

**Amakudari of Civil Servants in Japan:  
An Examination of the Vices and Virtues and  
Postulation of Reforms**

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## AMAKUDARI OF CIVIL SERVANTS IN JAPAN: AN EXAMINATION OF THE VICES AND VIRTUES AND POSTULATION OF REFORMS

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*Abstract.* The *amakudari*, or reemployment of civil servant has caused serious concerns in the Japanese bureaucracy and politics. Based on secondary sources, this paper examines how *amakudari* takes place in Japan and brings out its associated vices and virtues. It finally gives some recommendations to reform this system. It suggests that any comprehensive reform plan must bring legal changes in the civil service, public enterprises, independent administrative agencies, and in the political outlook. Activation of professional ethics of bureaucrats and management, establishment of control mechanisms in public enterprises, and activation of debate and questioning in the Diet are thought to be strong remedies. The postulated Human Resource Bank to arrange reemployment of retired bureaucrats should be organized properly and be allowed to function efficiently. The paper also calls for a mental revolution on the part of bureaucrats, politicians, and private sector employers to bring about permanent solutions to the vices of *amakudari*.

### INTRODUCTION: AMAKUDARI IN JAPAN

*Amakudari* means reemployment of a retired civil servant or change of employment of a civil servant to another field or organization before retirement (Yoshitake 1973; Sakamoto 2001). *Ama* means heaven and *kudari* means descend, thus a near to exact transliteration is “descent from heaven” (Wikipedia 2007), which in Japanese public administration lexicon also refers to “golden parachutes”, whereby a retired or on-the-job top or middle ranking civil servant takes a high profile job in a public enterprise (*tokushū hōjin*) or incorporated administrative or government agency (*dokuritu ugōse hōjin*) or in a private sector enterprise. The term *amakudari* is adopted to denote the elite status that a civil servant holds in Japanese society (Kodansha 1996). A mythological interpretation of *amakudari* is, “descent of the Shinto gods from heaven to earth”, and “heaven” now refers to higher positions in the civil service (Wikipedia 2007).

This practice of employment change or second employment by civil servants started from the Meiji period, and it has flourished and was institutionalized during the 1960s and 1970s, when the Japanese economy witnessed an unprecedented rapid growth, and a honeymoon prevailed between the government administration and the private sector, whereby the private sector thrived under the protection and patronage of the government and in return courted retired bureaucrats with very high positions and remuneration. As argued, it emerged from the complementary public and private sector motivations—the desire of bureaucrats who are sometimes forced to retire before their mandatory retirement age with relatively modest retirement benefits for second careers, and the desire of private corporations for access to government contact and information (Kodansha 1996). Colignon and Usui (2003: 3) observe *amakudari* as an institutionalized form of human resource management during the post-World War economic development, which had mobilized bureaucratic resources for long-term economic planning. The practice was further perpetuated by a high demand for the expertise of bureaucrats in the private sector, and at a later stage in the 1990s and thereafter by the high expectation of bureaucrats to earn huge monetary rewards like their counterpart managers or officers

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in the elite private sector corporations. More recently, it has become a fashion on the part of the bureaucrats to lobby to create more friendly regulations for their masters upon reemployment and to procure financial gain by using their cozy relationships with bureaucrat-turned politicians and their former colleagues and old-school friends, who are still in employment.

*Amakudari* takes place in a number of ways, the most common and legalized form of which is seeking a second employment after two years of retirement as a civil servant (Kodansha 1996; Khondaker 1997). In its purest and most original form, it takes place through employment in a private sector enterprise after retirement from the civil service. Colignon and Usui (2003: 11 & 20) observes four distinct forms of *amakudari* as (a) reemployment in or job change to a profit-seeking private sector enterprise, or strict *amakudari* (the author regards this as *junsuina amakudari*), (b) reemployment in public enterprises or special agencies, called *yokosuberi* or sideslip); (c) multiple employment with public enterprise or across public and private sectors, called *wataridori*, or migratory bird; and (d) movement to political fields seeking party-endorsement or nomination for election in the Diet (parliament), called *seikai tenshin*, or movement to political office. Reemployment in the private sector is the purest form of *amakudari* in that it implies transfer from a highly revered field or position of government (*ama* or heaven) to a less prestigious field or position in the private sector. In olden days, and still today, people view civil servants as serving the public interest as direct representative of the Emperor, and such a job in the public office is status symbolic in society. However, the most criticized form of *amakudari* is employment in the independent administrative agencies and public enterprises, which allegedly the ministries create to promote lucrative reemployment avenues for them, exercising their powers and positions to provide funding and facilities to those.

From the legal point of view, *amakudari* can be classified as lawful or regular, and unlawful or irregular. The lawful category means reemployment with a strict adherence to legal provisions, that is, reemployment after two years of leaving civil service, and in organizations and enterprises with which the cohort had no close relationship during the last five years of his office. Employments which do not conform to these legal provisions are in fact illegal and distort the image of *amakudari*, and thus cause enormous hue and cry from the opposition parties in the Diet as well as in mass media. Movement to the political field is not so prone to popular criticism, since seeking a political position is open to all citizens and to anyone in the private sector. The problem, however, arises when someone with the background of civil service, in complicity with former colleagues or using earlier connections, does something unethical and causes harm to the nation and to the tax payers, in particular. This paper examines the underlying vices and virtues of *amakudari* and offers some suggestions to reform it.

### **SOME EXAMPLES OF AMAKUDARI IN PUBLIC ENTERPRISES**

Government agencies and public enterprises are said as hotbeds for *amakudari*. Through this practice, bureaucrats in the central government have monopolized management boards and all important managerial jobs of the public enterprises. Top positions such as president, vice president, manager, and auditor in *kōdan* (public housing corporation), *ginkō* (bank), *jigyōdan* (public utility enterprise), and other public enterprises are often occupied by the civil servants from the administrative ministries, holding control on them. Most prominently, their parachuting take place in the independent administrative agencies and public corporations under the administrative jurisdiction of ministries, namely the economy, the trade and industry, the finance,

the agriculture, forestry and fisheries, the education, science and technology, the construction and transport, the defense, and their adjunct agencies and divisions.

From the statement in the Diet in 1967 by an MP from the then Socialist Party, Yoshitake (1973) reported that out of 757 board members in 108 public enterprises, 398 (52 percent) were from the civil services. Khondaker (1997) found that appointments in all privatized famous public enterprises, namely Japan Telegraph and Telephone Corporation (JTTC), the Japan Broadcasting Corporation (NHK), Japan National Railway (JNR), and in the Bank of Japan were approved in the houses of the Diet, appointments were mostly done by the line ministries. Although the exact nature of influence from ministers and top bureaucrats cannot be assessed from outside, the nomination comes from the bureaucrats, who usually try to arrange positions for their senior and even junior colleagues, and do lobby at the ministerial and political party levels.

