. All that is known is that the method of calculating a director’s bonus stayed the same as that for calculating a top manager’s bonus, even after the bank had been incorporated.⁴⁰ The method did change, however, after outside directors began to be elected in 1919. Mitsui Bank, Mitsui & Co., and Mitsui Mining each decided its own directors’ bonuses separately, though the holding company was still able to affect their decisions.⁴¹

After Nakamigawa took over the running of Mitsui Bank, new bylaws on an allowance for family survivors in case of death were implemented in 1892. According to the new bylaws, when an employee died, an amount of money equal to 3 months’ salary was paid to family survivors. The bylaws were silent, however, in regard to retirement allowances.

In 1897 another set of bylaws was implemented in all Mitsui firms in regard to employee pensions. They contained regulations regarding three types of pension payments: an allowance in recognition of continuous

service; allowances for injuries; and an allowance for family survivors in case of death.⁴² The first type of pension, which was in effect a retirement allowance and was paid as a lump sum, deserves closer attention. The allowance was paid out in the case of employees who had worked loyally for 3 years or more and whose case fulfilled any one of the following four conditions: dismissal at the convenience of the firm; death during employment; dismissal due to an accident not caused by the person's carelessness; retirement of a person aged fifty-five or more who had worked for 20 years or more. The amount of the allowance was calculated as

$$\text{pension} = A \times (\text{years of service} + 5) / 100,$$

where A= the total amount of salary that the employee had received since joining the company.

However, even if an employee worked for more than 20 years, the person's length of service was calculated as 20 years in this equation, so that someone who retired after 20 or more years of service received 25 percent of his total salary. The ratio of this retirement allowance to the total salary and bonuses was thus lower than it was in the Edo period. Nevertheless, it can be said that this retirement allowance was more generous than the one determined by the bylaws of the 1880s, even though we do not know for certain by how much employees' salaries were raised during successive years of service. This retirement allowance provided a stronger motivation for employees to work for the bank for a long time than retirement allowances in the 1880s. At first the allowance was not paid to young people who quit the job on their own initiative, but it came to be paid in 1908 through a modification of the bylaw. The bylaw was modified again in 1914 and a regular pension came to be paid to retired employees until the person's death along with a retirement allowance paid at the time of retirement. Unfortunately, the dearth of documents detailing how the pension and the retirement allowance were paid in the twentieth century makes it impossible to explore these payments further. Around the First World War many companies began to make bylaws covering retirement allowances or pension plans.⁴³ Mitsui's bylaw on a retirement allowance is one of the earliest such bylaws implemented in Japan, and it is indicative of the House of Mitsui's eagerness to promote employees' long-term employment.

Concluding Remarks

In the Edo period the House of Mitsui hired youngsters in their early teens, promoted only capable employees gradually to higher ranks (others were dismissed), and rewarded such employees with a large remuneration in the form of a salary, a bonus, and a retirement allowance. Even after the establishment of Mitsui Bank a similar employment and monetary compensation system functioned into the 1880s. For the purpose of modernizing the bank's operations, however, Nakamigawa began in 1892 to recruit university graduates mainly from other workplaces. Later the bank began to confine new employees to graduates fresh out of university. The rapid

increase in the number of students graduating from universities made it easier for the bank to hire more of them. Mitsui Bank's managing directorships came to be filled by university graduates promoted internally. On the other hand, commercial school leavers, who entered the bank as probationers and could be promoted to clerks, could never be promoted to branch managers or directors. Thus a clear divide existed between university graduates and commercial school graduates (whereas in the Edo period those who entered the Mitsui firms were homogeneous).

