

Manual on Labor-Management Relations: Japanese Experiences and Best Practices



ASIAN PRODUCTIVITY ORGANIZATION

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ASIAN PRODUCTIVITY ORGANIZATION
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FOREWORD

The term “labor relations,” also known as industrial relations, refers to the system in which employers, workers, their representatives, and, directly or indirectly, the government interact to set the ground rules for the governance of work relationships.

Developing and maintaining respect between labor and management is an important, mutually beneficial process. As companies expand overseas, they must take a global approach to labor-management relations. There are labor and legal risks specific to each country, and these should be managed proactively.

The experience of countries with good productivity records underlines the link between harmonious labor-management relations and productivity. For example, the Japanese productivity movement that began in the 1950s emphasized employment security, and this helped secure its acceptance by unions. Recent global environmental regulations and increasing globalization, as well as the dramatic development of IT, have created labor concerns completely different from those in the 1950s. Japan has been coping with the impact of those changes on its automobile sector and supply chains. Therefore, it is important to study the current status of and issues in labor-management relations to redefine the role of the productivity movement in good labor management.

With financial support from the Government of Japan, the APO in association with the Japan Productivity Center organized a workshop on labor-management relations aimed to enhance the understanding of major challenges in labor-management relations and their correlation with sustainable productivity growth as well as share best practices.

Twenty high-ranking officials from government, labor ministries, labor unions, and the automotive industry attended the workshop convened in Tokyo from 18–22 November 2013. Based on the feedback received from the workshop participants, it was decided to develop a manual comprising Japanese best practices of labor-management relations for wider promotion in the Asia-Pacific region. The manual also includes the role of the Japanese government in fostering good labor-management relations and case studies. I hope that this manual will be equally useful to policymakers, labor unions, and employers.

Mari Amano
Secretary-General
Tokyo
October 2014

SPECIAL MESSAGE

The advancement of globalization has fueled the globalization of the production network of the manufacturing industry. To ensure robust corporate activities and improve workers' standard of living, as a Japanese labor union, we need to play a role in building constructive labor-management relations overseas as well. To achieve this goal, it is important again for both labor and management to correctly understand "productivity improvement" and cooperate with each other to this end.

The Confederation of Japan Automobile Workers' Unions (JAW) carries out several activities, including the establishment of a labor union network for multinational businesses, the dispatch of research delegations abroad, and the organization of labor and management seminars, with a view to building constructive labor-management relations in Asia. The foremost aim is to resolve various labor-management issues through sound consultation.

Of note is that in 2013, JAW gathered representatives of automotive workers' labor unions from eight Asian countries in Bangkok, Thailand to organize its first multinational conference, "Asian Autoworkers Union Conference". The conference was organized with the theme "building healthy labor-management relations" and confirmed the significance of communication between labor and management. The second conference will be held in Indonesia next year.

While it is important to enhance the relationship of trust between both parties through in-depth communication, mutual trust between labor and management should not be based on relations where the two parties snuggle together. Labor and management are mutually indispensable partners, like the wheels of an automobile. And the stance to mirror each other to enhance each other's potentials is just as critical. JAW considers that it is its own important role to share such concepts and values with its network.

During the annual spring labor offensive in Japan, we tend to pay attention to decisions on labor conditions, but what is discussed there should not be confined to labor conditions alone. Anything ranging from corporate vision to an issue at a jobsite could be a theme. It is thus significant for both labor and management to face each other with sincerity to enable workers to mature, feel that their jobs are worthwhile, and nurture a sense of security regarding their future, while exploring ways of working to gain higher value added and greater competitiveness. The process where both parties bare their hearts to each other and talk honestly to share a common awareness is a critical one. We see the value in determination of labor conditions after exhaustive consultation.

Labor-management relations in Japan, which have achieved a balance between "productivity improvement" and "respect for humanity," underpin the high productivity of the nation's auto industry. We hope that we will be able to share wisdom to increase productivity further so that Japan can co-exist and co-prosper with its peers in Asia.

Yasunobu Aihara
President
Confederation of Japan Automobile Workers' Unions

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Mr. Yasunobu Aihara, President, JAW

Prof. Sumiko Ebisuno, Faculty of Economics, Rissho University (Author of Chapter 1, 2, and 7)

Mr. K D Bhardwaj, Asian Productivity Organization

The Asian Productivity Organization expresses its appreciation for the efforts of the above persons and organizations.

1. THE JAPANESE STYLE OF LABOR MANAGEMENT RELATIONS

1-1. Introduction

Labor-management relations are one of the pillars that support the industry of a country or region. These relations are not just between workers and capitalists or managers; in fact, they directly influence the industry and whole economy. In modern society, labor-management relations are often treated as relations that rule economic activities and social living.

By taking a broad view on the issue, this paper describes Japanese labor-management relations. Japan rebuilt from the devastation after World War II (WWII) and achieved high economic growth. The Japanese style of labor-management relations played an important role during this period. Unlike labor-management relations in Western countries, the Japanese style of labor-management relations generated a Japanese style of employment relations that resulted in high economic growth. This chapter takes a look back at history to describe why the Japanese style of labor-management relations was developed and what the characteristics of these relations are.

1-2. Concepts and Characteristics of Labor-Management Relations

In order to describe the Japanese style of labor-management relations, the definition of its concept will first be stated. By doing so, we can determine how to approach labor-management relations as the subject of analysis.

1-2-1. Broad Meaning of Labor-Management Relations

Dunlop [1], who was the founder of the theoretical backbone that was used to construct the postwar style of Japanese labor-management relations, saw labor-management relations in a broad sense as not being limited to the relationship between the employer and the worker, but being "one of the frameworks for macro-analysis." Furthermore, Dunlop mentioned the necessity of an academic approach from not only the field of economics, but also from a variety of fields within the social sciences, such as sociology, management, jurisprudence, and political science. This is exactly what industrial relations are.

In addition, Nakayama [2], who played a major role during the stabilization of Japan's labor-management relations, used a broad interpretation and noted that the labor-management relationship itself is nothing more than a relationship between one human being and another human being, or a relationship between one group of human beings and another group of human beings. Mori [3] also stated that labor-management relations are broad social relationships between the employer class and the worker class. In other words, labor-management relations are not limited to the relationships between workers and managers or capitalists; they broadly support the industry and economy, as well as the lives of people and the society that they live in (Figure 1-1).