As of October 2007, there existed 102 independent administrative agencies (IAAs) under eleven ministries and 36 public enterprises under eight ministries (Institute of Administrative Management or IAM 2007). As of April 2006, the IAAs employed 652 directors and 85,421 general staff, including managers and rank-and-file employees). Employees in eight such agencies hold the status of civil servants. As of October 2007, of all board members in the IAAs, 31.7 percent were retired civil servants and 13.8 percent were on-the-job civil servants, who were either on loan, or were transferred temporarily. In public enterprises, retired and currently employed civil servants occupied 23.8 percent and 1.1 percent of the board-member positions, respectively (Table 1). A significant number of employees in general or staff positions also come from related ministries on either amakudari or temporary assignment. Those on temporary assignments mostly come from the line ministries and agencies, maintain close relationship with them, and channel ministerial policies and wishes to the IAAs and public enterprises. As a result, IAAs and public enterprises have turned out as their adjuncts. Especially in the public enterprises, this situation hinders the development managerial professionalism, which is very much needed for running those enterprises on the commercial principle and with the same competitive spirit of the private sector enterprises.

Table 1: Distribution of Directors in Independent Administrative Agencies and Public Corporations (As of October 2007)

Type	Service Category	Number (people)	Retired Civil Servant	Temporary Transfer
Independent administrative agencies	Total	652 (100.0)	207 (31.7)	90 (13.8)
	Full-time	516 (79.1)	184	90
	Part-time	136 (20.9)	23	0
Public corporations	Total	408 (100.0)	97 (23.8)	7 (1.1)
	Full-time	319 (78.2)	91	7
	Part-time	89 (21.8)	6	0

Note: Figures within brackets indicate percentage of the total number of directors in both full and part-time employment.

Source: Institute of Administrative Management.

In the 1980s, the practice of parachuting from the ministries and agencies was so rampant that about 2 percent of the board members in the listed private sector companies were retired civil servants, especially the Ministry of Finance (MOF) and National Tax Agency (Wikipedia 2007). The Lower House Research Bureau, in compliance with the investigation request under the right of investigation in national politics, produced a report in the House of Representatives in March 2006 and found that the parachutists occupied more than 70 percent of the executive and officer positions in the twenty-eight surveyed organizations (*dantai*). More than 90 percent executives in nine organizations were bureaucrats (Toyo Keizai 2007: 39-40). Five ministries, namely the Defense, the Construction and Transport, the Justice, the Health, Labour and Welfare, and the Economy, Trade and Industry sent the highest number of bureaucrats to such organizations under their respective jurisdictions. The survey also found 27,882 parachutists in 4,576 organizations as of April 1, 2006. Within the first six months of 2007, about 5,920 billion yen was pumped into those organizations as subsidies, of which more than 69 percent was given as assistance, and the remaining 31 percent was given for contract work on the basis of tendering. Of the amount given for contracted work, 98.3 percent was given on single tendering, and 1.3 percent was given on complete tendering, and 0.4 percent was given on designated competitive tendering (Toyo Keizai 2007). This shows how much tender or bid fixing (*dangō*) takes place through amakudari bureaucrats.

Up to December 2006, civil servants of the rank of section chief or in-charge of planning office in the ministries and agencies who retired from 16 August of 2003 to 15 August 2006, 3,741 were reemployed, and about 45 percent of them got positions in the public interest (service) corporations (Toyo Keizai 2007), which include foundations, corporate judicial persons, public school corporations, social welfare corporations, religious bodies, medical corporations, and other non-profit organizations. Self-employed business accommodated 655 or 17.5 percent, commercial enterprises 488 or 13 percent, independent administrative agencies 227 or 6.1 percent, national and regional public institutions, public corporations and authorized institutions about 110 or 3 percent, and others 585 or 15.6 percent. It is alleged that 80 percent of the retired civil servants cannot secure second employment without the assistance of their former employers (Toyo Keizai 2007: 39). After retirement at 62, faculty-members of government universities usually take second employment in private universities and in public training centers and research institutions. However, the situation has become very competitive, and about 20 percent of the retired professors from the engineering faculty of the University of Tokyo were found to have difficulties in getting a second employment by themselves. Reportedly, argument has flared up in this university to extend the retirement age (Shūkan Asahi 1999).

In Japan, the government exercises control on the public corporations mostly through appointment and approval of top level executives and amakudari of bureaucrats especially as board members and in other top management positions (Yoshitake 1973: 224-36). For example in the JTTC, before its privatization, the government used to employ two board members (president and vice president) who then used to appoint all statutory auditors and managers and general managers. In NHK, all members of the Board of Governors are appointed by the prime minister with the consent of both houses of the Diet. In the JNR, the Cabinet used to appoint the president of the board (*rijikai*), who later used to nominate vice president and other members with the approval of the Ministry of Transport, and such appointment was to be ratified in both houses of the Diet. (Khondaker 1990). In the case of Bank of Japan, the Ministry of Finance appoints its

representative on the board, the Cabinet appoints the governor and deputy governor, and the Diet approves the members representing various quarters.

Influence for the nomination and appointment for such positions in the IAAs and public enterprises comes from different quarters, namely minister who is political person, the vice minister who is a civil servant, and other top level bureaucrats. The reemployment of retired civil servants is controlled in many ways by the ruling party and the acting top level bureaucrats (Yoshitake 1973: 258). This occurs not only at the top level but also at mid-and junior levels.

### VICES ASSOCIATED WITH AMAKUDARI

Frequent reports and articles in Japanese newspapers (e.g., *Nihon Keizai*, *Asahi*, *Yomiuri*, and *Chūnichū*) and tabloids (e.g., *Toyo Keizai*, *Nikkei Business*; *Wedge*, and *Shūkan Gendai*) bring out news and scandals on *amakudari* and lash criticisms and offer suggestions to reform it and eradicate its vices. Opposition political parties and even MPs from the ruling party express suspicion on its merits and join in motions against it and to curb its intensity. In addition to “descent from heaven”, some most commonly labeled stigmas against *amakudari* are “high-paying and corruption-linked jobs”, “notorious plight”, “golden parachuting”, “hotbed for bid-rigging”, and “bid-fixers”. *Amakudari* bureaucrats provide cushions for bid-rigging and price-fixing in the projects and work contracts of public sector enterprises and semi-government agencies, which squander taxpayers’ money. Due to ex-bureaucrats intermeddling, the government purchases are tendered to the favored private sector enterprises, suppliers, and contractors at arbitrarily fixed and inflated prices. It is argued that many semi-government agencies are unnecessary and are created simply to accommodate retired bureaucrats (Nakata 2007). In addition to high financial rewards as salary, bonus, and position allowance, through cozy ties among ministries and employers, they receive perks like chauffeured limousine, public houses, wining and dining, and free golfing and trip. Huge amounts are embezzled through padding prices and bills (*mizumashi*), entertainment (*osettai*), and cash bribe from business partners. *Amakudari* also brings big fringe benefits and retirement allowance from double-triple employments during a short period. Such information gives rise to nation-wide murmuring, parliamentary debate and questioning, and investigation.