Some reasons can be advanced to explain why the House of Mitsui adopted internal promotion in the period under review. First of all, in the Edo period there were no formal educational institutions, and so employers had to train employees on the job and nurture qualified employees to become managers. Secondly, the skills of people working in drapers' shops are more firm-specific than, for example, those of carpenters or casters, because the former skills are honed in dealings with customers and in the shop's group activities.⁴⁴ Thirdly, because of the group-activity nature of such jobs, the shop's managers found it difficult to judge an individual clerk's performance accurately, and so it made sense for them to rely on "tournaments" for assessing employees.⁴⁵ These three reasons also explain the employment and promotion practices in money-exchange shops. The remuneration system used in all the shops was designed to support this screening system. After Nakamigawa's reforms, however, Mitsui Bank divided employees into two groups on the basis of their educational backgrounds. University graduates who had majored in economics, law, or commerce were more willing to work for the bank than apprentices in the Edo period had been. Hence, the bank could (as Nakamigawa actually did) hire university graduates who were keen to change careers. So the first reason no longer applied to the situation at Mitsui Bank, but the second and third reasons remained valid. Besides these two reasons, two others can be adduced as possible explanations for Mitsui Bank's long-term employment and internal promotion practices in the twentieth century. First, zaibatsu firms employed more professional managers than public companies did, and they were more reluctant to recruit top managers from the outside.⁴⁶ Secondly, since Mitsui Bank was widely regarded as one of the best companies in Japan after Nakamigawa's reforms, employees had little incentive to move to another company.

The lifetime employment system in large Japanese companies is changing in the wake of the long depression of the 1990s, and in the banking industry the number of mid-career employees is again increasing. As market-related businesses such as securitization and derivative transactions grew and the 'traditional' commercial banking businesses diminished, Japanese banks found it necessary to hire persons with abilities in market-related businesses. Because these abilities are less firm-specific than those in commercial banking, Japanese banks came to appoint mid-career employees to market-related activities from the 1990s. Within a broader historical perspective, however, the question of whether the lifetime employment system is at a turning

point now because large companies are retrenching employees in great numbers nowadays, is debatable. It is possible to argue that Mitsui Bank maintained long-term employment, because the number of its employees basically increased in the first half of the twentieth century. But this same bank did in fact dismiss employees on several occasions in the 1900s, in the 1910s, and during the Great Depression. In order to shed light on the extent to which the lifetime employment system was not adhered to during times of economic recession, further research into the bank's dismissal practices is necessary.

Notes

¹ Organization for Economic Co-operation and Development, *OECD Reviews of Manpower and Social Policies*, vol. 11: *Manpower Policy in Japan* (Paris, 1973); and Ezra F. Vogel, *Japan as Number One: Lessons for America* (Cambridge, Mass., 1979).

² James C. Abegglen, *The Japanese Factory: Aspects of Its Social Organization* (Glencoe, Ill., 1958).

³ Ronald P. Dore, *British Factory, Japanese Factory: The Origins of National Diversity in Industrial Relations* (Berkeley, Calif., 1973); Robert E. Cole, *Work, Mobility, and Participation: A Comparative Study of American and Japanese Industry* (Berkeley, Calif., Los Angeles, and London, 1979), 1-32; W. Mark Fruin, *Kikkoman: Company, Clan, and Community* (Cambridge, Mass. and London, 1983); and Andrew Gordon, *The Evolution of Labor Relations in Japan: Heavy Industry, 1853-1955* (Cambridge, Mass. and London, 1985). For more information on the Japanese employment system, see the following three articles in *The Journal of Japanese Studies* 4 (Summer 1978): Sydney Crawcour, "The Japanese Employment System," 225-45; Robert E. Cole, "The Late-Developer Hypothesis: An Evaluation of Its Relevance for Japanese Employment Practices," 247-65; and W. Mark Fruin, "The Japanese Company Controversy," 267-300.

⁴ Linda Weiss, "War, the State, and the Origins of the Japanese Employment System," *Politics and Society* 21 (September 1993): 325-54; and Tetsuji Okazaki and Masahiro Okuno-Fujiwara, eds., *The Japanese Economic System and Its Historical Origins* (Oxford, U.K. and Tokyo, 1999).

