Employment in the Meiji Period: From “Tradition” to “Modernity”

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Introduction

In the early years of the Meiji period, the Japanese government attempted to abolish the employment practices prevalent during the Edo period (1603-1867). However, as a modern employment system to replace the old did not develop promptly, employment relationships became chaotic. The cotton-spinning industry, which was introduced into Japan from the end of the Edo to the beginning of the Meiji period, took root in the 1890s, and this industry had no tradition originating in the Edo period. Perhaps for this reason, employment relationships in the cotton-spinning industry are hardly ever discussed in reference to employment practices of the Edo period. Most of the scholarly works on modern labor history also begin with “the age of primitive labor relations.” These works usually interpret the relationship between employers and employees as an adversarial one between capital and labor. Consequently, employment relationships in the pre-capitalist societies are discussed either as the factor that caused Japanese capitalism to develop atypically or merely as prehistory.

This essay attempts to understand as a continuum the employment practices of preindustrial Edo Japan and those of the Meiji period (1868-1912), when the country’s economy underwent industrialization. Specifically, it examines the following three types of business system. First are the trade associations which evolved from the *kabu nakama* guilds and tried to continue old employment practices. Second is the Mitsui zaibatsu, which started as a merchant house in the Edo period and, in the Meiji era, successfully created a modern employment relationship while growing into a modern industry centered around banking. Third is the cotton-spinning industry, which, despite its modern origin, depended at first on the old employment methods and began to adopt those suitable to a modern industry only toward the end of the 1890s. The purpose of this essay, then, is to examine the relationship among these three types and show how employment relationships changed from “the traditional” to “the modern” from the 1870s through the 1900s.

I. The Trade Associations and the Continuation of Old Practices

The Meiji government, which planned Westernization of various institutions, issued the Ordinance to Dissolve the Kabu Nakama guilds in April 1872. The purpose was to abolish the trade monopoly practices, such as membership restriction and prohibition of trade by non-members, and employment practices of the kabu nakama guilds. These guilds operated under regulations that limited change of workplace by indentured servants (*hokonin*) and artisans, and agreements with trade associates concerning terms of service and wages. The rules concerning workers dismissed by one employer were strict to the extent that many guilds endeavored to protect the rights and interests of original employers, because if an indentured servant who worked at one shop and was familiar with that shop's business management should be employed at another shop, it was feared that the business knowhow, market and wholesalers of the first shop might be acquired by the second. These rules and regulations also served to prevent disputes that could occur if the indentured servants and artisans of one shop were recruited by another.

The change of these employment practices did not begin in the wake of the Meiji Restoration (1868). The apprentice system had already begun to lose its predominance during the late Edo period, and indentured servants and apprentices had come to resemble employees (*shiyonin*) or day-workers. In other words, these systems ceased to emphasize that apprentices become fully fledged merchants and artisans; they instead began to alter the system to one which merely paid wages in return for labor or taught skills. Nevertheless, the guilds continued to restrict transfer of indentured servants and apprentices from one shop to another. After the dissolution of the kabu nakama guilds, however, it became much easier for indentured servants and apprentices to change employment. They often left one shop before their contract expired in order to go to another that paid higher wages. The employers and masters became remiss in instructing apprentices and even abusive to them. Thus the changes that crept into the old employment practices in the late Edo period intensified in response to the freer atmosphere after the dissolution of the guilds.

In August 1872, the government further issued an ordinance that clearly rejected the wage and employment regulations of the guilds. The ordinance ruled that the wages of indentured servants and artisans be determined by mutual agreement between them and their employers, that employers had the exclusive right to choose their employees, and that employers had no power to dispute choice of

employees by other employers. While issuing a new ordinance, however, the government failed to create a framework for a new employment system. For the time being, the government's policy toward employment was *laissez-faire*. The only exception was the Geisha and Prostitute Liberation Act (*Geishogi Kaiho Rei*) issued in October 1872. This law ruled that the term of apprenticeship be in principle seven years and the length of ordinary service be one year. Since the original purpose of this law was to prohibit the sale of persons, it restricted no more than the term of employment. Prohibition of wage and employment restrictions and limitations on the terms of employment meant that indentured servants and artisans received a legal guarantee not only of freedom of work and movement but even of freedom of contract. These and other laws and ordinances of the early Meiji period nevertheless did no more than deny in principle the superiority of employers over employees, rather than establish an equal relationship between them.

Needless to say, the disintegration of the guilds that controlled the distribution network and industrial structure of the Edo period caused confusion in the country's economic order in general. Employment relations were no exception. The great merchant houses like Mitsui and Sumitomo, which had evolved into self-sustaining business corporations during the Edo period, faced many critical situations and were forced to change their internal organizations as well as employment systems. To the medium- and small-scale merchants and factory owners whose business was structured around the exclusive, monopolistic guild organizations, the changes introduced in the early Meiji period were a serious threat. The situation grew worse with the emergence of the mercantile and industrial entrepreneurs who ignored old business conventions. The medium- and small-scale merchants and factory owners, therefore, organized trade associations to maintain or revive the business structure of the guilds.

The first trade association was organized by the indigo brokers of Osaka.¹⁾ Named the *Eizokugumi* (the everlasting society), the association adopted in October 1872 a covenant consisting of fifteen articles. A movement to organize trade associations became active in Osaka in 1873 and, by 1875, 209 associations had received tacit approval from the prefectural government. Their covenants recognized freedom to start business on the one hand and abolition of membership and entertainment fees on the other. Although these associations started as fundamentally different from the guilds, some members, who misunderstood them to signify the rebirth of the old guilds, resorted to the

erstwhile practice of constraining the others in business. To promote free trade, therefore, the Osaka prefectural government issued warnings that the associations' members should not interfere with each other in business. Furthermore, the same prefectural government instructed nonmembers to submit to business regulations prohibiting mutually restrictive actions, and ordered the formation of a union of fellow traders with a view to restoring and fostering Osaka's business, which had fallen into a slump after the dissolution of the guilds. Once the Osaka Chamber of Commerce was founded in August 1878, it encouraged and guided movements to organize commercial associations systematically.