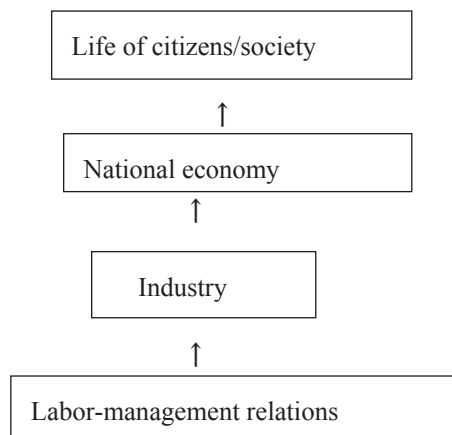


Figure 1-1. The impact of labor-management relations

Since that period, labor-management relations have started to be generally considered as a limited concept that indicates the relationship between corporations (managers) and labor unions. During this time, the ratio of unionization was high and labor unions had a great influence on society. Labor unions were one of the indexes even for workers who were not members of labor unions, as well as for corporations that did not have labor unions. However, the rate of unionization has declined in many countries. Even in Japan, the rate of unionization has constantly been less than 20% of the number employed workers. In 2013, this ratio fell to a record low of 17.7%. Therefore, in regards to analyzing the various labor problems that occur at present in the relations between corporations and labor unions, which are composed of only a small percentage of workers, limitations have naturally arisen.

Presently, the percentage of non-regular employees increased to 36.7% of the number of employed workers in 2013, and is closing in on 40%. Even though employees who qualified to be union members were mainly regular employees and the unionization of non-regular employees is currently in progress, the ratio of part-time workers is still only 6.5% and represents only a small portion of the total. There are serious problems deeply related to labor, such as people who have lost their jobs and people who are labeled as NEET (not in education, employment, or training). Problems like these arise at a stage before an employment relationship is formed. Likewise, labor disputes in Asian countries have shown that they are not only limited to disciplined disputes such as those between labor unions and managers or capitalists. Many conflicts were aggressively enacted by people who were not related to the corporation or labor union at all. In other words, from the perspective of relations between corporations and labor unions, there are many issues that are difficult to view as subjects of concern. The broad concept of labor-management relations can be used to analyze the serious labor problems that shake the foundations of people's livelihoods. After WWII, Japan took a broad approach to labor-management relations and created the Japanese style of labor-management relations. This perspective is appropriate for analyzing today's labor issues. This chapter uses the broad concept of labor-management relations for its analysis.

1-2-2. Characteristics and Features of Labor-Management Relations

Labor-management relations materialized along with the arrival of the industrial sector in modern society. They are now one of the basic social relationships in industrial society.

1. The Japanese Style of Labor Management Relations

The relations supported the industry and formed society. However, the relationship between labor and management in Japan, as well as various countries and regions, have undergone long-term conflicts and disputes, and paid great sacrifices.

Employers and employees are different entities, with different principles and roles. Even though both are indispensable to each other, they have repeatedly been in conflict. Labor is necessary for corporate management, while labor is also necessary for workers to make a living by participating in production activities. Therefore, it was not rare to create a cooperative relationship between them for production activities. There were also complaints and problems regarding production sites, such as the work environments. Disputes regarding requested improvements and resolutions also often occurred. However, there were no serious conflicts on the fundamental production mechanism in which workers provided labor to make a living and corporations administrated businesses based on the provided labor.

However, the difference between their principles became obvious when it came to the way profits were distributed. As greater production was achieved, workers requested higher wages as a way to make a living. On the contrary, wages were a part of personnel expenses, which corporations had been trying to reduce as much as possible. It was a conflict of principles that naturally occurred to secure their existence. This conflict of principles has caused intense and large disputes, not only in Japan, but also in many other countries and regions. In addition, conflicts about the distribution of profits have caused various disputes such as strikes; production activities have also been significantly disturbed. This has also caused industrial stagnation and had a huge, negative impact on the overall economy. As a result, society became unstable and people's lives became chaotic.

Since WWII, workers and corporations have undergone severe conflicts for a long period in Japan. However, the conflicts that were fundamentally caused by unfair distributions were resolved by developing the Japanese style of cooperative relationships between workers and corporations. These relationships are called the Japanese style of labor-management relations, and supported Japan's high economic growth.

1-3. Background of the Formation of the Japanese Style of Labor-Management Relations

During the period of high economic growth, it was labor-management relations that supported this remarkable economic growth in Japan. This style of relations attracted attention from both inside and outside of Japan and has been the subject of a variety of analyses. The characteristics of this style of relations are commonly commented on as being "typically Japanese," with its uniqueness often being pointed out. Reasons for why the Japanese style labor-management relations were formed are outlined below and are based on Japan's postwar history.

1-3-1. A New Phase of Economic Development

As a result of WWII, the Japanese economy had fallen into a state of ruin, with Japanese society in a state of chaos. The actual GNP per capita was 66% and industrial production in the mining and manufacturing sectors was at about 30% of the prewar level. Despite

this, the population had been increasing due to the return of repatriates or demobilized soldiers, in addition to natural increases. There continued to be delays in, or even non-delivery of, the government-delivered food rations. As a result, the Japanese people were reduced to suffering impoverished lives and enduring hunger.

During this time, prices increased sharply along with continued inflation, causing economic disorder. To end this, Joseph Dodge, who was a major contributor to the General Headquarters (GHQ) of the Supreme Commander for the Allied Powers, implemented a policy of controlling inflation and rectifying businesses. This was done by reducing the work-force according to the rationalization policy to promote anti-inflation measures. Price increases were also suppressed by 5 to 11% compared to the previous year. As a result, the Japanese economy suddenly plunged into its deepest recession.

Thereafter, the Japanese economy rode the course to recovery thanks to the opportunities presented by the special procurements resulting from the Korean War of 1950. As a result, consumers, who had had austerity forced upon them for the long period of time since the war, were finally able to purchase basic necessities, which gave rise to a consumption boom. Consequently, in 1953, personal consumption per capita surpassed the prewar level (1934 to 1936). However, a dark cloud developed even over this consumption boom that continued for 27 months, and, coupled with the policy of monetary tightening, business conditions suffered a setback.

The Economic Whitepaper of 1956 noted that "We are no longer in the postwar period. The country is about to be confronted by a different situation. Growth through recovery has ended. Growth from now on will have to be supported by modernization. Furthermore, the advancement of modernization will only be possible through economic growth that is fast and moreover stable" [4]. A mere 10 years after the end of the war, the economy had recovered to reach a stage that surpassed the prewar level. Although the country fell into a deep valley as a result of losing the war, the swift speed at which it recovered, the purchasing desire of consumers, and the investment desire of corporations was striking.

However, it was emphasized that this buoyancy was exhausted, as demonstrated by the declaration that "We are no longer in the postwar period," and that there was a limit to future growth with the route taken. The Whitepaper noted that, as a result, Japan needed to seek modernization and to strive for economic growth through modernization. Furthermore, the Whitepaper stated that it was through economic growth that modernization would be possible. Therefore, the formation of an economic growth mechanism, whereby striving for modernization would lead to economic growth and that growth would promote the next phase of modernization, became the supreme task for Japanese society.