⁵ Kazuo Koike, *Understanding Industrial Relations in Modern Japan* (Basingstoke, U.K. and London, 1988).

⁶ Fruin, *Kikkoman*; Fruin, "The Japanese Company Controversy"; Shinji Sugayama, "Business Education, Training, and the Emergence of the 'Japanese Employment System'," in *Education and Training in the Development of Modern Corporations*, ed. Nobuo Kawabe and Eisuke Daito (Tokyo, 1993), 147-71; and Shinji Sugayama, "Work Rules, Wages and Single Status: The Shaping of the 'Japanese Employment System'," *Business History* 37 (April, 1995): 120-40.

⁷ Akiko Chimoto examined this process in her paper, "A Historical Examination of Mitsui's Strategies for Promoting Long-Term Continuous Service," *Japanese Yearbook on Business History* 6 (1989): 45-77. She points out that the House of Mitsui adopted a seniority-based compensation scheme to encourage long-term employment for a small number of employees selected by the House because of their capability, but she takes into account only salaries and pays scant attention to bonuses and retirement allowances, the amounts of which could be as large as that of salaries. This paper shows that not only salaries but also bonuses and retirement allowances were effective as an incentive scheme for employees. The Chimoto article also does not indicate precisely how effective these measures were; this paper attempts to remedy this by showing how long Mitsui Bank officers worked for the bank from the nineteenth to the twentieth century.

⁸ *The House of Mitsui: A Record of Three Centuries, Past History and Present Enterprises* (Tokyo, 1937); John G. Roberts, *Mitsui: Three Centuries of Japanese Business* (New York and Tokyo, 1973); and Hidemasa Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan* (Tokyo, 1992).

⁹ For more on management systems in Edo-period merchant houses, see Matao Miyamoto, “The Management Systems of Edo Period Merchant Houses,” *Japanese Yearbook on Business History* 13 (1996): 97-142.

¹⁰ Mitsui Bunko [Mitsui Research Institute for Social and Economic History, hereafter, MRISEH], ed., *Mitsui jigyō shi honpen* [History of Mitsui Enterprise, Main Text], vol. 1 (Tokyo, 1980), 242-68. MRISEH, one of the most famous archives in Japan, holds a large number of manuscripts and documents on Mitsui firms dating from the seventeenth century to the end of the Second World War.

¹¹ Yasushi Nishizaka, “Echigoya Kyōhondana tedai no nyūten shōshin taishoku ni tsuite,” [Hiring, Promotion, and the Retirement of Employees in Echigoya Kyōhondana] *Mitsui Bunko Ronsō* [The Journal of MRISEH] 27 (1993): 14.

¹² Ranks in Table 1 resemble ranks in military services in that they do not signify the person’s job. For example, *shihai-yaku* is translated as manager (normally *shihai* means manage), yet a person of this rank did not manage one department, but supervised two or three departments. There was no single department head in any of the departments in this shop. On the arrangements of employees within this shop, see Yasushi Nishizaka, “Ōdana no hōkōnin no sekai” [The World of Employees in a Large Merchant House], in *Nihon toshi shi nyūmon* [Introduction to the History of Japanese Cities], ed. Yasuo Takahashi and Nobuyuki Yoshida (Tokyo, 1990).

¹³ As the rank of *tsūkin shihai-yaku* was vacant in 1864, it is not listed in Table 1. It would have been located above *tanakagiri tsūkin shihai-kaku* in the list.

¹⁴ Nishizaka, “Nyūten shōshin taishoku,” 23-28.

¹⁵ The money was invested in the shop’s business. Noboru Nishikawa, *Mitsui-ke kanjō kanken* [A Study of the Accounting System in the House of Mitsui] (Tokyo, 1993); and Takayuki Kagawa, *Kinsei Mitsui keieishi no kenkyū* [A Business History of Mitsui in the Edo Period] (Tokyo, 1985).