One most recent example is that of Yamada Corp. and the Ministry of Defense (MOD). Yamada Corp. was an enlisted contractor firm for defense procurement and had an unwritten agreement to hire one retired ministry official or military officer for every one billion yen of purchases through it (Asahi Shimbun 2007). Through this agreement, it hired 10 former defense officers from the Ground, Air and Maritime SDF as advisers and about 120 as employees in different ranks, and such recruitments include such top notch officers as major generals and chief of staff. Historically, many trading companies enlisted with this ministry as logistic suppliers and technology procurers hire retired ministry and defense personnel (Nakanishi 2004). The said Yamada Corp established dummy companies in the USA to channel profits, which in fact did not do any business activity and issued false salary checks for executives. It even kept separate set of books to record expenses of wining and dining senior officials of the Defense Ministry (Daily Yomiuri: 2007).

Shūkan Gendai (2007: 178-81) reported a list of reemployment and job fixing for vice ministers at the rank of board chairman, president/ governor in bank, insurance company, and financial institution, and other lucrative enterprises, and showed how within a short period of employment is changed, and the minister

approves and employs the head of the IAAs. They actually work for a few days in one organization, and like migrant birds they frequently change jobs in designated enterprises with huge amounts of retirement benefits. It is no wonder that they make 3-4 hundred million (3-4 *oku*) yen from 3/4 employments. Bureaucrats of the former Ministries of Welfare and Labor frequented among enterprises under their administrative jurisdiction. Allegedly, many laws and regulations enacted in those ministries were full of notorious loopholes (*zaru-hó*) and ridiculously failure in bringing any reform.

Amakudari is also blamed as one of the root causes of collusion and consequent corruption in Japan's so-called iron triangle, consisting of bureaucrats, politicians, and private sector business people. After descent in the corporate world, bureaucrats essentially coordinate with their old ministries and lobby for their employer companies. Since their junior colleagues at the ministries are also looking forward to their own amakudari, they do not turn down requests; rather oblige former colleagues and friends with their requests for the release of valuable information, government permits, and adoption of congenial legislations. As mentioned in Colignon and Usui (2003: 16 and 191), if something goes wrong with their companies, the *amakudari* officials do lobby for special favors and protections from the ministries, and arrange support from the political world also.

*Amakudari* endangers and infringes the autonomy of the local authority in the IAAs and public- and private- enterprises. Bureaucrats on loan or amakudari show their exclusive devotion to the government ministries and agencies to which they belong. Allegedly, this gives rise to inter-departmental sectionalism and cliques, which result in the absence of or wrong co-ordination among activities of public enterprises under different ministries and with those of other public institutions and closely related bodies (Tsuji 1969). Reemployed bureaucrats also arrange political donations and other funds to *zokugin* (policy tribe MPs in the Diet), Cabinet members, and even to independent and less powerful MPs. In practice, such actions highly infringe ethics of the MPs, ministers, bureaucrats, and private sector business leaders.

A report of the Lower House Research Bureau in March 2007 shows that in 2005, 29 public service corporations (*kóeki hójin*) under administrative jurisdiction of the Ministry of Land, Infrastructure and Transport received former national civil servants as full or part-time employees and in turn received national subsidy to the extent of 33-100 percent of their revenues. In 17 of those corporations, subsidy amounted to 50-100 percent of the total revenues. Together they employed 523 civil servants, of which 384 (73 percent) were on full-time. Subsidy granted per full-time employee was found to be less than 100 million yen in 8, 100-500 million yen in 14, and more than 500 million yen in 5 corporations (Table 2) (Toyo Keizai 2007).

### VIRTUES WITH AMAKUDARI

However, it cannot be said that *amakudari* is absolutely an evil in the government-business relationship in Japan. *Amakudari* bureaucrats enlarge the competence of the management in public enterprises and lead them to achieve their objectives according to the plan of the central government. The underlying reasons for this situation are: superb academic qualification and training of bureaucrats, their expert knowledge, unique social and inter-personal relationship, and their uncontroversial devotion to lead the country to economic prosperity. Civil servants in Japan are recruited from among the best graduates of the nation's top ranking universities, namely Tokyo, Keio, Kyoto, etc. as mentioned before and hereafter. The majority of them come from the Faculties of Law and Economics of the University of Tokyo. An admission into the national

Table 2: Acceptance of Amakudari Bureaucrats and Acquisition of Contract Projects in Public Corporations under the Ministry of Land, Infrastructure and Transport

Names of Public Interest Corporations (koueki houjin)	Subsidies received (A)	Total revenue (B)	Dependenc e on nation (%) (A÷B)	Amakudar i of civil servants (* )	Full-time amakudari (C)	Subsidies granted per amakudari (B÷C)	Tender (single/ subsidy)	Success rate of tender (%)
Japan Institute of Construction Engineering	5,756	8,602	66.9	18	14	411	Single	99.5
Housing Industry Training Institute	370	872	42.4	3	0	—	Sub.	
Cen. for Housing Renovation/Dispute Settlement Support	510	1,546	33.0	7	3	170	Sub.	
Association of New Urban Housing Technology	80	160	50.0	1	1	80	Sub.	
Urban Renewal Association of Japan	2,500	3,822	65.4	7	4	625	Sub.	
Advanced Construction Technology Center	1,495	2,388	62.6	31	23	65	Single	98.7
Japan Construction Information Center	3,567	9,121	39.1	47	40	89	Single	97.3
Infrastructure Development Institute	667	1,544	43.2	22	7	95	Single	99.3
National Land Planning Association	198	560	35.4	15	1	198	Single	92.1
Japanese Association of Real Estate Appraisal	4,810	7,636	63.0	1	1	4,810	Single	100.0
The Land Institute of Japan	525	801	65.5	6	3	175	Single	100.0
Japan Transportation Planning Association	610	1,390	43.9	4	0	—	Single	99.4
Org. for Landscape and Urban Greenery Tech. Dev.	349	851	41.0	12	6	58	Single	—
Parks & Open Space Association of Japan	675	1,455	46.4	7	3	225	Single	—
Urban Design Center	118	353	33.4	7	2	59	Single	99.9
Foundation of River/Basin Integrated Communications	3,809	6,975	54.6	46	42	91	Single	99.8
Foundation of River/ Watershed Environment Managt.	5,311	8,008	66.3	48	45	118	Single	99.1
Assocn. for Rainwater Storage and Infiltration Tech.	163	425	38.4	7	1	163	Single	99.4
Assocn. for Rainwater Storage and Infiltration Tech.	1,103	2,708	40.7	14	10	110	Single	100.0
Foundation for Riverfront Improvement & Restoration	2,527	3,546	71.3	16	12	211	Single	99.3
Water Resources Environment Technology Center	3,357	4,162	80.7	18	15	224	Single	100.0
Highway Industry Development Organization	5,507	7,909	69.6	17	8	688	Single	98.6
Organization for Road System Enhancement	3,835	7,916	48.4	9	5	767	Single	99.2
Snow Research Center	691	1,188	58.2	12	8	86	Single	98.8
Road Management Technology Center	8,795	15,216	57.8	46	44	200	Single	98.9
Institute of Behavioral Sciences	1,843	1,843	100.0	2	1	1,843	Single	99.0
Road Space Sophistication Institute	1,124	1,891	59.4	12	7	161	Single	99.9
Highway Environment Research Institute	1,118	1,930	57.9	9	5	224	Single	99.9
Tohoku Construction Association	11,167	14,000	79.8	79	73	153	Misc.	-

Note: The number of reemployed national civil servants is as of April 1, 2006; these data are from the report of the Lower House Research Bureau (March, 2007). Source: Toyo Keizai (14 July 2007) adapted.



universities of Japan is highly competitive, and all applicants are assessed by the same criteria. The most able students find their places in the University of Tokyo, especially in the Faculty of Law, which provides extensive training in Public Administration, Political Science, and Law (Vogel 1984). The top graduates of the Law Faculty enter the most prestigious ministries and agencies, provided they pass the ministerial written examination and demonstrate poise, breadth, and commitment in interviews. According to Vogel, "this selection procedure ensures that elite bureaucrats are not only extremely able but are also protected by an aura of respect, rivaled perhaps only by the elite bureaucrats of France" (Vogel 1984: 55).