1-3-2. Intense Labor-Management Conflicts

Let us now shift our attention to the labor-management relations that supported the postwar social economy. The Labor Union Law was instituted in 1945, officially recognizing the formation of labor unions and their activities. As mentioned earlier, workers were living lives of extreme poverty in a chaotic postwar situation. A large number of labor unions were naturally formed to secure wages that at least supported their consumption.

1. The Japanese Style of Labor Management Relations

Therefore, there an intense labor movement developed, with slogans like "Raise our wages," to protect people's livelihoods, "Democratize the workplace," to eliminate class discrimination between blue-collar workers and white-collar workers, and "No dismissals," to protect workers from being fired. There were some unions that performed production management on their own, which they did as a way to protect their livelihood with their own power. There was also a highly political labor movement based on an ideology that was linked to opposition to the free-market economy system.

Meanwhile, management experienced difficulties in carrying out their activities. This was a result of the authorities of the Occupation Forces ordering measures such as the dismantling of the zaibatsu (financial conglomerates) and the purging of financiers from public office. However, the business world responded constructively to the challenge of rebuilding corporations. Businesses made it their mission to restore order to business management and to reconstruct the Japanese economy. Upon the foundation of the Japan Federation of Employers' Associations in 1948, the organization put forth that "We declare that 'management must act fairly and forcefully' as we must work to save the nation together through mutual respect for management rights and labor rights, with each carrying out their respective duties... we devote ourselves to unwavering efforts toward establishing management rights, securing peace in the industrial world, and reconstructing the Japanese economy..."

Under the harsh economic circumstances following the war, labor and management laid out their respective claims, causing intense disputes to arise. In 1949, when the Dodge Line¹ was implemented, a reduction in the number of government workers was carried out. In particular, there were mass dismissals in public corporations overseeing railroad, postal, and telegraph and telephone services. In addition, over 1,000 major private sector corporations also made cuts to their personnel. As a result, as many as approximately 490,000 workers were the target of job reductions through both the downsizing of government administrations and corporate reforms. Furthermore, a great number of workers lost their jobs due to bankruptcies among small and medium enterprises. This led workers to organize labor unions and go on labor strikes. Accordingly, it was during the same year, 1949, that the rate of labor unionization recorded a postwar high of 55.8% (Figure 1-2).

1 This was the financial and monetary tightening policy that the country was forced to implement for the self-reliance and stability of the Japanese economy. It was drafted and recommended by Joseph Dodge, GHQ's economic advisor. Inflation in the Japanese economy was quickly quelled through this policy, but the resulting deflation caused the economy to fall into a state of great depression.

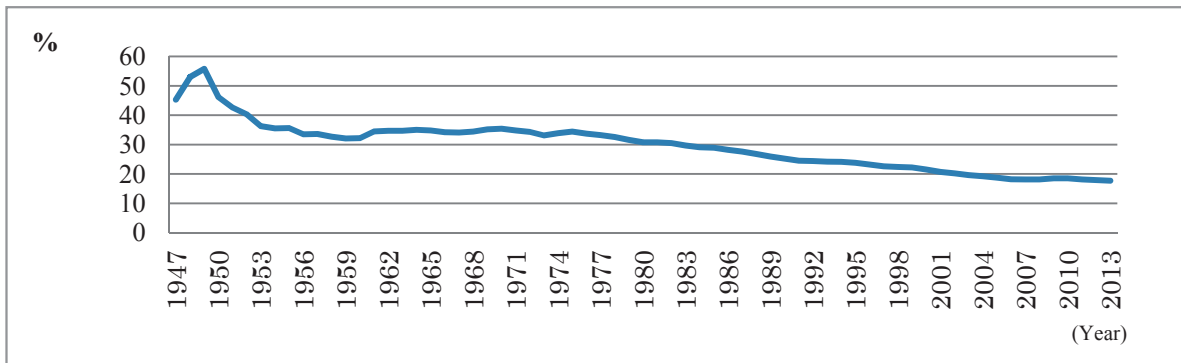


Figure 1-2. Estimated Rate of Unionization

Source: The Ministry of Health, Labour and Welfare. Basic Research on Labor Unions. <http://www.mhlw.go.jp/toukei/itiran/roudou/roushi/kiso/13/dl/01.pdf>, accessed on 18 August 2014.

Thereafter, as a result of the special procurements arising for the Korean War in 1950, the economy began a real revival. However, this did not calm the labor disputes. The number of union members increased (Figure 1-3), and there were strikes one after another (Figure 1-4 and Table 1-1). In 1951, the number of work days lost due to labor strikes reached nearly 6,015,000. The causes of labor disputes arising were certainly not all similar. Rather, they were truly wide-ranging. However, several representative causes are listed below.

- (1) Although corporate profits had begun to rise as a result of business recovery, the standard of living had not even reached half of what it had been before the war [5], as a result demands for wage hikes spread.
- (2) There were disputes between labor and management concerning the massive dismissals that arose because of the rationalization. Strikes became prolonged at companies such as Amagasaki Seiko and Nikko Muroan, resulting in the unfurling of opposition strikes, which involved entire communities and families.
- (3) There was intense worker resistance to the problem of dismissals, which arose along with the switch in the type of fuel used to produce power, a change that was brought on by changes in the industrial structure. In particular, there was resistance to the closing or curtailment of mining operations.
- (4) A considerable number of cases of pre-modern employment relations, such as at Omi Kenshi, remained. In addition, disputes spread at small and medium enterprises, where there were obvious differences in worker treatment compared with large corporations.
- (5) Under the severe state of the Cold War that existed between free-market countries and socialist countries, there were ideological conflicts that included labor disputes to realize a socialist revolution. This meant that labor disputes were highly political in nature. These kinds of intense labor disputes inflicted great damage upon both corporations and workers and their effect on the economy was immeasurably large.