¹⁶ Yasushi Nishizaka, “Echigoya Kyōhondana tedai no kozukai nenhōbi warigin ni tsuite” [Allowances for Employees of Echigoya Kyōhondana], *Mitsui Bunko Ronsō* 30 (1996): 58, 69.

¹⁷ More precisely, the unit amount varied slightly from shop to shop in the final stage of the calculation to reflect the sales, profit, and status of each shop. As a result, an executive in one shop could receive a different amount of bonus from that received by an executive of the same rank in another shop, even though they belonged to the same group (see Table 3).

¹⁸ Edward P. Lazear, *Personnel Economics for Managers* (New York, 1998), 316-17.

¹⁹ Nishizaka, “Kozukai nenhōbi warigin,” 76.

²⁰ Nishizaka, “Nyūten shōshin taishoku,” 46-49.

²¹ Japan Business History Institute, ed., *The Mitsui Bank: A History of the First 100 Years* (Tokyo, 1976).

²² In the second half of 1883 and in both halves of 1884, however, the amount of money per unit was determined to be 4.3 yen.

²³ “Ryōki mokuroku Haitō Shirabe” [A List of Dividends], MRISEH Archive Betsu 2270/1.

²⁴ Mitsui Bank, ed., *Mitsui Ginkō seiki* [Bylaws of Mitsui Bank] (Tokyo, 1876), MRISEH Archive Ginkō 1/1.

²⁵ Mitsui Bank, ed., *Mitsui Ginkō shokuinroku* [Register of Mitsui Bank Staff], 4 issues (Tokyo, 1876-88) MRISEH Archive Ginkō 2.

²⁶ “Mitsui Ginkō kaku shiten shunin sōdankai giji sokkiroku” [The Minutes of Mitsui Bank Branch Managers’ Meetings], MRISEH Archive Tsui 1365/10.

²⁷ The Mitsui draper’s shop was reorganized into a joint stock company, and all of its stocks were sold to the company’s employees, in 1904.

²⁸ Tsunehiko Yui, “The Personality and Career of Hikojiro Nakamigawa, 1887-1901,” *Business History Review* 44 (Spring 1970): 39-61.

²⁹ Shigeru Takeuchi, *Meiji Mitsui to Keiō Gijuku sotsugyōsei: Nakamigawa Hikojiro to Masuda Takashi o chūshin ni* [Mitsui and Graduates of Keiō Gijuku in the Meiji Period: With Special Reference to Hikojiro Nakamigawa and Takashi Masuda] (Tokyo, 1995); and Keiō Gijuku, ed., *Keiō Gijuku jukuin meibo* [A List of Graduates from Keiō University] (Tokyo, 1924).

³⁰ *Mitsui Ginkō Hōchi* [Mitsui Bank Journal], many issues, 1904-43, MRISEH Archive Ginkō 5.

³¹ University of Tokyo, ed., *Tōkyō Teikoku Daigaku sotsugyōsei shimeiroku* [A List of Graduates from the University of Tokyo] (Tokyo, 1926); Tokyo Higher Institute of Commerce, ed., *Tōkyō Kōtō Shōgyō Gakkō ichiran* [Handbook of Tokyo Higher Institute of Commerce] (Tokyo, 1916); University of Kyoto, ed., *Kyōto Teikoku Daigaku ichiran* [Handbook of the University of Kyoto] (Kyoto, Japan, 1916); and Keiō Gijuku, ed., *Keiō Gijuku jukuin meibo*.

³² Mitsui Bank, ed., *Mitsui Ginkō shokuinroku*, 9 issues (Tokyo, 1906-39) MRISEH Archive Ginkō 2.

³³ Monbushō [Ministry of Education], ed., *Monbushō Nenpō* [Yearbook of the Ministry of Education] (Tokyo, 1896, 1901, 1906, 1911, and 1916); and Keiō Gijuku, ed., *Keiō Gijuku hyakunen shi* [Hundred-Year History of Keiō Gijuku], Appendix (Tokyo, 1969), 137-38. The listed figures are totals of the number of Faculty of Law graduates from the University of Tokyo, the University of Kyoto, and Keiō Gijuku, and of graduates from the Faculty of Economics of Keiō Gijuku and from Tokyo Higher Institute of Commerce.