After selection, the novice bureaucrats are trained professionally. They are assigned to various apprenticeship positions in the ministry, sent for studying abroad, and assigned to regional posts. Although their promotion system is of the escalator type, but it is very complex in that frequent opportunities in horizontal and vertical positions blur the actual image of promotion. The number of high posts are extremely few, and it is customary for them to resign as soon as any one of their peers who passed the national examination in the same year, becomes vice minister (*jimujikan*), the highest post in that ministry (Nakane 1987: 120). These outgoing bureaucrats are employed in the public and private enterprises at a very high salary. In the 1960s and 1970s, the retired bureaucrats were a very important source of procuring strategic human resources. Especially in the big private sector enterprises, such reemployment was viewed as a means to secure management teams with diversified backgrounds and experience.

Bureaucrats in Japan are responsible for the drafting of all economic plans, policies and bills. The rapid economic development of Japan was partly due to the guidance and control of the bureaucrats. Their neutrality was well-known to their countrymen. As Vogel (1984: 69) observes, bureaucrats accepted responsibility for all development in the country, but tried to avoid becoming over extended, maximized the areas where they could provide guidance, and at the same time minimized the activities they could manage directly. They were fully aware that they were dealing with important problems of the nation. And they took pride in their successful handling of difficult issues of national interest (Vogel 1984: 56). The bureaucrats still promote public enterprises and makes plans and policies for their activities. Although career managers exist, *amakudari* bureaucrats play the most important role in management and control. So it is unlikely that the bureaucrats on their reemployment in those enterprises do something terribly abnormal which might result in their failure and demise (Khondaker 1997).

Government guidance and supervision of economic development in the Meiji period was so pervasive that Lockwood (1954) described Japan as a "sponsored capitalism". Long and Seo (1977) called it a "planned economy", where bureaucrats worked relentlessly to improve welfare of the business sector, and both government and business worked together toward mutual goals and objectives. Business executives worked on many government committees, councils, and agencies as members and advisers (Long and Seo 1977). The government, in addition to its normal development related guidance and supervision, historically provided guarantee to procure modern technology, and steered the development of technologically sound industrial base (Lockwood 1954), lobbied at the international level to protect its industries from harmful competitions (Long and Seo 1977). It also provided finance for R&D to invent and discover new technologies even with the aim to score Nobel Prize, to buoy out ailing enterprises, and to orchestrate restructuring and reorganization of the industrial sector. The post-war Ministry of International Trade and Industry (MITI) was inextricably intertwined with the industrial sector in promoting consortia of

industries to undertake large projects, aligning support against risk from the insurance companies, and leading formal and informal dialogue within an industrial sector to properly organize collaboration and establish consensus and harmony among its members, while keeping competition alive (Vogel 1984: 74-84). This cozy government- business relationship is attributed to be as “Japan Inc.” by many Western scholars (Vogel 1984; Long and Seo 1977). As of today, although that relationship has loosened, it is still very important for small and big businesses alike.

Another factor, which makes *amakudari* bureaucrats more devoted to the employer enterprise is that, they cut-off all employment relationship with their parent department. They are evaluated on the basis of their performance in the public and other employer enterprises. The salary of the president, vice president, and director is higher than that of the ministers, and their retirement payment is also very lucrative. Moreover, due to commercialization of public utilities and services (roads, housing, water, harbor, and sewage), public enterprises are required to pay their own way, and commercial goals and targets have been assigned to many of them. This makes a reemployed bureaucrat in managerial position more committed to the success of his employer enterprise (Khondaker 1997).

*Amakudari* is also viewed as an instrument of disseminating information and establishing cohesion and coordination among bureaucrats, politicians, and the private business sector (Colignon and Usui 2003), and that eventually broadens the scope and accessibility of small and less powerful business firms to the government sources (Calder 1993). Vogel (1984) observed this situation to be still friendlier to the interest of the business world than their counterparts in the West.

### HOW AND WHY AMAKUDARI TAKES PLACE IN JAPAN

*Amakudari* takes place in Japan for a number reason. There exists three different types of civil servants, Type I and Type (university graduates) and Type III (high school graduates), but those who pass the Type I examination and succeed in the exam of the ministry are regarded as fast track bureaucrats. The promotion system in Type I and Type II are extremely rigid, and in the case of Type II, the career escalator starts from a minister's secretariat (e.g., accounting division), and after 10 or so years of service, a promotion is given as section chief, and this continues for another 10 years or so. After 24 years of job or at the age of 48, one becomes a specialist (middle management); at 52 becomes assistant to the section chief (also called deputy director); at 55 becomes associate or additional director or section chief; and at 57 or at the 33<sup>rd</sup> year of job becomes section chief or director of a division. During the first twenty years of their service, they work mostly within the ministry and then work at regional offices or transferred to the affiliated organizations. In the case of Type I, after initial 3-5 years of service with the parent ministry, young civil servants are transferred to other ministries or to regional public service enterprises. At about 33, they once come back to the ministries, and are transferred again at about 37 to public enterprises for two years. From the age of about 39 or from the 17<sup>th</sup> year of employment, they work exclusively within the parent ministries and remain there until retirement. Transfer to other ministries and affiliated organizations are almost rare from this point (NPA 2001).

There exists considerable promotion disparity between the two categories, but the competition in Type I is extremely severe as the number of vice minister positions is very few. According to the prevailing custom, if a peer is promoted to vice minister at the age of 56 (Toyo Keizai 2007: 43), the peerage should resign or

retire en masse (Nakane 1987). Human Resource Section within each ministry broker positions and reemployment, in other words *amakudari* for such retired bureaucrats. Other than this stereotype pattern, bureaucrats can resign their jobs any time and take up positions in the private or other sectors. The national laws and government service rules do not preclude anyone from doing so.

In the case of reemployment or change of employment to private enterprises, it normally takes place especially in those enterprises with which bureaucrats come in frequently touch during their active employment in the ministries and agencies. The relationships develop mostly through dispatch and other interactions as adviser, auditor, consultant, and supervisor from the line ministry. Employers are need them to procure opportunities (work contract and sub-contract, services supply, information on government development projects, etc.) and patronage of the government, and the *amakudari* bureaucrats play a crucial role in making arrangement and connection through their former colleagues and seniors.