In Tokyo, requests were made to the state for enactment of laws regulating employment relationships, especially in industry. The Tokyo Chamber of Commerce, founded in March 1878, petitioned the government two years later to enact a law protecting contracts entered into between artisans and apprentices.²⁾ In response, the government began gathering information concerning the labor and factory laws of foreign countries. It also launched an investigation into the conditions, habits, and customs among artisans and at factories in Japan.³⁾ In December 1883, the government placed a question before the Tokyo Chamber of Commerce and Industry, formerly the Tokyo Chamber of Commerce, proposing two sets of regulations called "The Employer-Employee Relationship Control Act" and "The Master-Apprentice Relationship Control Act." As the names indicate, these proposed laws were intended to control the relationships between employers and employees, and between masters and apprentices. Moreover, these relationships were viewed as consisting of rights and duties, and contracts were to be concluded based on the recognition of those rights and duties.

The government's policy aim to define the relationship between employers and employees and between masters and apprentices in terms of rights and duties failed to gain the support of the Tokyo Chamber of Commerce and Industry. It was clear that the government was attempting to adopt the employment relations of the West as a model. The Chamber resisted the introduction of Western contract laws that perforce ignored conditions in Japan. They countered that the strict laws enacted in England gave rise to many evils; thus, the relationship between masters and apprentices was gradually worked out between them without the interference of those laws. In light of the English experience, the Tokyo Chamber of Commerce and Industry submitted an opinion that opposed strictly regulating terms of appren-

ticeship, rights and duties, wages, etc. The ideas generally accepted in those days were far removed from the concept that employees and apprentices had rights, that employers and masters had duties, or that employers were restricted in their use of employees. No doubt the Meiji period was "a new age," but in reality the master-servant relationship of the old age dominated employment.

Realizing that it could not depend on the government to solve employment problems, the Tokyo Chamber of Commerce and Industry commenced an independent investigation with a view to writing a law. It questioned employers and masters in the major industries in Tokyo. The two worst abuses found to exist were, first, the desertion of the artisans before completion of their terms of contract or before repaying advances on their salary and, second, the change of shops by artisans whose term of service was not complete. To cope with these abuses, the Tokyo Chamber of Commerce and Industry wrote "The Outline of the Master-Apprentice Relationship Control Law" and "The Outline of the Employer and Employee Control Law." Since the desertion of artisans and apprentices posed the most serious problem for employers, the two "outlines" proposed as a preventive measure that an employer who employed runaway artisans and apprentices pay for the damage done to their previous employer. The idea was deterrence: if new employers were obliged to pay for damage to former employers, recruiting artisans who were already employed or apprentices who were still studying might be prevented. This arrangement, which stipulated employment control among employers, was essentially identical to that method of controlling artisans and servants which was being promoted by the trade associations of the Osaka area. Both meant maintaining or reactivating the old customs. In May 1884, five months after receiving the government's inquiry, the Tokyo Chamber of Commerce and Industry submitted a report emphasizing the need to enact a law that substituted for the former custom of controlling employment relationship through the guild system. The report also pointed out that the decay of the old customs had caused the bane of artisans' job-hopping. Arguing further that the task before the government was not easy, the Tokyo Chamber of Commerce and Industry appended for reference both the results of its investigation and the "Outlines."

When the Association for the Promotion of Industry met from January to February of 1884, the government referred to it the same inquiry that had been put to the Tokyo Chamber of Commerce and Industry.⁴⁾ The membership of this association consisted of govern-

ment officials in charge of prefectural industrial policies. It had many purposes. It consulted with prefectural governments concerning the conditions of, as well as their opinions on, agriculture, commerce, industry, and forestry in the respective prefectures. It instructed prefectural governments on the central government's policies for promoting industrialization, and directed and guided the prefectural governments' industrial policies. At the meeting of the Association, the prefectural governments' responses were varied, since employment practices differed according to the type of industry and level of industrialization. Generally, they agreed in principle to establish a regulatory law. Some prefectures where industry was well-developed, such as Osaka and Hyogo, gave especially strong support. All, however, were opposed to enacting one law which would be applied uniformly throughout the country, because local customs varied. They instead recommended a law based on traditional local customs, indicating their view that order must be restored to employment relationships through the acceptance of customary employment practices.

The government's attempt to modernize employment relationships became deadlocked when it failed to win employer support. Yet problems kept growing, and a solution was vital to the success of the government's policies to promote industry. Coincidentally, the merchants and factory owners whose businesses had Edo backgrounds and who desired recognition of their organizations were actively seeking legislation to regulate trade associations. In addition to the trend in Osaka mentioned above, the Tokyo Chamber of Commerce petitioned the government of Tokyo prefecture in March 1879 for the restoration of merchant associations.⁵⁾ In fact, in many prefectures, including Osaka and Kyoto, traders had already organized guild-like associations and were continuing traditional practices. In Tokyo, too, where little progress was made on legislation to regulate employment relationships exclusively, the movements originally organized to press for an employment law came instead to advocate trade associations.

In November 1884, the government issued the Standing Rules on Trade Associations and notified prefectural governments to that effect.⁶⁾ Although the Standing Rules legalized trade associations, they satisfied neither merchants nor factory owners, because they did not make the founding of associations mandatory. To be legal, an association needed the consent of three-fourths of its fellow tradesmen. Moreover, although all tradesmen were expected in principle to join the associations for their respective trades once they were founded, membership was not enforced with penal regulations, so that

it was impossible to control the traders' activities outside the associations. After the Standing Rules were issued, therefore, the Tokyo Chamber of Commerce and Industry and the Osaka prefectural government requested the central government to revise the rules so as to force associations for selected trades. Since the central government limited application of the Standing Rules to "the associations of merchants and factory owners for the improvement and increased production of important products," a great difference of opinion existed between the government and the Tokyo Chamber of Commerce and Industry. Nevertheless, numerous trade associations were formed over a wide area despite the intention of the Ministry of Agriculture and Commerce.