³⁴ Eisuke Daitō, “Recruitment and Training of Middle Managers in Japan, 1900-1930,” in *Development of Managerial Enterprise*, ed. Kesaji Kobayashi and Hidemasa Morikawa (Tokyo, 1986); and Ryōichi Iwauchi,

“The Growth of White-Collar Employment in Relation to the Educational System,” in *Japanese Management in Historical Perspective*, ed. Tsunehiko Yui and Keichirō Nakagawa (Tokyo, 1989).

³⁵ Shin’ichi Yonekawa, “University Graduates in Japanese Enterprises before the Second World War,” *Business History* 26 (July 1984): 193-218. Yonekawa calculates graduates from the University of Tokyo, Keiō Gijyuku, Tokyo Higher Institute of Commerce, and Tokyo Higher Institute of Technology, so his coverage differs slightly from mine.

³⁶ Shin’ichi Yonekawa, “Meijiki dai bōseki kigyō no shokuinsō” [White-Collar Staff in Large Cotton Spinning Companies in the Meiji Period], *Shakai-keizaishigaku* [Socioeconomic History] 51 (October 1985): 421-54.

³⁷ Solomon B. Levine and Hisashi Kawada, *Human Resources in Japanese Industrial Development* (Princeton, N.J., 1980), 206-20.

³⁸ MRISEH, ed., *Mitsui jigyō shi honpen*, vol. 2 (Tokyo, 1980), 598-606.

³⁹ Data are given in “Mitsui eigyōten jūyaku-kai gijiroku” [The Minutes of Mitsui Directors’ Meetings], in *Mitsui jigyō shi shiryōhen* [History of Mitsui Enterprise, Sources], vol. 4, bk. 2, ed. MRISEH (Tokyo, 1972), 227-39.

⁴⁰ The monthly salary of a managing director was 450 yen in 1909 and the bonus that a person at such a level received in the first half of 1913 was 26,451 yen; the relation between the amount of a bonus and that of a salary was the same around 1910 as it was in 1899.

⁴¹ Shinji Ogura, *Senzenki Mitsui Ginkō kigyō torihiki kankei shi no kenkyū* [Mitsui Bank and Its Customers, 1900-1943] (Tokyo, 1990), 144-46.

⁴² Chimoto, “A Historical Examination,” 75.

⁴³ Shōwa Dōjinkai, ed., *Wagakuni chingin kōzō no shiteki kōsatsu* [Historical Analysis of Wage Structure in Japan] (Tokyo, 1960).

⁴⁴ In the Edo Draper’s Shop, the shop monitored each clerk’s sales, but lack of documentation makes it impossible to determine exactly how the sales figures were utilized for determining employee promotion. As the Kyoto Draper’s Shop was engaged solely in purchasing drapery, it did not accumulate such data on individual clerks’ performances.

⁴⁵ When measurement of a worker’s performance is difficult, the tournament (a method of getting an eligible employee promoted internally to a vacant higher position instead of filling that position with an eligible person from outside the firm) is the dominant incentive contract institution. See Edward P. Lazear and Sherwin Rosen, “Rank-Order Tournaments as Optimum Labor Contracts,” *Journal of Political Economy* 89 (October 1981): 841-64.

⁴⁶ Hidemasa Morikawa, “Meijiki ni okeru senmon keieisha no shinshutsu katei” [Processes of Salaried

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Manager Advancement in the Meiji Period], *Bijinesu rebyū* [Business Review] 21 (September 1973): 12-27.