1. The Japanese Style of Labor Management Relations

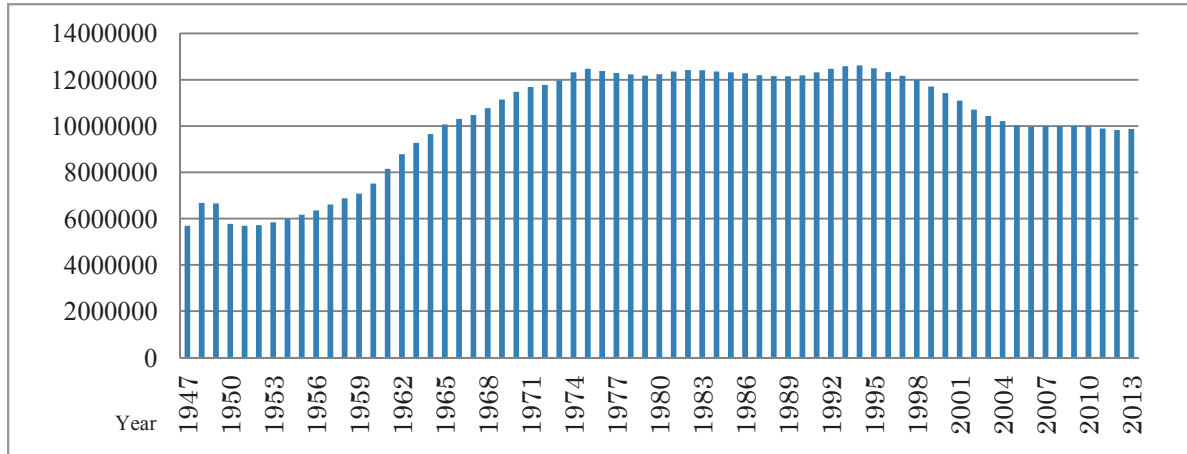


Figure 1-3. Number of Union Member

Source: The Ministry of Health, Labour and Welfare. Basic Survey on Labour Unions. <http://www.mhlw.go.jp/toukei/itiran/roudou/roushi/kiso/13/dl/01.pdf>, accessed on 18 August 2014.

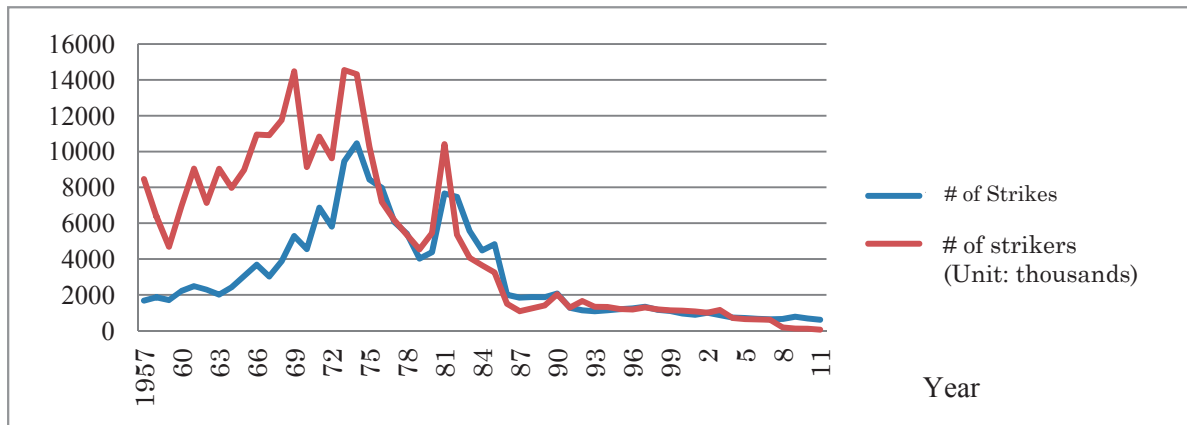


Figure 1-4. Strikes

Source: The Ministry of Health, Labour and Welfare. Survey on Labour Disputes. <http://www.mhlw.go.jp/toukei/list/14-22c.html>, accessed on 18 August 2014.

Table 1-1. Major Strikes

1951	Mitsukoshi Strike
1952	Japan Federation of Coal Mine Workers' Unions Strike All Japan Electric Workers Union Strike
1953	Nissan Strike Toyota Strike Mitsui Miike Strike
1954	Amagasaki Seiko Strike Omi Kenshi Strike Nikko Muroran Strike

1-4. Background of the Formation of the Japanese Style of Labor-Management Relations

Without modernization, economic growth is not possible, and there are no key players other than workers and employers. However, there was concern that prolonged and intense labor disputes would cause the economy to stagnate or decline, instead of developing. In 1955, The Three Guiding Principles of the Productivity Movement were put forth. This was the fountainhead from which the Japanese style of labor-management relations arose. The productivity improvement movement was advanced based on Japanese methods, while receiving technical assistance from the US and using Europe's productivity improvement movement as a model. First of all, why did The Three Guiding Principles of the Productivity Movement arise? The following section briefly describes the postwar labor-management relations in order to outline a general view of the historical background surrounding the formation of the Japanese style of labor-management relations in the period of high economic growth.

1-4-1. Three Guiding Principles of the Productivity Movement

Although the Japanese economy had recovered to the prewar level by the mid-1950s, Japan's per capita GNP was only 11% of that of the US. It also lagged markedly behind developed countries. In addition, in 1954, Japan's average export amount was 76% of its import amount. This imbalance in trade continued to create a deficit and the country was not competitive in international markets, which put it in an inferior position. Although economic development was the most important task for Japan, it was no longer at the economic level that it had been in the postwar period. This meant that it could not hope for the economic development that was produced by postwar reconstruction. It is for this reason that modernization was a vital task. However, labor and management, the main players bearing the burden of this modernization, had been in repeated intense conflicts over a variety of issues for a long time since the postwar period. As these disputes caused great damage to both labor and management, and also hindered modernization, both sides came to look for a way out. It is for this reason that the Japan Productivity Center was established in 1955 and The Three Guiding Principles of the Productivity Movement were put forth.²

To begin with, the Japan Association of Corporate Executives, which was influenced by Wesley C. Haralson, Commercial Service Officer of the US Embassy, began moves to accept the productivity improvement movement. As a result, in 1954, four economic organizations (KEIDANREN, NIKKEIREN, the Japan Association of Corporate Executives, and the Japan Chamber of Commerce and Industry) established the Japan-US Productivity Enhancement Committee (renamed the Japan Productivity Council). Thereafter, it became the Japan Productivity Center, a private sector organization composed of people from labor and management, as well as academic experts. The

² Reference: Japan Productivity Center, 10-year History of the Productivity Movement, Tokyo, Japan Productivity Center, 1965; Japan Productivity Center, 30-year History of the Productivity Movement, Tokyo, Japan Productivity Center, 1985; and Japan Productivity Center for Socio-Economic Development, 50-year History of the Productivity Movement, Tokyo, Japan Productivity Center for Socio-Economic Development, 2005.

1. The Japanese Style of Labor Management Relations

establishment of this organization was greatly influenced by events in the early 1950s, such as discussions at the ILO regarding productivity improvement and human relations, as well as the development of the European productivity movement after the establishment of the 16-nation productivity headquarters, and its accompanying achievement of economic reconstruction in those nations.