The "Standing Rules Associations," created in accordance with the Standing Rules, were empowered to control workers. They energetically applied themselves to blacklisting delinquent workers or restricting workers' mobility. But the government's policy was to solve worker-related problems through other laws, such as a worker ordinance. Denying, then, that trade associations had the power to regulate employment relations, the government instructed prefectural governments to revise the Statute on Trade Associations. In Kyoto, for example, an episode like the following was reported.⁷⁾ The Kyoto prefectural government, which received the central government's notification of the Standing Rules in 1884, enforced the Statute on Trade Associations written in accordance with the Standing Rules. The statute recognized trade associations' regulatory authority over employment relations. Furthermore, it stipulated that violators should be punished by law, indicating its considerable effectiveness in regulating employment. In short, the Standing Rules on Trade Associations were modified at the prefectural level so as to ensure, to a great extent, the continuation or restoration of traditional practices. The central government, however, ordered in May 1887 that the Kyoto prefectural government revise the Statute. It was particularly insistent on removing the provisions on employment control. Contrary to the trend to restore old employment practices, the government continued to resist this trend. In June 1887, it finished drafting two worker-related laws, one called the Worker Regulations Act and the other the Worker and Apprentice Regulations Act. But these drafts were never announced. In brief, the attempts to institute regulations on workers, started in 1881 with the petition from the Tokyo Chamber of Commerce, ended instead in establishing the hegemony of trade associations. No law on employment was written again until 1891. By that time, the center of

employment problems had shifted to modern mechanized factories, the foremost of which was the spinning industry. Thus the medium- and small-scale merchants and factory owners, who were the primary constituents of trade associations, were excluded from the employment-related laws of the 1890s.

II Modernization of Employment Relationship at the Mitsui Bank

At the big merchant houses founded in the Edo period, such as Mitsui, Sumitomo, and Konoike, management was organized and systematized as business grew long before the Meiji Restoration. Management of clerks was no exception. Generally, the system called “the kids” (*detchi*) system or “the nurseries” (*kogai*) system was a type of educational system that involved in-house residency and aimed to train clerks to become independent merchants in future through *norenwake* (“shop-curtain bequest”). The service period under this system was usually more than 20 years, apprenticeship starting at 13 or 14 and completing with the transfer of a portion of the master’s business rights and interests as separate *norenwake*. Each shop had detailed rules concerning recruitment, appointment, promotion, and the content of *norenwake* which corresponded to the position that the outgoing employee held when he left the shop.

The live-in employment system of the big merchant houses began to undergo gradual change in the mid-Edo period. The reasons were, first, the fact that the upper-level employees tended to stay longer, or in some cases even permanently, at the shop they had been apprenticed to. Merchant houses with growing business needed able managers and directors. Thus was born the live-out system (*tsukin bekke*), whereby the main house set up separate households for those clerks who were fully qualified and able to be independent merchants. The clerks then “commuted” to the main shop from their respective homes. The second reason was that the lower-level, live-in employees became less “indentured servants” (*hokonin*) than “business help” (*shogyo shiyonin*). Traditionally, it was expected that the indentured servant who completed his term receive a “shop curtain” (*noren*) in the form of capital to start his own business. Toward the end of the Tokugawa period, however, the amount of capital was already too small to do this. As a result, indentured servants tended to become wage earners, despite the fact that the employment relationship continued to show the characteristics of a master-servant type.

In the early Meiji period, this type of employment relationship began to show signs of trouble. The Mitsui House, founded in 1673,

faced a turning point in its relations with employees after the Meiji Restoration.⁸⁾ The new government, which charged the Mitsui House with the management of the state's accounting, not only summoned the heads of the various Mitsui branch families to service but also made the Mitsui clerks who tended to the government's business its officials, with a stipend and the licence to use a surname and carry swords. Ironically, this meant that the Mitsui family had clerks who, inside the Mitsui House, ranked lower than its family members but were higher than they in social status. Such an inversion of status, contradictory to the master-servant relationship in the Mitsui House, posed a serious problem, tantamount to threatening business management built around status differentiation. The Mitsuis, therefore, considered relieving from service those servants who accepted government posts or ordering them at least to surrender the license to carry swords. In the end, nothing more was done than that the head of the Mitsui House declared his determination to maintain its status hierarchy. In a sense, the Mitsui head was confronted with the stark reality that the new age demanded more than merely preserving the old order.

The transition from the Edo to Meiji period required reorganization of business as much as change of personnel management, but the Mitsui clan was unable to rid itself of its conservative predisposition. Aware that it lacked capacity for reform, Mitsui appointed one of the clerks, Rizaemon Minomura, in 1873 as the general manager of the central office, *Omotokata*, over all of the Mitsui family enterprises, with plenipotentiary powers. Minomura had been taken into service at age 44 in 1866, as a mid-career clerk. His managerial expertise was so great that he attained Mitsui's most important position in 1872. For a man who entered service in mid-life, Minomura's meteoric rise was unprecedented at Mitsui, even though behind his promotion were the good offices of the Finance Ministry bureaucrats such as Kaoru Inoue and Eiichi Shibusawa.

In reorganizing the Mitsui business with a view to modernization and rationalization, Minomura attempted to abolish the master-servant relationship between the members of the Mitsui family and their employees. Mitsui's servant system had actually undergone a major change in 1871. Foremost in the old system that needed change was the method of personnel selection based on the idea that one must respect the sense of obligation (*giri*) and courtesy. To avoid this method of selection, new rules were introduced concerning employment and promotion of clerks. The titles of positions, used since the Edo period, were abolished and new ones created. Change of titles occurred again

in 1872, emphasizing merit in employment and promotion. Personnel administration of all Mitsui employees, from the directors at the top to the servants at the bottom, was placed within the purview of the Omotokata in the central office.

In this series of reforms, Minomura played a key role from the beginning. That is why he was appointed in the reform of 1872 to the highest post open to employees. When he was invested with plenipotentiary powers the following year, Minomura made the most of the Omotokata's power to push reform further. To abolish the master-servant relationship, he took the following steps. First, he established an employment system which placed servant-employees beyond the direct influence and authority of the Mitsui House. Second, he made the members of the Mitsui family and their servants the co-owners of the Mitsui assets so as to remove management from the control of the Mitsuis. Third, he permitted the servants to own stock, thereby elevating their status to that of the Mitsui family members. In other words, he tried to remove the Mitsuis' control over clerks in management as well as personnel. In the following, I discuss in detail the reorganization of the Mitsui business under Minomura's leadership.

Since the reform of 1872 placed jurisdiction over personnel matters in the office of the Omotokata, Minomura acquired total control over personnel matters such as appointment, promotion and dismissal when he became the general manager. As a result, it became possible to avoid recruitment, appointment, promotion or dismissal of employees by the Mitsui family or head clerks (*banto*) on the basis of the master-servant relationship. It also became possible to ultimately eliminate their control over, and interference in, personnel matters. The first thing Minomura did after becoming the general manager was to change the personnel system.