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Table 1 Employees of the Kyoto Draper's Shop in 1864

Ranks	Abode	No. of employees	Age	Years of service
<i>tedai myōmoku-yaku</i> (full-fledged executive employees)				
<i>motojime-yaku</i> (director)	out	1	68	55
<i>kahan-yaku</i> (assistant director)	out	1	54	44
<i>motokatakakari myōdai-yaku</i> (representative executive officer in charge of the headquarters)	out	1	48	36
<i>myōdai-yaku</i> (representative executive officer)	out	1	45	33
<i>kōken-yaku</i> (consulting executive officer)	out	1	40	28
<i>tanakagiri tsūkin shihai-kaku</i> (deputy commuting officer appointed by the shop)	in	1	39	27
<i>kōken-kaku</i> (deputy consulting executive officer)	in	1	38	25
<i>shihai-yaku</i> (manager)	in	3	35-39	24-26
<i>kumigashira-yaku</i> (assistant manager)	in	3	35	21-22
<i>tanakagiri kumigashira-kaku</i> (deputy assistant manager appointed by the shop)	in	2	32-36	20-24
<i>yakugashira-yaku</i> (senior chief)	in	5	31-35	19-21
<i>jōza-yaku</i> (chief)	in	3	31	18-19
<i>jōza-yaku-kaku</i> (deputy chief)	in	1	28	14
<i>tedai hira</i> (full-fledged clerical employees)				
<i>hittō</i> (head clerk)	in	4	25-27, 43 ^a	13-14, 8 ^a
<i>sōdan-yaku</i> (consulting clerk)	in	2	25-26	12-13
<i>hira</i> (clerk)	in	13	20-26	8-12
<i>sannenme</i> (third-year clerk)	in	6	19-21	7-8
<i>ninenme</i> (second-year clerk)	in	5	17-19	6-7
<i>hatsumoto</i> (first-year clerk)	in	6	17-19	5-6
<i>kodomo</i> (apprentices)				
<i>kadomaegami</i> (senior apprentice)	in	5	16-17	4-5
<i>marubitai</i> (junior apprentice)	in	19	13-16	0-3

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^a This was an employee whose ability to write elegant Chinese characters was so highly evaluated by the shop that he was hired at thirty-five at the *ninenme* level in 1856.

Note: An 'out' indicates commuting executives, and 'in' indicates live-in employees and executives.

Source: Yasushi Nishizaka, "Ōdana no hōkōnin no sekai," [The World of Employees in a Large Merchant House], in *Nihon toshi shi nyūmon* [Introduction to the History of Cities], ed. Yasuo Takahashi and Nobuyuki Yoshida (Tokyo, 1990), 146.

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Table 2 Salaries of Employees of the Kyoto Draper's Shop, 1766 (*monme*)

Ranks	Salary
<i>shihai-yaku</i>	1,800, 1,950, 2,100, 2,400, 2,700, 3,240 ^a
<i>kumigashira-yaku</i>	750, 750, 900, 1,200, 1,500, 1,800 ^a
<i>yakugashira-yaku</i>	450
<i>jōza-yaku</i>	350
<i>hittō</i>	300
<i>sōdan-yaku</i>	270
<i>hira</i>	210-250
<i>sannenme</i>	190
<i>ninenme</i>	140 ^b
<i>hatsumoto</i>	170 ^b
<i>kadomaegami</i>	about 15-20
<i>marubitai</i>	about 3-15

^a The figures from left to right are for the 1st year, 2nd year, 3rd year, 4th year, 5th year, and 6th year, respectively. It was unusual for employees on the *shihai-yaku* level to remain in that rank for more than 4 years. Out of 41 employees who entered the shop between 1800 and 1939 and were eventually promoted to *shihai-yaku*, only two remained in the rank for 5 years, and only one for 6 years.

^b These figures include costs for livery supplied by the shop.

Note: Rank names in the source have been modified to match them with those in Table 1.

Source: Yasushi Nishizaka, "Echigoya Kyōhondana tedai no kozukai nenhōbi warigin ni tsuite" [Allowances for Employees of Echigoya Kyōhondana], *Mitsui Bunko Ronsō* [The Journal of MRISEH] 30 (1996): 45-98.