Noted below are the aforementioned Three Guiding Principles, the contents of which this paper seek to study concretely.

(1) In the long term, improving productivity should lead to expanding employment. However, from the standpoint of national economy, a public-private partnership is essential in formulating valid policies to prevent the unemployment of surplus personnel through job relocation or other measures.

(2) Labor and management must cooperate in researching and discussing specific methods to improve productivity in consideration of specific corporate circumstances.

(3) The fruits of productivity should be distributed fairly among labor, management, and consumers in line with the state of the national economy.

This is where the model for labor-management relations during the period of high economic growth lies. This is the Japanese style of labor-management relations. Figure 1-5 depicts the relationship of labor and management that would be developed based on the Three Guiding Principles. The contents of these principles will be studied in a concrete manner hereafter.

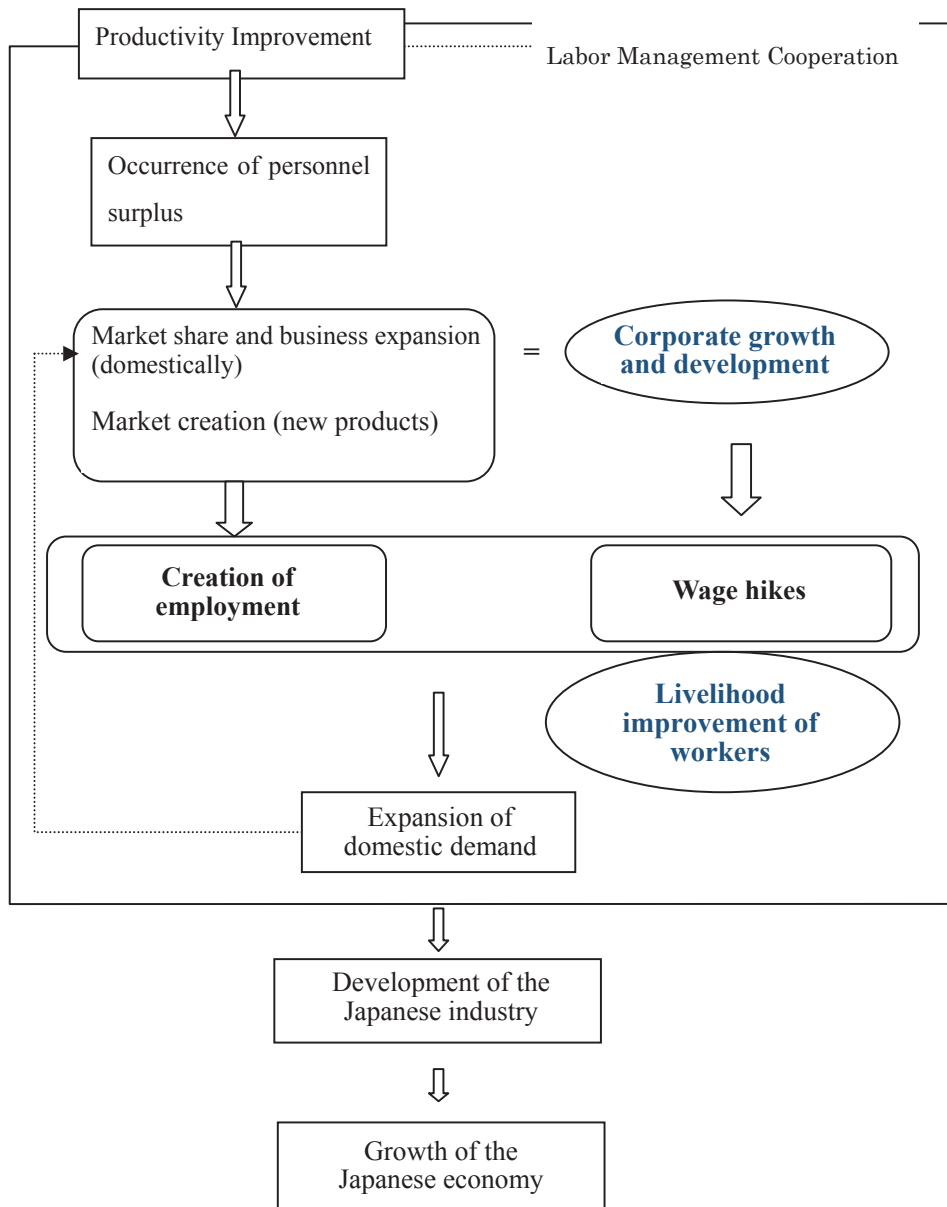


Figure 1-5. Japanese Style Labor-Management Relations (Unified Relations)

It goes without saying that striving to improve productivity is necessary in order to realize modernization. However, productivity improvement causes an accompanying rise in excess labor. As noted earlier, this resulted in dismissals and intense labor disputes. In response to this, Principle 1 asserts that "...from the standpoint of the national economy, a public-private partnership is essential in formulating valid policies to prevent the unemployment of surplus personnel through job relocation or other measures." Corporations are therefore being called upon to act for the good of the national economy and to continue to employ the personnel who are now considered to be in excess as a result of the improvements in productivity. In order to reconcile the improvement of productivity and the securing of employment, two things that are incompatible, corporations, departing from the conventional business management principles, came to place a priority on market share expansion rather than the maximization of profits. They expanded their business through market creation and thereby sought to secure

1. The Japanese Style of Labor Management Relations

employment. At the time, these were the prevalent practices of stocks, which were held unchanged by stable stockholders together with the stocks held by stable institutional investors. Corporations were not greatly pressed to return high, short-term profits to stockholders. Therefore, they were able to devote their efforts to acquiring a greater market share and creating work rather than pursuing profits.

Regarding the specific methods for realizing this improvement in productivity and securing of employment, as described by Principle 2, cooperation is sought between labor and management, corresponding to the circumstances of individual corporations. This is where the cornerstone of enterprise labor unions lies, which was becoming the center of Japan's labor-management collective bargaining. In addition, as stated in Principle 3, a fairer distribution of the fruits of productivity improvements is demanded. This also means that demand is produced and markets are created through the appropriate distribution of the fruits of productivity improvements to workers and consumers as well. In other words, market share expansion, which is indispensable to the securing of employment, is realized through implementing appropriate wage hikes for workers.

Figure 1-6 shows the economic mechanism based on the Three Guiding Principles. In this figure, the fruits of productivity improvements are fairly distributed and market share expansion secures employment and generates demand. In addition, corporations invest appropriately to realize modernization for their growth and development. This leads to an expansion of the pie, an increase in the wages of workers, and the generation of demand. It also helps to further grow and develop corporations.