Following the establishment of the new employment system, Minomura made servant-employees the co-owners of the Mitsui assets with the Mitsui family members. The reform in this area was carried out in conjunction with an overall structural change. The point of the structural change conceived by Minomura and announced in 1874 was to remove the assets of the Omotokata (central office) from the control of the Mitsui family. In other words, the assets that had been the property of the Mitsui family became instead the property of the Omotokata, which was the nerve center of the entire Mitsui business and was now declared an organization consisting of both the Mitsui clan and its employees. It was not explicitly stated that the master-servant relationship did not exist between the Mitsuis and their

employees, but the Omotokata was compared to a feudal lord, the Mitsui clan to the lord's officials, each shop to a rice paddy or dry field, and the employees to peasants. The analogy was intended to support the view that the clan must cooperate with the employees to increase the assets of the Omotokata. This view in turn reflected Minomura's opinion that the Omotokata determined the relationship between the clan and its employees, and that no other relationship existed between the two parties. In fact, "Rules concerning the Omotokata," clearly embodying this view, were issued in 1874. The "Rules" explicitly stated that the Mitsui family members as well as their employees were controlled by the Omotokata, and that appointments were made in accordance with individual ability regardless of status vis-à-vis the Mitsuis. The employees were also advised not to be obsequious to Mitsui family members.

The master-servant relationship was denied by the rules and regulations stipulating co-ownership of the Mitsui assets and equality in business between the clan members and employees. But these rules and regulations did not actually change the master-servant relationship, because in reality they merely lowered the status of the Mitsui family and placed the Omotokata at the apex of the Mitsui business. In other words, the traditional clan-servant relationship between the Mitsuis and the employees was replaced by the hierarchy of the Omotokata, the Mitsui family, and the servant-employees in this descending order. When, therefore, the Mitsui Bank was founded as a company, Minomura tried to create an equal relationship between the clan members and employees by allowing the latter to invest in the company. The capital of two million yen, with which the bank started in 1876, was furnished jointly by the Omotokata, who paid one million, and the Mitsui family and the employees, who paid a half million each.

Minomura not only changed the status of the employees to that of investors but also attempted to eliminate the master-servant relationship in employment. In the "Petition to Found the Mitsui Bank," submitted in 1875, he defined the relationship between the Mitsui clan and the employees as "associate." To create "associates," he discharged the old Mitsui employees the day before the bank's opening and employed them at the bank later. The founding of the Mitsui Bank thus became an important occasion to further transform the relationship between the Mitsui family and their employees.

Although the Mitsui Bank was founded, the Omotokata became even stronger as an office to oversee the affairs of the Mitsui House as

a whole. As a result of these organizational changes, the “Writ of Covenant” that defined the relationship among the Mitsui Bank, the Omotokata and the Mitsui House was signed the month after the bank’s opening. It noted that the Mitsui Bank’s capital as well as the assets of the Mitsui Omotokata were not owned by the Mitsui family but were rather “the joint properties of the master and servants.” It further declared that the relationship of the Mitsui family to the bank employees was not that of the “patriarch” to the “servants.” The covenant represented the culmination of Minomura’s reform policies.

Minomura’s policies were opposed by many of the Mitsui family members and even some head clerks clinging to tradition. This is not to say, however, that his reforms failed to win any support. In November 1875, prior to the founding of the Mitsui Bank, Minomura was elected president by unsigned ballots of the stockholders, including employees. He declined to take the position in deference to Hachiroemon Mitsui, the head of the Mitsui House, and became instead the vice president and deputy president. Real power over management in the Mitsui Bank remained in his hands. He continued to hold the highest post in the Omotokata, but Minomura was already gravely ill by the time the Mitsui Bank was opened.

Minomura died in February 1887. Thereafter, the Mitsui family actively sought to regain power. Their major objective was to recover proprietary rights, not managerial power. To restore their rights over the assets of the Omotokata, they commenced revision of the Covenant that marked the high point of Minomura’s reforms. The policy announced by Hachiroemon in 1878 stated that the master-servant relationship was abolished at Minomura’s discretion without the consent of the Mitsui family. It further noted that the new reforms aimed to restore the family’s ownership over the Omotokata to the level that existed before Minomura’s day. The Covenant was revised the same year to reestablish the Mitsui family’s ownership over the assets of the Omotokata. Many of the articles that restricted the family’s action were eliminated. Along with the Covenant, rules concerning the Omotokata were also revised. While Minomura had ruled that the key officials of the Omotokata were selected from among the salaried managers of the Mitsui Bank, the revised Rules allowed only Mitsui family members to fill these key posts. The titles of the officers, too, were changed, indicating the family’s strong desire to erase any traces of Minomura’s reforms. As the “return to the pre-Minomura era” progressed, evaluation of Minomura’s accomplishments changed. The Mitsui House owed much to him in surviving the turmoil of the Meiji

Restoration and securing an unshakeable place in the new society, and they had acknowledged it by interring him at the family shrine of *Akina* after his death. But they removed his name from the shrine in 1881, demonstrating that they no longer recognized his contribution to the Mitsui House.

The system Minomura created was carefully designed to control the Mitsui family's arbitrary action, especially with regard to the use of assets. Although the family recovered rights over the assets of the Omotokata, it could not extend those rights to the Mitsui Bank. In 1885, Hachiroemon Takayoshi Mitsui, who had spearheaded the reaction against the Minomura era, died before completely destroying the system Minomura had created. His death prompted the entire family to start a reform of house management.

In rejecting Minomura's reforms, the Mitsuis invoked "Sochiku's Injunctions," the Mitsui house law written in 1722. The chief objective of the reforms of 1886 was to abolish the house rules introduced recently and replace them with others based on "Sochiku's Injunctions." In the draft of the Mitsui House Code (*Kaken*) prepared in the fall of that year, the Mitsui Bank was presented as the Mitsuis' family business. To ensure and increase the family's property, the draft also specified in detail the methods to keep the property in the family's joint ownership. In every sense, the draft was the center of the Mitsuis' "roll-back" strategy in the wake of Minomura's death. Nevertheless, it was not finalized as the house law, and the house management reform came to a halt. There were two reasons for this development. One was that the government had already started compiling the civil and commercial codes, which the Mitsuis could not ignore. The other was that the Mitsui Bank, on which the Mitsui family depended, was unable to pull out of the financial difficulty it had fallen into in the early 1880s. Ever since it was founded, the bank had dealt mainly with government funds and other transactions closely related to the government's economic policies. But it had to forego this area of business in 1882 when the Bank of Japan was created. The Mitsui Bank's organizational reform faltered, causing in turn the reorganization of house governance to be discontinued for a long time.