*Gakubatsu* (alma mater relationship) is another factor that makes *amakudari* a strong medium of maneuvering placement and awarding favors among bureaucrats and public-and private-sectors. Shimbori (1981: 75) argues that *gakubatsu* is a form of patronage for graduates of a particular university, and it reinforces ranking that exists among universities. Major universities namely Keio, Tokyo, Waseda, Kyoto, Chuo, Meiji, Nihon, Doshisha, and Hitotsubashi educate top executives and board members, whereas Tokyo, Kyoto, Keio, Osaka, Hokkaido, Waseda, and Kyushu produce the vast majority of Type I and Type II civil servants. A majority of MPs and most of the local government heads and council members receive education in these universities (Kawaijiku/ Toyo Keizai 1998). Four-five universities account for more than 80 percent of the executives in both listed and non-listed companies (Khondaker 2007). Members of *shingikai* or deliberative councils under various ministries and agencies who deliberate and discuss on the anticipated benefits and expected impacts of government policies come from those universities. In 2006, Tokyo, Keio, Waseda, Chuo, Kyoto, Gakushuin, Hitotsubashi, Meiji, Ochanomizu Women, and Osaka universities accounted for 78, 38, 28, 21, 18, 15, 14, 13, 12, and 9 members respectively in the *shingikai*. In 2006, in the Koizumi Cabinet, the top eight universities that boasted to have the highest number of *shūgiin* (House of Representatives) members were Tokyo, Keio, Waseda, Chuo, Nihon, Kyoto, Meiji, and Sophia with 107, 59, 58, 22, 19, 18, 25 (includes affiliated high school graduates also), and 20 members, respectively. In the *sangiin* (House of Councilors) these universities had 43, 13, 27, 10, 7, 15, 24, and 11 members, respectively. This situation was not much different in 1996 (Diamond 2006). All successive governors of the Bank of Japan from 1945 to today are graduates of Tokyo University; seven of whom started their career with this bank and 4 were civil servants at the Ministry of Finance, and one was in the private sector (Diamond 2006). Of the 47 prefecture governors in 2006, 23 were from Tokyo, 6 from Kyoto, 6 from Keio, and 12 from other 10 universities. Of the city and ward mayors, 52 were from Waseda, 39 from Tokyo, 39 from Keio, 37 from Chuo, 32 from Nihon, 25 from Meiji, 22 from Kyoto, and 22 Hosei, and 114 from other 16 universities. Although there existed a general trend among top ranking bureaucrats in the past to seek nominations in the House of Councilors, nowadays even mid-ranking and less capable bureaucrats seek nominations after retirement from the ministries (Diamond 2006: 43).

Japan historically possesses a network-based society. Industries and corporate groups rely heavily on *gakubatsu*. In businesses and work places, this network tradition places more emphasis on the school from where one has graduated than his actual ability to perform on-the-job (Fiorani 2007) and it ensures many

advantages that cannot be secured by other means. The number of Tokyo University graduates in the CEO (president) positions of companies in a particular industry or in the board of a corporation exerts a decisive influence on its distance or proximity with the bureaucracy (Kodansha 2006: 38). This situation is further camouflaged by the *zoku giin* (policy tribe MPs), who often lobby for an industry and a corporation.

### HABATSU, BURAEUCRACY, AND AMAKUDARI

Japan is a country of informal grouping, faction, or clique (*habatsu*), and some most commonly known factions are alma mater clique (*gakubatsu*), business and financial clique (*zaibatsu*), military clique (*gumbatsu*). Innumerable other factions and groupings also prevail in society ([www.mahou.org](http://www.mahou.org)). Members show strong affinity loyalty to their respective factions, which give rise to inter-factional fighting. Factional power politics is a prime over of the Cabinet formation; especially within the ruling Liberal Democratic Party (LDP), factional distribution of Cabinet portfolios is a common practice; and the leading faction always work to tie up a balance among different factions.

Bureaucrats assume a very unique position in these cliques. The most famous five cliques are *keibatsu* or extended family connection, *gakubatsu* or old school relationship, *zaikai* or business and financial interest, *seikai* or political party factions, and *kankai* or government bureaucracy (Kuroda 1975). The string which intertwines all these cliques is the old school relationship (*gakubatsu*). A big number of MPs in the ruling LDP and opposition parties is former bureaucrats. From 1952, about 80 percent of the prime ministers have been ex-bureaucrats. Around 75 per cent of the students who pass civil service examinations every year are graduates from the University of Tokyo. Among twenty-odd students who enter into the key ministries every year, nearly 15 belong to the Faculty of Law of this university. 94 percent posts in the MOF are found to be occupied by the graduates of the same university (Vogel 1984: 55). Sato *et al.* (1972) observed that most top positions in four member-organizations of the *zaikai* (business and financial interest) are monopolized by Tokyo University graduates. The inter-relationship among these cliques are further extended and cemented by professionalism. Wherever they are employed, bureaucrats always maintain cordial informal relationships with their former colleagues and senior-and junior-school fellows (*senpai* and *kohai*). Retired civil servants who go on to second careers, perpetuate their relationship and influence; rarely sever links with former ministries and agencies, and instead, they facilitate coordination with private sector groups and within factions and committees of the LDP (Kodansha 1996). Business enterprises require them to drag more budgetary allocation, influence legislation, and for many other administrative patronages. Nakane (1987: 121) humorously argues that they are like marriage-able beautiful girls, who are open to many attractive offers.

Influences of ministries and agencies, the ruling political party, and bureaucrats always remain paramount in all IAAs, public enterprises, and third sector enterprises. Wire-pulling, lining with *habatsu*, lobbies of *zokugiin* (policy tribes in the Diet), and connection with and among business elites all rotate surrounding old-school relationships. School origin always becomes an unavoidable barometer of personnel decision-making in these enterprises. According to the laws and regulations, Cabinet and Diet approval and endorsement of budgets, activities, funds, accounting statements and reports are essential. Here also influence comes from and through school and bureaucratic connections.

The public enterprises operate on the principle of self-financing. They cannot attain this

objective since they are required to fulfill social and national obligations imposed on them. Like the 1960s and 1970s, even today all public sector investments are intended to build up infrastructure and facilities to supplement the development of the private sector. Some IAAs and public enterprises carry out developmental activities in the remote areas which the private sector does not do. However, it is alleged that activities of many such enterprises and agencies are not understandable from their names and the statutes that govern them, rather these are created to reemploy the retired bureaucrats (Nikkei Business 2007). In a nutshell, in collusion with politicians and active bureaucrats, *amakudari* or golden parachuting of retired bureaucrats takes place in these enterprises.