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Table 3 Salaries and Bonuses of Commuting Executives in the Drapers' Shops Group (*monme*)

Ranks	No. of executives	Salary for 1818	Bonus for 1818-1820
<i>motojime-yaku</i>	2	9,000	24,552-27,280
<i>motokatakakari myōdai-yaku</i>	2	7,500	11,733-14,660
<i>kanjō myōdai-yaku</i> ^a	1	5,250	10,487
<i>myōdai-yaku</i>	7	4,500	6,336-8,947
<i>kōken-yaku</i>	3	3,750	4,576-5,720
<i>tsūkin shihai-yaku</i>	3	2,710	1,760-3,850

^a The rank of *kahan-yaku*, which is listed in Table 1, was vacant in 1818. Because the rank of *kanjō myōdai-yaku* (representative executive officer in charge of accounting) was vacant in 1864, the rank is not listed in Table 1.

Note: Since the amount of a salary to be paid to commuting executives was not prescribed in the bylaws, the amount of salary given in this table is the amount that was actually paid. The amount of salary was the same for all executives in the same rank.

Source: Takayuki Kagawa, *Kinsei Mitsui keieishi no kenkyū* [A Business History of Mitsui in the Edo Period] (Tokyo, 1985), 330.

Makoto Kasuya

Table 4 Salaries of Mitsui Bank Office Employees, 1876 (yen)

Grade	Monthly salary
1	50
2	40
3	35
4	33
5	30
6	25
7	20
8	16
9	12
10	10
11	8
12	6
13	4
14	2.5
15	—

Note: Akiko Chimoto gives 32 yen for Grade 4 and does not list Grade 15 at all. The source Chimoto relied on for her information mistakenly gave 32, and it also made no mention of a Grade 15.

Sources: Akiko Chimoto, “A Historical Examination of Mitsui’s Strategies for Promoting Long-Term Continuous Service,” *Japanese Yearbook on Business History* 6 (1989): 69; and Mitsui Bank, ed., *Mitsui Ginkō seiki* [Bylaws of Mitsui Bank] (Tokyo, 1876), MRISEH Archive Ginkō 1/1.

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Table 5 Promotion of Mitsui Bank Employees by Years of Service

Year	Employees in G15L in 1876		Employees in G15L in 1880	
	No.	Distribution by grades	No.	Distribution by grades
1876	65	G15L: 65	—	—
1880	33	G15H: 11; G14L: 17; G14H: 5	79	G15L: 79
1884	18	G14L: 5; G14H: 9; G13: 4	41	G15L: 5; G15H: 18; G14L: 17; G14H: 1
1888	4	G13H: 1; G12H: 2; G11: 1	20	OH: 2; G14: 2; G14H: 3; G13: 8; G13H: 5
1892	3	G10: 1; G9: 2	16	OH: 3; G10: 9; G9: 4
1895	3	G5: 2; G4: 1	10	OH: 2; G5: 8
1898	3	—	8	—
1902	2	—	6	—

Note: G, L, H, and OH stand for ‘grade,’ ‘lower,’ ‘higher,’ and ‘office helper,’ respectively. The number of grades was 15 in 1876, 1880, 1884, and 1888; 10 in 1892; and 5 in 1895. Office helpers and caretakers are listed in the registers of staff for the years 1884, 1888, 1892, and 1895. Grades were abolished in 1897.

Sources: Mitsui Bank, ed., *Mitsui Ginkō shokuinroku* [Register of Mitsui Bank Staff], 8 issues (Tokyo, 1876-1902), MRISEH Archive Ginkō 2; and Makoto Kasuya, *Gōshō no Meiji: Mitsuike no kagyō saihen katei no bunseki* [A Wealthy Merchant House in the Meiji Era: An Analysis of the Reorganization of the Family Business of the House of Mitsui] (Nagoya, Japan, 2002).