Reform of the Mitsui house management saw a new development in the fall of 1890. Both the civil and commercial codes were promulgated that year and were expected to come into effect in 1893. The Mitsuis, therefore, were pressed to proceed with the house law reform considering the effect the codes would have on the Mitsui house system and family ownership of property. Before starting reform, they deter-

mined the principles of reform in consultation with Kaoru Inoue, Eiichi Shibusawa, and Takashi Masuda. The reform principles provided, among other things, that "the communal funds of the Mitsui family enterprises should be divided in accordance with the amount of Mitsui Bank stock that the Mitsui family owns." This meant recognition of the Mitsui family's proprietary rights to assets which the family had been claiming ever since Minomura's death. Thus the reform of 1890 and 1891 was carried out without any threat to the Mitsui family's property ownership. On the other hand, the family's advisors, Inoue, Shibusawa, and Masuda, exercised strong power over important aspects of the management of the Mitsui Bank, leaving no room for the family to interfere. Inoue emphasized the need for not only a house law but also a detailed study of the Mitsui Bank's assets and debts. The drafting of the house law was entrusted to a lawyer, Shigenobu Hozumi, while Risuke Minomura, the son-in-law of Rizaemon Minomura, was selected to investigate the bank property. The person to direct the reform had to be recruited from outside. At Inoue's recommendation, Hikojiro Nakamigawa was put in charge.

Nakamigawa joined the Mitsui Bank in 1891. The next year, he became vice president, which was the highest managerial position in the bank. He believed that the most serious obstacle to reform was the *kanson minpi* (respect for those in government and contempt for those outside) attitude prevalent in the entire business world and accepted by businessmen without complaint. Even such a great merchant house as Mitsui could not stand on equal footing with high government officials, who in fact treated Mitsui's head clerk like a common merchant. This caused able men to go into government service, making it difficult to nurture businessmen capable of adjusting themselves to the new age or to bring in trained personnel from outside. The head clerk's responsibility was to secure privileges, as well as take instructions, from powerful men in the government by sheer flattery and personal charm. He also had to glean secret information from government officials at unguarded moments of conversation. In such a business and social milieu, businessmen became slaves to obsequiousness, lies, and machinations for the sake of money-making. These businessmen's lack of self-esteem lowered the opinion in which private business was held. The Mitsui head clerk and employees ingratiated themselves with not only government officials but also the members of the Mitsui family. They emphasized the importance of a cordial relationship between masters and servants, accepting basically that they were the servants of the Mitsui family. They often resorted to illicit transactions to compen-

sate for their low pay without any feeling of guilt. Perhaps naturally, Nakamigawa thought that he could not carry out reforms with these 'servant-employees.' He in fact thought they were an impediment to reform.

This made Nakamigawa determined to employ men of higher education, train them to acquire skills in banking, and mold them into a new type of businessman. This meant employees were paid as well as, or even better than, government officials. In 1892, Nakamigawa indeed raised employee salaries by a wide margin.⁹⁾ Compare the Mitsui Bank's salaries at the time of its founding with the salary scale Nakamigawa created as shown in table 1. The monthly salary of Level 1 was increased 7 times from ¥50 to ¥350, Level 2 by more than 6 times, Level 3 by 5 times, Level 4 by 4 times, and Level 5 by 3 times. The higher the level, the greater was the increase of salary. Sick pay was also improved. The effect of these reforms was immediate. After 1892, the Mitsui Bank succeeded in employing men of outstanding ability and higher education. Most of them were, like Nakamigawa, graduates of Keio Gijuku (now Keio Gijuku University) and had experience in various fields of the business world. Nakamigawa himself was ranked Level 2, receiving a monthly salary of ¥250.

Guided by the idea of better treatment for employees, Nakamigawa revised and systematized regulations for bank clerks, including salary. The changes at the Mitsui Bank influenced the other Mitsui enterprises such as Mitsui Trading (Bussan), the Mitsui Clothing Store (Gofukuten), and Mitsui Mining. The influence was felt in all the companies by the end of the 1890s. Initially, the reform of compensation covered mainly the higher-level employees, but as changes continued to be made, they also improved the wages and benefits of employees such as day-workers, apprentices and janitors. The reform's beneficiaries later also included factory workers. For example, the Kanegafuchi Cotton-Spinning Company was at the time a part of Mitsui's industrialization plan. Nakamigawa, who was Kanegafuchi's president as well, improved the terms of employment of workers and technicians, who consequently earned higher wages.¹⁰⁾

III Transition from "Tradition" to "Modernity" in the Cotton-Spinning Industry

In January 1883, soon after the factory system was introduced into the Japanese cotton-spinning industry, the Federation of Spinners was organized at the instigation of Director Okada of the Aichi Spinning Mill, which was founded by the government in 1811. Spinnery owners

throughout the country were invited to join. The Federation's purpose was to establish statutes concerning the method of control over spinners workers and other important business matters such as purchase of materials and sale of products. This chapter discusses employment relationships in the cotton-spinning industry from the latter half of the 1870s to the 1890s through examination of the worker control regulations of the spinners owners' organizations.

The statutes of the Federation of Spinners consisted of 15 articles, and Articles 3 through 6 concerned control of spinners workers. These statutes were revised in the draft stage. Furthermore, they were revised again only four months after coming into force.¹¹⁾ The draft contained the following stipulations. The ranks and wages of spinners workers should be uniform throughout the country. Spinners should issue written notices when they hire, promote, demote, or fire workers. When a worker quits his job of his own accord, his employer should provide a letter of reference if he had been a good worker. Written notices and letters of reference were proofs of workers' technical competence, which the spinners used to determine the ranks of the workers they hired. These regulations aimed to ensure that the spinners throughout the country treated workers uniformly. In addition, it was stipulated that the prospective employer of an experienced spinners worker must obtain the consent of the former employer. This stipulation was similar to the rules which the guilds had maintained to protect the interests and privileges of former employers.