### **SOLUTION TO THE PROBLEM OF AMAKUDARI**

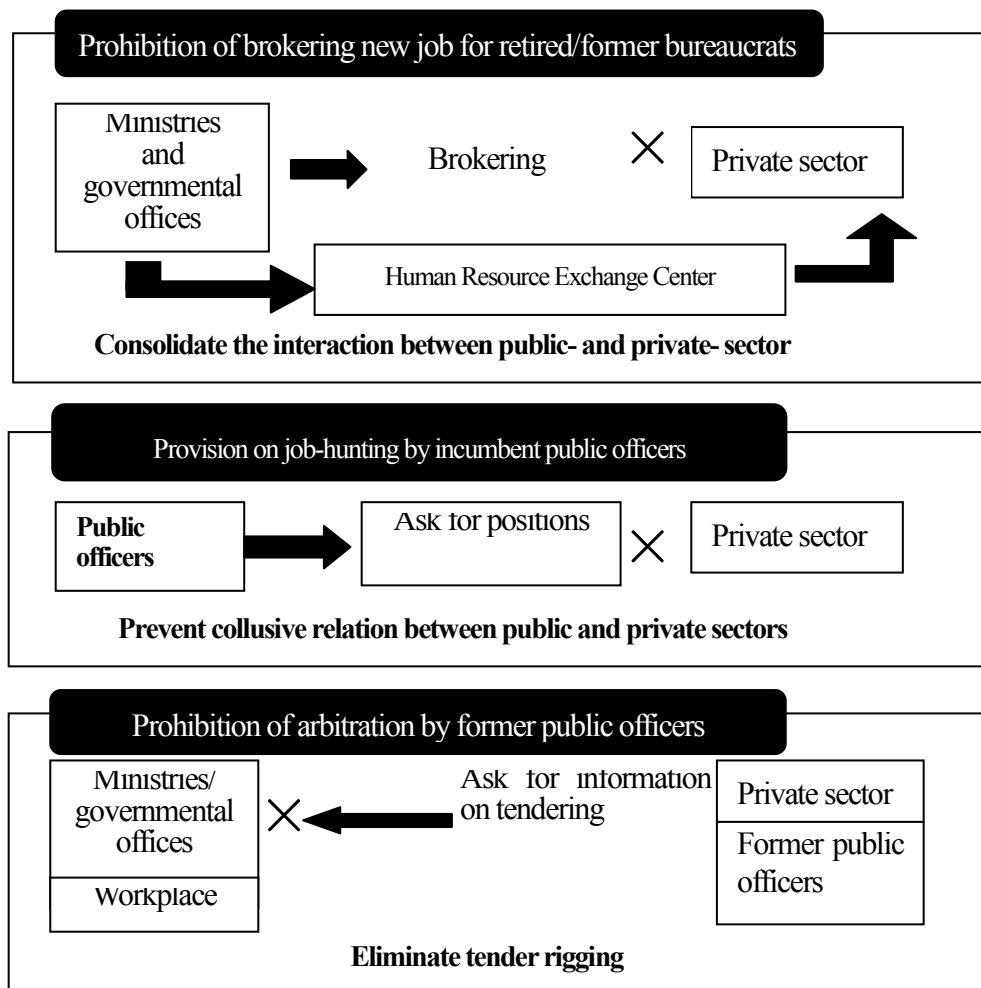
Allegation, debate, and deliberation on *amakudari* at the Diet were prevalent in the 1960s (Yoshitake 1973:236-48); many government and intellectual forums discussed its dangers and possible reforms; and successive governments, albeit protests from bureaucrats and parliamentarians, made attempts to reform it (Sakamoto 2001). A comprehensive reform of the civil service system in Japan is needed to eradicate *amakudari* and associated vices through inculcating professional ethics among civil servants, ensuring transparency, establishing control through NPA, and activating questioning and debate at the Diet and other government and non-government forums. Some important reform plans, programs, and dialogues are summarized below.

#### **Abe Regime and Reform of Amakudari**

The Abe regime (September 26, 2006 to July 7, 2007) made an announcement on 21 June 2007 as “should reform civil service system to exterminate bid rigging, should respond to the nation’s voice by rooting out *amakudari*” and extended the Diet session for twelve days to pass a reform bill on the civil service. The reform bill called “*kaisei kōmuin hōan*” (Bill on Amendment of Civil Service) which was adopted in both houses of Diet on June 30, 2007, and it then became a part of the *Law of Civil Servants (kokka komuin hō)*, and is intended to regulate *amakudari*. The main points of this bill are: (a) to establish a personnel exchange center (called also a human resource bank) inside the Cabinet Office in 2008 to provide assistance to retiring civil servants for reemployment, and (b) to prohibit ministries and agencies from brokering private sector jobs for the retired bureaucrats by 2011 (Figure 1). Under the current structure of civil service, the reemployment is brokered by human resource managers who work as “amakudari playmakers” within each ministry. This new enactment, as expected, will eradicate this framework. The government has established a panel of experts to frame out the details of this Human Resource Bank (Daily Yomiuri 2007). The MOF and some parliamentarians of the ruling bloc, however, wanted to mutilate this reform plan.

Prior to submission of the above bill, the private sector members in a Consultative Committee on Economy and Finance of this government recommended four important measures to reform *amakudari*. These were, namely (a) unification of administration practices of civil servants in the executive position, (b) establishment of a framework for the public offer of executive positions to other ministries and agencies and the private sector, and (c) abolishment of categorization of civil servants at the time of recruitment and setting up of new categories for the candidate of executive positions and general staff, and (d) rigorous deliberations to hammer out delicate issues surrounding reformation of the civil service system (Tokyo Keizai 2007: 43).