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Table 6 Employment of full-fledged employees at Mitsui Bank

Year	Total new hires ^a	New hires who were graduates from the 4 institutions	Hired in the year of graduation (grads of the 4 institutions)
1904	11	7	6
1905	11	3	3
1906	22	13	8
1907	15	7	4
1908	19	16	13
1909	16	10	6
1910	30	20	13
1911	11	8	6
1912	7	4	4
1913	5	3	3
Total	147	91	66

^a Does not include clerks internally promoted from probationers.

Sources: *Mitsui Ginkō Hōchi* [Mitsui Bank Journal], many issues, 1904-1913, MRISEH Archive Ginkō 5; University of Tokyo, ed., *Tōkyō Teikoku Daigaku sotsugyōsei shimeiroku* [A List of Graduates from the University of Tokyo] (Tokyo, 1926); Tokyo Higher Institute of Commerce, ed., *Tōkyō Kōtō Shōgyō Gakkō ichiran* [Handbook of Tokyo Higher Institute of Commerce] (Tokyo, 1916); University of Kyoto, ed., *Kyōto Teikoku Daigaku ichiran* [Handbook of the University of Kyoto] (Kyoto, 1916); and Keiō Gijuku, ed., *Keiō Gijuku jukuin meibo* [A List of Graduates from Keiō University] (Tokyo, 1924).

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Table 7 Graduates from the Four Institutions Hired in 1906, by Rank

Year	Common clerks	Heads of a section in branches	Vice-managers of a branch or vice-chiefs of a section in the head office	Branch managers, chiefs of a section in the head office, or the like	Directors	Total
1906	13	0	0	0	0	13
1911	11	0	0	0	0	11
1915	3	7	0	0	0	10
1918	3	4	1	0	0	8
1923	3	1	1	3	0	8
1927	2	1	0	4	0	7
1930	2	0	0	4	0	6
1935	0	0	0	1	1	2
1939	0	0	0	0	1	1

Sources: Mitsui Bank, ed., *Mitsui Ginkō shokuinroku* [Register of Mitsui Bank Staff], 9 issues (Tokyo, 1906-39), MRISEH Archive Ginkō 2; University of Tokyo, ed., *Tōkyō Teikoku Daigaku sotsugyōsei shimeiroku* [A List of Graduates from the University of Tokyo] (Tokyo, 1926); Tokyo Higher Institute of Commerce, ed., *Tōkyō Kōtō Shōgyō Gakkō ichiran* [Handbook of Tokyo Higher Institute of Commerce] (Tokyo, 1916); University of Kyoto, ed., *Kyōto Teikoku Daigaku ichiran* [Handbook of the University of Kyoto] (Kyoto, 1916); and Keiō Gijuku, ed., *Keiō Gijuku jukuin meibo* [A List of Graduates from Keiō University] (Tokyo, 1924).

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Table 8 (MS p. 19) Salaries and Bonuses of Top Managers in the Second Half of 1899 (yen)

Name	Belonged to	Monthly salary	Bonus
Takashi Masuda	Mitsui & Co.	600	42,980
Hikojirō Nakamigawa	Mitsui Bank	600	42,980
Takuma Dan	Mitsui Mining	500	18,420
Yasusaburō Ueda	Mitsui & Co.	500	12,280
Eiji Asabuki	Mitsui Draper's Shop	500	12,280
Senjirō Watanabe	Mitsui & Co.	500	9,210
Yoshio Takahashi	Mitsui Draper's Shop	500	9,210
Shōgorō Hatano	Mitsui Bank	500	9,210

Sources: MRISEH, ed., *Mitsui jigyō shi honpen* [History of Mitsui Enterprise, Main Text], vol. 2 (Tokyo, 1980), 606; and Mitsui-ke Dōzokukai [The Mitsui Family Council], “Teishutsu gian” [The Minutes], MRISEH Archive Tsui 2021.