These provisions of the Federation's statutes contradicted the government's ordinance of 1872, which ruled that wages were determined by an agreement between an employer and an employee, that an employer enjoyed sole discretion over which workers he employed. (See I). The fact that the statutes drafted by Okada, the director of a government-owned spinning mill, contained articles that contradicted the government ordinance demonstrated how difficult it was to destroy the employment practices of the Edo period.

Okada's draft was revised at two conferences and adopted in October 1882. The statutes' articles concerning management of workers were changed from, and more refined than, those of the draft. The part of the articles deemed contradictory to the government ordinance was modified. The draft stipulated that the Federation of Spinners Owners should decide workers' ranks and wages uniformly across the country. The statute, however, ruled that each spinner determine the wages of its employees, and that each spinner should report its employees' wages to the Federation. It is not clear why these changes

were made, but it appears that the real reason was not violation of the government ordinance but the opinion of spinnery owners who disapproved of nationally uniform wages regardless of regional differences. A change was also made to recognize each spinnery's prerogative in hiring. That is to say, each employer could administer its own examination of prospective employees who had been employed at another spinnery and possessed written notices and letters of reference. On the other hand, the articles concerning employment regulations were made more stringent. The draft contained words to the effect that, if a worker petitioned to change jobs from one spinnery to another, his petition should be accepted only after the two spinneries concerned had consulted with each other. These words were struck from the statute. In order to further buttress the employment control method that protected the rights and interests of former employers, the statute also prohibited a worker from changing jobs after making arrangements with a prospective employer. Although the original intention to allow spinnery owners to control wages collectively was denied, the statute mirrored the guild system of the Edo period to the extent that the articles permitting employment control were made more rigid. In the way it treated workers, it was a continuation of the old system. Yet, the guild system which developed over relatively small geographical areas was not suitable for controlling spinneries existing in various parts of the country. This is the reason why the statute recognized the need for individual decisions by each spinnery.

The statutes went into force in January 1883, but were revised only four months later. In the revised statutes, the requirement to report on wages was completely eliminated for reasons unknown. On the other hand, an article was added to strengthen solidarity among the members of the Federation of Spinnery Owners. It required that members attend the Federation's regular meeting and exchange with one another the names of their respective board members. The latter revision indicated that the Federation's members were strongly aware of the need to strengthen its power of control.

While the spinnery owners reinforced the controlling power of their organization, the government sought to enact a law to prevent the deterioration of working conditions and the work force which was expected if a modern factory system was introduced without regulation of employment practices. As mentioned above, the government prepared both the Worker Regulations Act and the Worker and Apprentice Regulating Act in 1887. Spinnery owners' response to the government's attempt to enact a law to protect factory workers closely resem-

bled that of trade associations. The spinnery owners tried to obviate the need for a Workers Act by stabilizing employment relationships through tightening control within the industry. There was, however, a limit to this approach, because the Federation was a voluntary association. Thus the Federation made the membership of all spinnery owners mandatory.

To become an organization which all spinnery owners were required to join, the Federation sought recognition by the government as a trade association in accordance with the Standing Rules on Trade Associations issued in 1884. The 6th convention of the Federation, held in Tokyo in 1888, became the first convention of the newly organized Federation of Spinnery Owners of Great Japan (hereinafter, FSO). At this meeting, in anticipation of government approval, the FSO announced a new statute.¹²⁾ But the government did not recognize it as a trade association on the grounds that the Standing Rules on Trade Associations were applicable only to small businesses, and that they should not be applied to big businesses like the cotton-spinning industry.¹³⁾

Having failed to gain recognition as a trade association, the FSO found it increasingly difficult to bring spinnery owners under the strong control befitting an organization with compulsory membership. Worse still, the Kanegafuchi Cotton-Spinning Company as well as the Kurashiki Company refused to join the FSO. Under the circumstances, the FSO could only hope to deepen the solidarity of spinnery owners by means of legislation. Thus at the third convention, held in 1889, the FSO adopted a statute consisting of the one passed in the preceding year and two additional articles.¹⁴⁾ The new statute contained 38 articles, of which 7—from 3 to 9—pertained to worker management. Article 3 required issuance of a letter of reference to a worker who completed his term of employment without any problems. Article 4 required reports to the FSO concerning workers who were fired for violating rules or being lazy, or workers who were let go due to incompetence. Article 5 ruled that an employer using a worker without a letter of reference must obtain the consent of his former employer. These articles aimed to prevent the loss of worker skills by blacklisting delinquent workers. The new statutes upheld all the articles regulating employment included in the original ones adopted at the time of the FSO's founding in 1882. It also addressed strikes; workers who participated in a strike were to be blacklisted by all the spinneries, and labor shortages arising from striker blacklisting were to be overcome by cooperation between spinneries.

The 1889 statute indicates that the FSO completely ignored the government's concern for the worsening of the working environment. This is probably because neither worker mobility nor the spinneries' scramble for workers had become a serious problem. After 1890, however, the cotton-spinning industry grew dramatically. The unprecedented success of the Osaka Cotton-Spinning Company, the first large-scale factory in Japan, founded in 1883, encouraged the trend toward expanding existing factories and founding new ones in quick succession. Consequently, the cotton-spinning industry came to require a huge number of workers. As Table 2 shows, the number of workers rose sharply from 8,000 to 14,000 between 1889 and 1890. Many of these workers came from villages and, from the beginning, there was a critical shortage of skilled workers. The cotton-spinning industry had developed far more rapidly than it could train skilled workers. Naturally, spinneries began to compete with each other to secure skilled workers.

It was expected that the development of the modern factory system represented by the cotton-spinning industry and the corresponding increase of spinnery workers would cause various labor problems in Japan, such as those already experienced in the advanced Western countries. In 1891, therefore, the government ordered the Chambers of Commerce and Industry throughout the country to submit opinions on whether or not a Worker's Act was necessary. The government had completed two drafts of the Worker's Act in 1887, but had shelved them for four years. Initially, the government commenced work on these drafts in response to the request of merchants and factory owners. As mentioned above, however, it soon became clear that considerable differences existed between the government and business. The latter accomplished their original objectives by establishing the Standing Rules on Trade Associations. The spinnery owners, too, organized their own association and maintained a guarded attitude toward the government's plan to issue a law to control workers. The industry's stance on these matters dampened the government's interest in a Worker's Act, but in 1891 the government regained interest in the old problem.