Figure 1: The Process of Change in National Public Officer's Outplacement

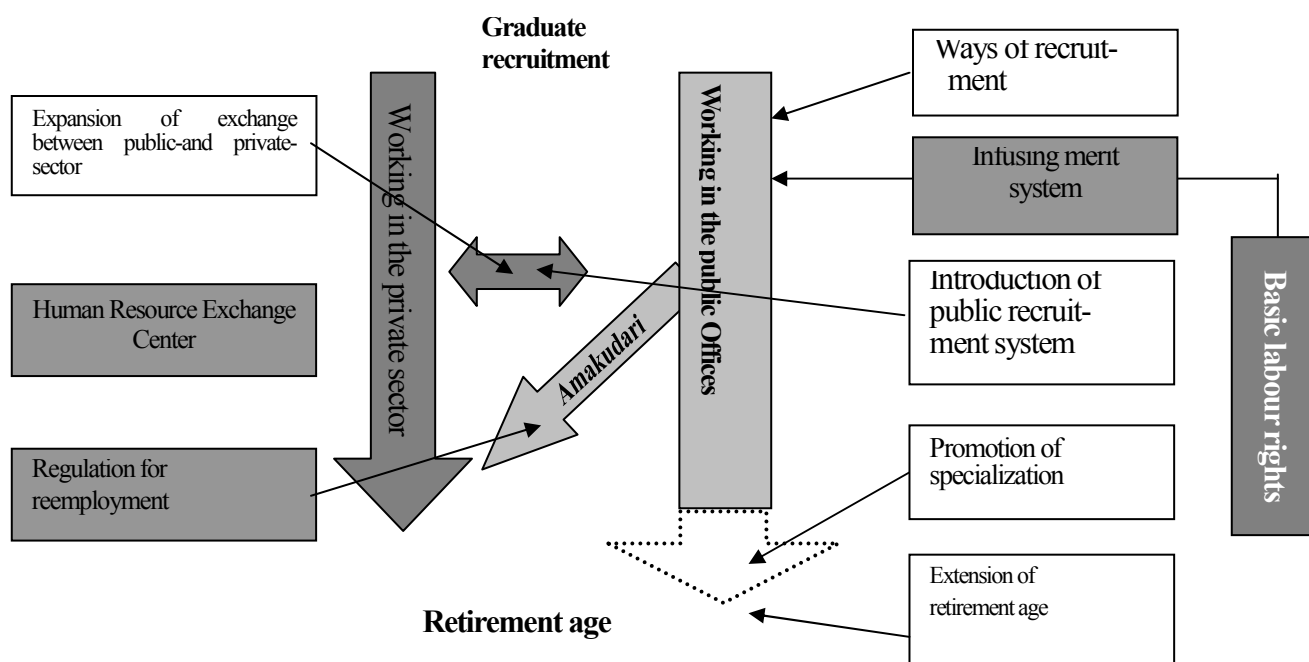


Source: Nihon Keizai Shimbun (30 June 2007): Amakudari kisei, jikkosei ni kadai [Amakudari Regulation, Issue of Applicability], p. 1.

Prime Minister Shinzo Abe, LDP secretary general Hidenao Nakagawa, and Administrative Reform minister Yoshimi Watanabe possessed almost similar views with those of the private sector members on these points. It is evident that these recommendations were incorporated in the above new bill.

The whole picture of Abe's reform plan extended from recruitment to retirement, introduction of merit based system, public recruitment, development of professionalism, extension of retirement age, fundamental expansion of exchange between public and private sectors, regulation of reemployment, and allowing of basic working rights (Figure 2). The efficiency of this plan would depend on the actual set up and manning of the Human Resource Bank, and its efficient functioning. The main opposition party, the Democratic Party of Japan (DJP) also fielded a counter bill which aimed at stopping *amakudari* completely, and its main points were: (a) to ban *amakudari* for at least five years after retirement, (b) to prohibit ministries and agencies from brokering jobs to business enterprises and government affiliated organizations, and (c) to discourage senior officials to take early retirement (Daily Yomiuri, August 2007). Although this bill was not passed, evidently it contains elements of reform. For an optimum solution, such constructive suggestions from any quarter should be incorporated in any plan to overcome the vices of *amakudari*.

Figure 2: Full Picture of the Abe Administration's Plan for Reforming the Civil Service System



Source: Toyo Keizai (2007: 36).

### Fukuda Regime and Reform of Amakudari

The government has established a private panel to advise Prime Minister Yasuo Fukuda to develop a comprehensive plan for reforming the system of contact among civil servants and MPs, and the report of this panel was announced on the 31<sup>st</sup> January 2008. The panel recommended to establish “strict” rules on the contacts among bureaucrats and politicians; to restrict contacts only to those allowed by ministers and in the prescribed manner; to install severe punitive measures against bureaucrats if they intentionally divulge government information causing damages to the public; and to create a committee within the Cabinet in five years to consolidate personnel affairs (Yomiuri 2008). The panel envisaged that if these recommendations are implemented fully, that will prevent bureaucrats from working against the will of the Cabinet. The report faced criticism from the law makers in the ruling parties as well as bureaucrats on the plea that such embargo will hinder free exchange of ideas and jeopardize efficient operation of government activities (Yomiuri 2008).

According to Taichi Sakaya, one member of the panel, although bureaucrats were very talented during Japan’s rapid economic growth period in the 1960s, after 40 years they now attach more importance to personal benefits, and their failures occur so frequently that the system needs reform. Urging on the neutrality of bureaucrats as an essential factor in any parliamentary democracy, he suggests that the opposition parliamentarians should ask questions and information directly to the ministers, instead of asking to the bureaucrats (Asahi Shimbun, February 2008).

The important points of this panel report on revising the current recruitment system in the civil service are summarized on Nakazawa (2008) as follows: (a) Review of the fast-track career system for national public servants whereby they receive promotion unconditionally after joining civil service; (b) replacement of

the current three types of examinations—Type I and Type II (university graduates) and Type III (high school graduates) and ministry-specific exams—by a new system of three new job categories, namely comprehensive work, general work, and specialist work; (c) making clear rules of promotion with pre-designated career courses for executive posts and ensuring promotion to high level positions for those who pass a general work examination and a specialist exam conducted within the respective ministry; (d) creating a merit-based evaluation system to exclude the low performers even if they pass the examination for comprehensive work; and (e) installing a pay scale that will reflect work performance, and those with excellent performance will receive quick promotion in that scale. On the contact between bureaucrats and politicians, the report proposes as follows: (a) Allowing bureaucrats specialized in assisting Cabinet members to make direct contact with law makers and others civil servants and obtain ministerial permission before making contact; and (b) establishment of a new agency under ministerial jurisdiction to administer all aspects of personnel management including recruitment and job assignment, coordination of senior personnel matters, and verification of qualification for a specific job/candidate (Nakazawa 2008).

As claimed, the above proposed system of reform is modeled on the British system where the ruling party lawmakers hold many government jobs, the Cabinet plays the central role in deciding policies, and civil servants do not have much need to contact lawmakers or to obtain prior agreement (Nakagawa 2008). Although, the recommendations of this panel are intended to eradicate and/or stop corrupt practices, it cannot be denied that the political culture of Japan is different from that in the UK (Nakagawa 2008). Japanese bureaucrats prepare most of the ministers' deliberations and answers to questions in the Diet (Vogel 1984). Lawmakers and bureaucrats raised their concern that the proposed system, if adopted and implemented, would reduce efficiency of the government functions.

### **General Recommendations to Reform the Civil Service and Amakudari**

Bureaucracy in Japan seems to be a colonial territory of two or three national universities. The higher education system needs to be reformed to disperse the concentration of talented students. Excellent universities in the USA and many other countries charge higher school fees. Japan has to overcome the stage when tertiary education needed subsidy from the government. The economic cost of a high quality education should be shouldered by those who receive it and use it as an individual capital asset throughout their life. National universities are now independent administrative entities, and their faculties and staff are no longer treated as civil servants. Provided that the government increases the school costs in these universities and adopts a differential cost principle, keeping in view the quality and salability of degrees and diplomas, the excellent schools will automatically charge higher tuition for students. As a result, instead of crowding into Tokyo and Kyoto universities, brilliant students will disperse throughout the regional and private universities. Consequently, the influence of a university in the recruitment, promotion, and *amakudari* of bureaucrats will taper off in the course of time.