1-4-2. Stance of Government, Labor, and Management Toward the Three Guiding Principles

When the Three Guiding Principles were made public, a variety of actions were underway within both labor and management, and there was strong opposition against the principles. In 1956, the Japan Association of Corporate Executives published *The Awareness and Practice of Social Responsibility by Managers*. This notes "the fair distribution of corporate earnings" as a new issue for business management and presents what the ideal way of thinking and behavior should be for managers. It encourages managers to go beyond rationalization based on increasing profits and touches upon the importance of labor's meaning of existence. In order to actively promote the Three Guiding Principles, the publication points out what ideal managers should be like. It also presents previous points for reflection to consider what managers are like.

However, as the productivity improvement movement was led by managers, there were opposition moves within labor unions. The initial resistance from the General Council of Trade Unions of Japan (SOHYO) and others was also great. As a result, the Japanese Confederation of Labor Unions (SODOMEI) had decided on *The Case Concerning SODOMEI's Stance toward the Productivity Improvement Movement*, which is called SODOMEI's 8 Principles. In this it indicated its stance toward the productivity improvement movement. The beginning of the principles is as follows: "We will deal with the productivity improvement movement based on the following course to promote the development of just movements and correct what needs to be changed, such as the capitalist centric ideology apparent in the current productivity improvement movement..."

(i) The productivity improvement movement differs from individual rationalization

movements and efficiency improvement movements and is a movement that runs through the comprehensive measures that aim for the self-reliance of the Japanese economy and the improvement of people's lives. (ii) The productivity improvement movement is not a movement that aims to increase corporate profits by strengthening labor, but, on the contrary, brings about the improvement of labor conditions and real wages. (iii) The productivity improvement movement should be a movement that brings about an increase in the volume of employment through the expansion and development of the economy. Therefore, employers and the government must devise effective measures to eliminate the danger of the loss of employment and strive for employment stabilization..." This shows that SODOMEI exhibited understanding, while being critical and making demands of managers. It also set forth a stance of active participation toward the productivity improvement movement.

In this way, there was understanding of the productivity improvement movement not only from managers, but also from within labor unions as well. As a result, it gradually penetrated society. Government and municipal offices also exhibited an understanding that the productivity improvement movement was more significant than the rationalization movement, and assessed the importance of this movement on the point of having "the character of being for all people," since it related to "the interests of managers, workers, and consumers as a whole" (Hisatsugu Tokunaga, Director of the Ministry of International Trade and Industry's Enterprise Agency). Along with admonishing that labor unions "...have an obligation to fulfill a responsibility that corresponds in size to the greatness of their presence in society," they also note that managers "...as the conservative leadership class, who refuse to change their old ways, should seriously reflect and reconsider...because for the near future at least, sincerity and effort must be expressed to ensure that productivity improvement does not invite sacrifices by labor" (Minoru Nakanishi, Director of the Ministry of Labour's Labour Administration Agency).

Furthermore, Kohei Goshi, a Senior Managing Director, notes that "After fattening the chicken, gather the eggs" is a smart principle to live by (Asahi Shimbun, February 21, 1955). This truly makes it socially appealing for labor and management to move away from the immediate and short-term competition between labor and management for small slices of the pie, and to instead strive to enlarge the pie by improving productivity through labor-management cooperation. Both parties can then receive a portion distributed from an even bigger pie. Ichiro Nakayama also responded to the criticism from the Marxist Theory camp by explaining the importance of the productivity improvement movement. In this way, the significance of the productivity improvement movement was communicated to society from diverse standpoints spanning the government, labor, management, and academic experts. As a result, it has come to be widely accepted throughout society.

1-5. Japanese Style of Labor-Management Relations³

Using the mechanism indicated in Figure 1-5, this section will clarify the characteristics of labor-management relations as presented by the Three Guiding Principles of the Productivity Movement, which was the style of labor-management relations during the period of high economic growth.

1-5-1. Conflicts between Corporations and Workers and the Way That They Unified

Corporations grow by expanding their business. Workers can then secure their employment. Furthermore, because wages rise as a result of fair distribution, corporate growth also works to improve the lives of workers. This mechanism indicates a characteristic in which the vectors of prosperity for both corporations and workers are the same. In other words, for workers to protect their employment and improve their lives, the prosperity of the corporations that employ them is indispensable. This means that corporations and workers are in a relationship where they share the same fate and therefore, workers want their company to be victorious in the competition for a large market share.

In essence, corporations and workers have different goals and are autonomous entities with different principles. Looking back at history makes it clear that these conflicting interests have caused fierce disputes. Since productivity improvement and the securing of employment are generally incompatible, labor and management are often in a state of mutual conflict. Labor-management relations that convert this conflict into an opportunity for growth are indeed the Japanese style of labor-management relations.

This labor-management structure was not something that labor and management agreed on from the beginning. While weathering the various voices of opposition as noted earlier, the labor-management structure gradually spread after many complications. It is in their nature for labor and management to be in mutual conflict. Labor-management relations have a structural characteristic that allows a cooperative relationship between labor and management to be built with mutual conflict being used as an opportunity for growth. Therefore, of course, friction also developed during the period of high economic growth, and labor disputes actually existed as well.

It is certainly true that, when compared with the period prior to the high growth, and also when compared with other countries, disputes decreased during Japan's period of high economic growth and labor-management relations were cooperative in character. However, the important fact is that this structure was a cooperative relationship between labor and management, and used conflict as an opportunity for growth. In addition, it was

3 Reference: Sumiko Ebisuno. Changes in Labor-Management Relations and the Development of Human Resources. Tokyo: Keio University Press; 2006; Sumiko Ebisuno. Changes in the Employment and Unemployment Structure and the Corresponding Responses - From the Perspective of Labor-Management Relations. The World Labor 2011; 60 (4): 2-13; and Sumiko Ebisuno. Labor-Management Relations during High Economic Growth: Japanese-Style Labor-Management Relations. Japan Labor Review 2014; 11: 78-102.

a mechanism whereby both labor and management persisted in asserting their respective movement principles, and both persisted in carrying through with seeking their own growth. As well as having short-term self-restraint and cooperation, it was also structure that involved labor and management cooperating and seeking further growth in the long-term, with neither having to make sacrifices. This means that it was not "a conciliatory relationship that rejected conflict," but was instead "a cooperative relationship that included conflict and was built upon it."