In response to the government's inquiry to the Chambers of Commerce and Industry throughout Japan, 35 spinnery owners from all over the land, including the Osaka Cotton-Spinning Company, distributed their opinion on the proposed Worker's Act to all Chambers of Commerce and Industry and other relevant organizations across the country.¹⁵⁾ The opinion expressed concern over a Worker's Act as fol-

lows: "People are by nature inclined to indulge themselves in comfort and sloth rather than work hard to earn money, so that there is an insufficient supply of spinnery workers who must submit to rules on reporting time and working hours although their wages are higher than those of other types of workers, and the supply of labor will decline further if a law should determine when workers may arrive at their posts or leave them." The opinion concluded by stating that it was not necessary to enact a law as it "would destroy the beautiful tradition of virtue and justice that has joined employers and employees together since the older days and further encourage strife over rights and duties."

The battle to secure workers, who were encouraged by the labor shortage to hop jobs, grew more intense every year, posing a serious problem for spinnery owners. The FSO's statutes were powerless against this situation. In 1892, therefore, spinning companies in Osaka concluded a 40 article agreement entitled "Statutes of the Sessen Spinnery Owners Association," in an effort to prevent disputes over workers. This type of agreement, which was effective only locally, could not solve problems encompassing various prefectures. To address the issue nationwide, the FSO adopted at its annual meeting of 1892 the 24-article "Supplementary Rules on Spinnery Workers," based on the Statutes of the Sessen Spinnery Owners Association, and appended it to the FSO statute. The Supplementary Rules focused on spinneries that recruited workers from other mills or unknowingly employed those who were already employed at other mills. The FSO thus came to play an important role in supervising spinnery owners at the same time as adjudicating disputes among them.¹⁶⁾

As long as the labor shortage continued, there was a limit to the FSO's supervisory authority over spinneries. Most of the workers' job-hopping was caused by the differences in working conditions among spinneries. Workers naturally chose to work at the companies that provided better conditions. It was also to be expected that the companies that recruited superior workers offered attractive conditions. Under the circumstances, the FSO found it necessary not only to intensify supervision but also to propose a fundamental solution. The method it presented was for spinneries to agree on working conditions. Since this method prevented a sharp rise of wages caused by competition for workers, it easily gained support from spinnery owners.

The FSO tried to establish regulations on worker management including those on employment and dismissal, wages and work hours, and punishment. Since worker management and working conditions

differed from one region to another, however, uniform regulations affected spinneries differently depending on where they were located. To rectify this situation, the FSO revised its statutes in April 1893 and adopted "Worker Management Standing Rules of the Federation of Cotton Spinnery Owners of Great Japan," which had different stipulations for different regions but were rendered binding on all spinneries nationwide. These standing rules assumed that each locale and factory had its own regulations. Thus, agreements on working conditions were concluded in various regions. The month after the adoption of the Standing Rules, the Association of the Central Cotton Spinnery Owners (ACCSO), with its own statutes, was formed in the Osaka area.

Since the FSO did not have the power to enforce membership of all spinnery owners, its control over the entire spinning industry was limited. Its controlling power indeed reached its limit, chiefly because the Kanegafuchi Cotton-Spinning Company, which provided better working conditions than other spinneries, did not join the FSO. Kanegafuchi expanded business from Tokyo to the Kansai area in 1896, but it was not bound by the ACCSO's statutes because it was not a member of the FSO. Kanegafuchi paid higher wages than the spinneries participating in the FSO, which caused worker exodus from other spinneries at the FSO's great expense. The ACCSO requested that Kanegafuchi become a member but was refused. Kanegafuchi's inflexible stance escalated the conflict with the ACCSO to a head-on collision. The conflict was not confined to the spinning industry but developed into a serious affair that deeply affected all industries in Japan. It was not settled until January 1898, when Yanosuke Iwasaki, the president of the Bank of Japan, intervened.

In September of the year that saw the resolution of the conflict between Kanegafuchi and the ACCSO, the government completed the draft of the Factory Act and referred it to the Chambers of Commerce and Industry throughout the country. The draft was also referred to the third meeting of the High Conference of Agriculture and Commerce. The report of the Chambers of Commerce and Industry and the proceedings of the meeting of the Conference indicate that diverse views were expressed: those that requested withdrawal or repeal of the bill; those that believed the bill premature; those that demanded revision; and those that supported the draft. These documents nevertheless suggest that merchants and factory owners had begun to recognize the need to protect workers. Especially noteworthy was the opinion of Heigoro Shoda, the top manager of Mitsubishi & Co., that the industry's future course of action was not the prevention of competition for

workers or of job-hopping through the tightening of worker control but the improvement of fringe and other benefits provided by the enterprises themselves, so that the workers would be encouraged to stay with the company. The better working conditions at Kanegafuchi and Mitsubishi thus destroyed the management strategy that sought to stabilize the employment relationship through “control” within one industry. The proposed Factory Act that aimed at worker protection also began gradually to gain support in the industrial world.

Conclusion

Although the cotton-spinning industry of the Meiji period started as a modern industry, it was unable to formulate a modern employer-employee relationship and had little choice but to continue the employment practices of the society before the advent of the modern industry. That is, it had to use the employee management techniques of the medium- and small-scale merchants and factory owners of the Edo period, wherein the employers sought to stabilize employment relations through control over the employees and regulation over themselves. The merchants and factory owners whose business had origins in the Edo period also faced a chaotic employment relationship when the government denied the old system by issuing the Kabu Nakama Dissolution Ordinance. However, as the trade associations began to be organized again and the Standing Rules on Trade Associations were established, the revival or continuation of old systems became virtually endorsed by the government so that a stable employment relationship was sought in restoring the old framework. On the other hand, the developing cotton-spinning industry was forced to experience these problems early, and for a long time the situation was so chaotic that the confusion drew public attention and created a social problem. Eventually, the cotton-spinning industry found relief from the chaos, but the remedy did not come from inside the industry. The conciliatory employment relationship at the Mitsui Bank, based on better working conditions for its employees, was extended in the late 1890s to the workers at the Kanegafuchi Cotton Spinning Company, an affiliate of the Mitsui Bank. Kanegafuchi’s policy to uphold better employment conditions for its workers had an enormous impact on the cotton-spinning industry, which had sought to stabilize employment relationships by intensifying control over workers and self-regulation among employers. The ensuing conflict between Kanegafuchi and other spinneries developed into an affair of such magnitude that it shook the Japanese industrial world. This affair represented the strug-

gle between "the old" and "the new." For the cotton-spinning industry, it was a necessary step in its evolution toward modern labor relations from the trade associations' guild-like employment policies intended to continue the employment practices of the Edo period. Thereafter, the cooperative employment relationship based on better employment conditions for workers reached and penetrated the strata