The remuneration and promotion system in the civil service needs to be reformed to resemble that in the successful private sector enterprises. If jobs in the private sector are made competitive and tempting in terms of promotion and emoluments, the cohort in the civil service will automatically seek positions there. Under Japanese traditional lifetime employment system, career pyramids flatten in both private and public sectors, and especially in the private sector. While a very few go up to the director and CEO positions, many others



remain satisfied with the promotion and salary scales, and do not get frustrated with promotion in the hierarchy. It is sometimes considered such a social stigma if someone of the same age is promoted to vice minister that his peers will retire or resign en masse. This attitude should be deliberated and understood at both government and bureaucracy levels. As the colleague in the private sector with poor performance remains satisfied with a lower position while capable colleagues work in higher positions, a similar culture should be nurtured and fostered in the civil service. Moreover, the retirement allowance for a person of genuine academic qualification, ability, and experience must follow a standard norm. Receiving huge amounts from more than one organization or employment should be stopped and discouraged by enacting legal measures. However, that should not discourage reemployment or second employment of retired people from any sector or discipline.

Practices and standards of employment, salary, and promotion of civil servants need review like those in the private sector enterprises, which at present give bonuses, pay hikes, and other allowances after considering performance. Although the seniority-based system is practiced in the civil service, such review will open chances and opportunities to the good performers and infuse a sense of justification for receiving emoluments. Especially, the government should raise basic salaries and bonuses of the young civil servants and introduce region-based special allowance and position allowance for section chiefs and those in other lower echelons. Under the current employment rules, government employees do not have the right to negotiate their salaries and other terms and conditions of employment, which are decided on the basis of the recommendation of the NPA. Like trade unions in the private sector, the government should consider to allow civil servants to form their own association and negotiate on the terms and conditions of employment.

*Amakudari* has a feudal connotation and gives an image of the time when the civil service was thought as service to the public from a superior position under the Emperor. This has created enormous misunderstanding among common people, politicians, and even civil servants. If this term is replaced in government documents and service rules with “deputation”, “job transfer”, “reemployment”, “second employment”, and like other terms, the current negative attitude among people will phase out gradually. Collusive ties between civil servants and public and private enterprises and reemployment indeed should be discouraged, since public service is more prestigious. A dream for more benefits from the private sector should be infused in the would-be graduates in prestigious universities.

Lobbying is an unshakable feature of the capitalist world, and lobbyists are regarded as high profile professionals in the West. The problem in Japan is that unlike other nations, lobbying through *amakudari* takes a heavy toll in the form of leaking out national privacy in favor of private interests, the ultimate victims of which are general tax payers. Bureaucrats, whether in active service with ministries or in second employment with the private sector, have a prescribed code of conduct, professional ethics, and rules of compliances. Parliamentary debate and questioning on the authority and accountability of ministers and management executives of public enterprises are the universal mechanisms to establish fair practices in such enterprises. Although these instruments seem to work properly in Japan, a big question remains whether these are sufficient or should be supplemented with other new instruments to oversee *amakudari* in the public sector.

The private sector enterprises must also see the ethical aspects of dragging government contracts and projects through bribing (*settai*) and organizing bid-fixing (*dangô*), which do not command high social

prestige, and rather provoke criticism. An independent national commission to audit ethics and compliance of active and *amakudari* bureaucrats should be instituted, with members from different quarters of the nation. Such an organization must work with *amakudari*-receiving enterprises, government departments that award contracts and subsidies, and government agencies (NPA and the proposed Human Resource Center/Bank) that arrange reemployment or *amakudari* as an independent watchdog, and report on all irregularities without any obstruction.

Prominent public enterprises, such as Japan National Railway (JNR), Japan Telegram and Telephone Corporation (NTT), and mixed enterprises such as Kokusai Denshin Denwa (KDD) were privatized long ago. Hiroshi Kato, an emeritus professor at Keio University and former chairman of the Government Taxation System Investigation Council (*zeiseichōsakai*), complained that the Japanese economy had turned into a system where funds could be procured at cheap costs, and that situation was being created by public enterprises borrowing funds from postal deposit accounts. That deterred effective fund mobilization in the private sector and hindered the recovery of the economy. As he suggested, “there exists no alternative but to privatize the public enterprises” (Shūkan Asahi 2004) to tame *amakudari* and reduce its vices.

Personnel management at the IAASs and public enterprises needs to be reformed to promote managerial capacity from within and nurture internal professionalism, instead of depending on loaned or reemployed bureaucrats. Moreover, full transparency is needed on retirement and *amakudari*. Assignment of goals and objectives, performance evaluation, and budgetary control measures should be implemented strictly. Personnel and management audits should be conducted regularly to assess the efficiency of the reemployed bureaucrats.

Legally and conventionally, nominations and appointments of retired bureaucrats to top executive positions in public enterprises and IAAs must be approved in both upper and lower houses. Since these come mostly from the ruling party, which holds an absolute majority, proposals are normally approved unopposed. Currently, the ruling camp controls the House of Representatives, and the opposition controls the House of Councilors. On September 15, 2007, the ruling bloc nominated 28 executive appointments, including three high ranking retired civil servants, for 14 government bodies. The opposition bloc voted against the three ex-bureaucrat nominees, claiming that such approval would account to *amakudari*. This is the first time in 56 years that such a nomination was rejected (Daily Yomiuri 2007). Thus, it is evident that the houses can exercise control on *amakudari*, provided that these work effectively and the opposition parties hold sufficient voting power to stop any government bill or proposal.

## CONCLUSIONS AND REMARKS

In a press briefing after the *kaisei kokka kōmuin hō* (the revised *Civil Service Law*) was passed on the 30<sup>th</sup> June, the former Prime Minister Shinzo Abe regarded *amakudari* as “almost a forced practice” and a “hotbed for bid-rigging”, and pointed at creating a merit and achievement based new public service system. Kazuaki Tanaka, professor emeritus at Takushoku University and a bureaucrat at both central and local governments from 1959 through 1994 and a secretary general of the Committee on Administrative Reform in 1995, in an interview with the *Weekly Toyo Keizai* (14 July 2007), expressed his concern that there was no conspicuous progress on reforming the national civil service, even though the issue was debated during the last 40 years. As he suggested, the personnel administration system needs overall reform spanning from

recruitment to retirement, and while an over emphasis on the absolute perfection at one go will retard the speed of reformation. After achieving a new breakthrough in the regulations on *amakudari*, the *Law of Civil Servants* should be amended, and that should be intertwined with reforms in public enterprises and other government bodies in subsequent phases. While the anatomy and *modus operandi* of the aforementioned Government and Private Human Resource Exchange Center (*kanmin jinzai kōryū senta*) or Human Resource Bank should be deliberated by the knowledgeable people on this field, an efficient operation of this proposed center would be the key to its success in achieving the anticipated reform (Tanaka 2008).

The *modus operandi* and legal framework for bureaucrat-lawmaker contacts should be articulated unambiguously, and restrictions and punitive measures should be imposed on illegal collusions among bureaucrats and law makers. Since interactions among officials in the administrative mechanisms and law makers are unavoidable for a smooth operation of the state affairs, a framework is necessary to allow government employees to meet with lawmakers in the case of necessity. Enactment of laws and rules to govern interactions between civil servants and lawmakers is therefore essentially needed. As *amakudari* has turned out as a national stigma, for its immediate and permanent solution and/or reform, in addition to the suggestions given above, a thought revolution on its vices and virtues is needed among bureaucrats, politicians, and employers.

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