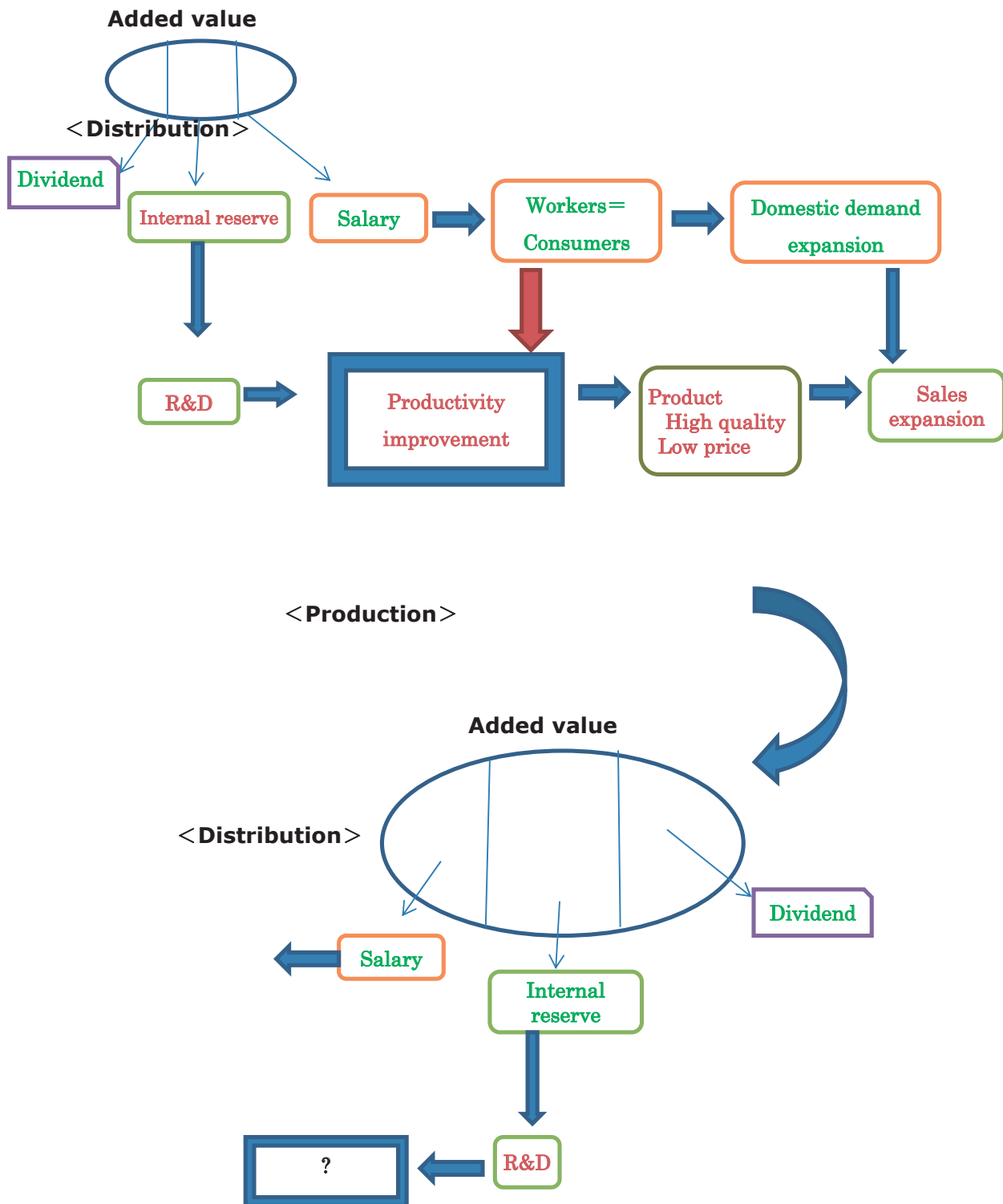


Figure 1-6. Mechanism for Economic Development

1-5-2. Growth of the Japanese Economy and the Popular National Movement (Unification of Government, Labor, and Management)

A major characteristic is that productivity improvement was a popular national movement. Japan was not internationally competitive and was an economically minor country. Amid announcements that the economic growth from postwar reconstruction had ended, it was clear to everyone of every position, including both the managers and the workers, that the country would have to strive toward growing the Japanese economy through modernization. Furthermore, both labor and management understood that the repeated intense labor disputes were an obstacle to modernization and wished to find a way out. This means that, despite their differing positions, they sought the same thing to achieve this goal: the growth of the Japanese economy and the cultivation of industry in Japan.

Since the economic base in Japan at the time was extremely weak and Japanese corporations were completely unable to compete internationally, their business base was naturally the domestic industrial society. This means that a corporation's business management was not viable without first cultivating an industry in Japan. The government strove to cultivate industry by efficiently distributing the country's limited and meager capital and improving the industrial base. Due to limited space, only a few examples are presented (Table 2). One of them was the establishment of the Japan Development Bank in 1951, which was done with national capital and secured an important route for supplying funds for public financing to private sectors. In addition, in 1952, the Enterprise Rationalization Promotion Law was instituted and selective cultivation of industrial sectors was carried out by giving tax reductions to particular industries. From

Table 1-2. Major Industrial Policies

1951	Establishment of the Japan Development Bank
1952	Establishment of the Enterprise Rationalization Promotion Law
1953	Development of the 5-year Plan to Promote the Synthetic Fibers Industry Development of the 5-year Plan to Expand the Gas Business Development of the 5-year Plan to Increase the Production of Cellulose Acetate
1954	Decision on the Second Iron and Steel Rationalization Plan Amendment of the Aircraft Manufacturing Industry Law Development of the 3-year Plan to Build New Cement Plants
1955	Development of the 5-year Plan for Economic Independence Development of the 5-year Plan to Cultivate Synthetic Resin Engineering Development of Cultivation Measures for Petrochemical Engineering
1956	Establishment of the Law for Temporary Measures to Promote the Development of Nuclear Materials Establishment of the Law for Temporary Measures to Promote Mechanical Engineering Industry

Source: The Ministry of International Trade and Industry. A Quarter-century History of the Ministry of International Trade and Industry. Tokyo: The Ministry of International Trade and Industry; 1975.

around 1953, the government prepared respective promotion plans for each emerging industry. Furthermore, in 1956, it instituted the Law for Temporary Measures to Promote the Mechanical Engineering Industry and also tailored other laws to suit the existing conditions. Japan thereby cultivated the leading industries of its economic growth, such as iron and steel, petrochemicals, and mechanical engineering. Furthermore, beginning with the 1955 five-year plan for economic independence, Japan's plethora of economic plans, such as the 1960 plan to double national income, were activated to promote economic growth.