Table 1 Transition of Monthly Salary of Mitsui Bank Clerks

1876			1892		
Level	Salary		Level	Salary	
Level 1	¥ 50		Level 1	¥ 350	
2	40		2	250	
3	35		3	180	
4	32		4	130	
5	30		5	90	
6	25		6	60	
7	20		7	40	
8	16		8	25	
9	12		9	15	
10	10		10	10	
11	8				
12	6				
13	4				
14	2.5				

Source: Mitsui Bank
100-nen no Ayumi
(100 Years of the
Mitsui Bank), 1976,
p. 58

Source: *Mitsui Ginko Kyuryo Kisoku*
(Regulations on Salaries
at the Mitsui Bank),
a document held by
Mitsui Research
Institute for Social
and Economic History

Table 2 Development of Japan's Cotton Spinning Industry

Year	No. of Companies	No. of Factories	Paid-up Capital (Yen)	No. of Spindles	No. of Looms	No. of Workers		
						Male	Female	Total
1887	21	19	?	76,604	—	933	1,400	2,330
1888	24	24	?	116,276	—	1,204	2,199	3,103
1889	28	28	7,499,525	215,000	200	2,539	5,391	7,930
1890	30	30	8,737,502	277,895	400	4,089	10,330	14,419
1891	36	36	8,477,274	353,980	420	5,051	14,216	19,267
1892	39	39	11,223,737	385,314	420	6,354	18,878	25,232
1893	40	40	11,271,005	381,781	420	6,164	19,284	25,448
1894	45	45	13,308,030	530,074	420	8,229	26,923	35,152
1895	47	47	16,392,058	580,945	583	9,650	31,140	40,790
1896	61	61	22,860,709	757,196	1,789	11,394	36,087	47,481
1897	65	74	28,881,476	970,567	3,105	9,933	35,059	44,992
1898	74	77	32,500,226	1,146,749	2,511	16,183	50,620	66,803
1899	78	38	33,720,777	1,189,929	2,869	16,445	57,540	73,985
1900	79	30	33,991,510	1,135,111	3,010	12,262	43,760	56,002

Source: *Naigai Mengyo Nenkan* (Yearbook of the Cotton Spinning Industry), 1940, pp. 32-33 and *Noshomu Tokei-hyo* (Statistics of Industries), Vol. 9 and Vol. 17.

of 'servant-employees' and factory workers. Thus came the age of labor relations characterized as "managerial familialism." Furthermore, this type of employment relationship is believed to have become the foundation of today's "Japanese-style management."

Notes

- 1) Concerning the history of trade association organization in the Osaka prefecture, see Mataji Miyamoto, "Kabunakama Kaiho Chokugo ni okeru Shogyo Kumiai no Gunritsu," in Osaka Keizai Shiryo Shusei Kanko Iinkai, ed., *Osaka Keizai Shiryo Shusei*, Vol. 7, 1975.
- 2) For the content of the petition of the Tokyo Chamber of Commerce and the history of its writing, see Shibusawa Seien Kinen Zaidan Ryumonsha, ed., *Shibusawa Eiichi Denki Shiryo*, Shibusawa Eiichi Denki Shiryo Kankokai, Vol. 17, 1957.
- 3) For the government's approach to a Worker's Act, see Rodo Horei Kyokai, *Rodo Gyoseishi*, Vol. 1, 1961, pp. 18-21.
- 4) The proceedings of the meetings of the Association for the Promotion of Industry are published in *Shibusawa Eiichi Denki Shiryo*, Vol. 18, 1958, pp. 121-134.
- 5) *Ibid.*, Vol. 17, pp. 112-114.
- 6) On the evolution of the trade associations, I consulted Teiichiro Fujita, *Kindai Nihon Dogyokumiai Shiron Josetsu*, UNU, 1981.
- 7) Teiichiro Fujita, "Meiji 15-25 nen no Dogyokumiai — Kyoto no Baai," in *Doshisha Shogaku*, Vol. 35, no. 2, 1983.
- 8) Concerning the Mitsui House, all sources used in this article are either published in Mitsui Bunko (Mitsui Research Institute for Social and Economic History), ed., *Mitsui Jigyoshi*, Mitsui Bunko, 1974, Shiryohen Vol. 3 (1974) and Honpen Vol. 2 (1980), or are held at the Mitsui Bunko.
- 9) For Nakamigawa's idea of improved management of servant-employees and the policy carried out under him, see Akiko Chimoto, "Nakamigawa Hikojiro no Shiyonin Taigu no Rinen," in *Doshisha Shogaku*, Vol. 35, no. 2, 1983.
- 10) For the influence of the improved employment conditions, see Chimoto's contribution in Shigeaki Yasuoka, ed., *Nihon zaibatsu keieishi — Mitsui zaibatsu*, Nihon Keizai Shimbunsha, 1982, pp. 162-182.
- 11) Yukio Okamoto and Kenji Imazu, ed., *Meiji Zenki Kan'ei Kojo Enkaku*, Toyobunkasha, 1983, pp. 306-327.

- 12) *Sibusawa Eiichi Denki Shiryo*, Vol. 10, 1956, pp. 215-218.
- 13) Hanji Iijima, *Nihon Bosekishi*, Sogensha, 1947, p. 49
- 14) *Ibid.*, pp. 51-56.
- 15) *Kyoto Shogyo Kaigisho Geppo*, No. 1, 1891.
- 16) The statutes established during this period are published in Iijima, *Nihon Bosekishi*, pp. 62-71.

Translated by Atsuko Hirai