A brief note on the introduction of the Scanlon Plan in Japan

The name of Scanlon Plan has been widely known among the Japanese, particularly among those working in industries. Senior people who had their active lives in industries in the 1960-70s remember the Scanlon Plan fairly well.

Various ideas of profit sharing and gain sharing were introduced to the Japanese industries during the latter 1950s and 1960s. They were the Scanlon Plan, Rucker Plan, Kaiser Plan, the American Motor's Plan, and others. The Japanese industries wanted to catch up with the western economies by utilizing the advanced ideas in the management and technologies at that time.

Among the ideas and techniques introduced, the Scanlon Plan was one of the most well known ones, along with the Quality Control developed by Dr. Deming. Unfortunately, the personal background of these pioneers has not been well known in Japan. The basic idea of the Scanlon Plan has still alive in various areas in the Japanese industry, although the name of Mr. Scanlon is not always mentioned. The contribution of Dr. Deming has also been widely known in the Japanese industries.

Joining participation with gain sharing, the Scanlon Plan represents and effort to elicit worker ideas for increasing productivity by combining direct and indirect participation with financial incentives. When the ideas of profit sharing and gain sharing were introduced for the first time, the climate of industrial relations in Japan was not favorable to these innovative ideas. Despite the adverse situation, some companies including Canon corporation (known by its quality optical products) and many steel companies, studied the Scanlon Plan and tried to introduce the plan.
The evidence suggests that their successes were heavily dependent on managerial and union attitudes as well as the ability of the both sides to make substantial changes in their patterns of behavior.

In February 1955, a few management leaders gathered in Keizai Doyukai (Japanese Association of Corporate Executives) established the Japan Productivity Center (JPC). At that time many major labor unions belonged to a leftist national center named Sohyo engaged in the anti-rationalization movement and shop-floor struggles to paralyze management. Some managers involved in establishing the JPC were deeply impressed by the productivity movement in Europe in the 1950s and wanted to import that idea into Japan.

Labor-management cooperation to restore the economy was progressing in the United Kingdom, Germany (West), and other European countries, financed in part by collateral loans provided through the Marshall Plan. The United States supported these movements in order to protect democracy and the free market economy in the West.

In Japan, the United States offered the financial resources of Foreign Operation Association (FOA) through the Ministry of International Trade and Industry (the present Ministry of Economy and Industry), and it was these funds that helped the establishment of the JPC. Founders of the JPC supported the productivity movement because they believed that a proper balance between efficiency and democracy was a prerequisite for the development of stable labor-management relations. Although leftist labor unions were against the productivity movement, the right-wing and neutral unions began participating in the
movement in the latter 1950s.

The JPC adopted three principles for the productivity movement: (1) productivity increase should eventually expand employment (through the expansion of the macro-economy); (2) the means of increasing productivity should be studied jointly by labor and management through consultation; and (3) the fruits of productivity increases should be distributed fairly among labor, management, and consumers in accordance with national economic conditions.

The JPC organized several or tripartite research groups to study productivity-increasing methods in the United States and Europe. These included labor-and-management groups from the steel industry, even though the strong contribution to increasing the international competitiveness of the Japanese industries, as did the quality control movement encouraged by Dr. Deming and total quality control (TQC) and zero defect (ZD) movements established in following years. The Scanlon Plan was one of the innovative ideas introduced and tested in the same period.

Although the Scanlon Plan seems to have lost its direct impact in the 1970s, the basic innovative idea of the plan has been well inherited and deeply rooted in the Japanese industry.