Before they could realize their own growth, individual corporations had to wait for the industrial base to improve and other industries to also experience growth. As a result, the productivity improvement movement did not only concern individual corporations, but developed as a popular national movement. Consequently, there was a rise in domestic demand in Japanese society; the Japanese market was created and corporations achieved business expansion. Furthermore, as a result of fair distribution leading the way to the securing of employment and rising of wages, there was also an improvement in the lives of the Japanese people as a whole. Looking at the rate of the spread of electric household appliance ownership in urban areas during the period from 1960 to 1965, ownership rates rose dramatically: from 55% to 95% for black and white television sets, from 16% to 69% for refrigerators, and from 45% to 78% for washing machines. It is therefore apparent that this led market creation and a rapid expansion in domestic demand for the familiar, durable consumer goods used in daily life across the national life (Figure 1-7).

In addition, it was from the year in which The Three Guiding Principles of the Productivity Movement were announced that the annual spring labor negotiations began. Spring labor negotiations are conducted at the end of the fiscal year between enterprise labor unions and employers. During this time, labor unions demand improvements in working conditions, such as wage increases. Furthermore, across-the-board wage increases are determined by these negotiations. As a result, the wage level of the whole industry has been raised. The Three Guiding Principles point out that the specific measure for productivity improvement is left to each corporation's labor and management, which act in cooperation and in accordance with the corporation's circumstances. The industrial base that labor-management relations were to be built on required various industrial measures for industry cultivation. In addition, labor and management shared the common goal of cultivating the Japanese industry as a way to achieve economic growth. This was a priority for both labor and management. Therefore, industry-based labor unions actively promoted the productivity improvement movement and carried out educational activities in order to have the movement penetrate into enterprise labor unions. They devoted themselves to the improvement of the lives of workers by striving for industry cultivation and promoting the growth of corporations.

Labor-management relations like this had a huge social impact, as well as a great effect on even the corporations that did not have labor unions or workers that were part of a union. For example, the wages determined through the spring labor negotiations were an important index not only for the members of the labor unions concerned, but also for small and medium enterprises, as well as workers who were not yet organized. They set the bar as a social standard to attain in Japanese society. In this respect, the various relationships between corporations and labor unions were the basis for relationships within society.

1. The Japanese Style of Labor Management Relations

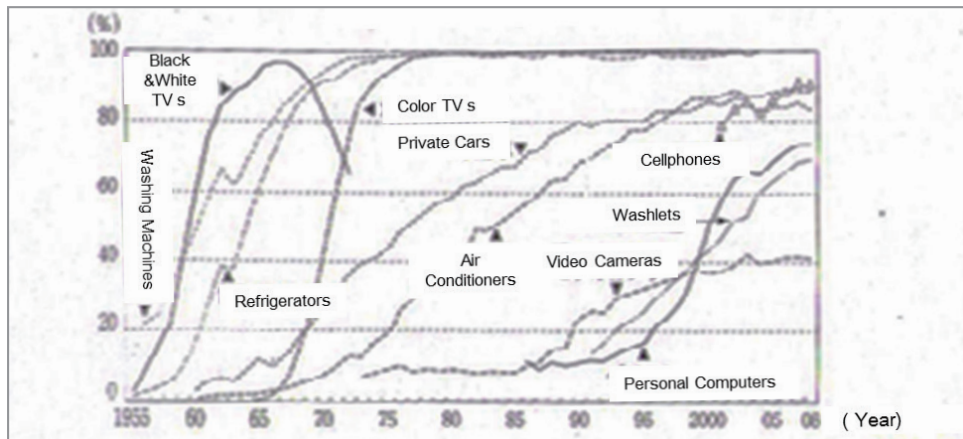


Figure 1-7. Diffusion Rate of durable consumer goods

Source: Cabinet Office, Government of Japan. Consumer Confidence Survey.

1-5-3. Market Creation and Inter-Corporation Competition

For a corporation, business expansion was indispensable in maintaining jobs. Market share expansion came to have priority over profit maximization, which is generally considered to be the main purpose of a corporation. For workers, the expansion and growth of their corporation was also indispensable for securing their own employment. Workers needed to actively participate in business management at their workplaces and to work for the growth of their corporation. The only sector where Japanese corporations that were not internationally competitive could expand their business was the domestic market. However, in Japan the postwar reconstruction had already ended. What followed it was an awareness that the postwar period had ended and that market creation was the only way for corporations to expand their business. In order to achieve this, it was necessary to fairly distribute the economic pie. This would realize the securing of employment, wage hikes, and life improvements that workers sought.

This was a time when corporations and workers moved away from fighting over the limited slices of the pie at hand, and instead aimed to expand the pie itself. By not trying to maximize profits or wages in the short-term, they obtained a greater allotment through further expansion of profits in the medium and long-term. Furthermore, by placing priority on medium and long-term profits, instead of short-term profits, both labor and management advanced. Through this mechanism, with labor and management working together, the intense competition among corporations came to be unfurled. This competition eventually led to opportunities to grow Japan's economy.

However, it is also important to mention that it was not a mechanism where corporations came to ruin each other through fierce competition. As corporations formed groups of affiliates and competition took place between corporate groups, a variety of cooperative systems existed between corporations, such as for capital. This mechanism was carried out under Japan's industrial policy, which was aimed at Japan's economic growth. There was a public consensus for fostering Japanese industries and developing the Japanese economy. As a result, there was also government intervention for cases where competition became dangerously destructive, even though the competition functioned with a market mechanism. It was not a situation where market principles reigned supreme. Furthermore, it was a realistic policy that was beyond ideological conflicts.

1-5-4. Foundations of the Formation of Labor-Management Relations and the Players Responsible for High Economic Growth

This style of labor-management relations was built by going through the prolonged and intense labor disputes of the postwar period. Exhausted from the repeated conflicts, eventually (i) labor-management relations came to place priority on job stability and better working conditions to protect the livelihood of workers, over ideologies seeking political reforms. In addition to this, (ii) through these disputes, pre-modern labor management and the violations of basic human rights that had been seen in the previous labor-management relations were eliminated, and democratization within corporations progressed. As a result, workers became able to do their jobs with corporate loyalty and with a conscious awareness of the development of the corporation where they were employed. Furthermore, (iii) labor disputes, which were originally internal problems for respective corporations, have become prolonged and spread nationwide, resulting in social problems going beyond the framework of any single corporation. This led people to recognize that corporations and labor unions were vital players in society. Consequently, corporations and labor unions become aware of themselves as social institutions and acted accordingly for the development of the Japanese economy, as expected of them by the national consensus. Through this process, the mechanism described in the Three Guiding Principles (shown in Figure 4) was realized.

In addition, labor-management relations had an impact on the period of high economic growth. The reason that Japan was able to create its style of labor-management relations was not because it has been in a period of high economic growth. Labor and management, while harboring conflicting structures, realized stable employment relations based on this conflict and bore the responsibility of achieving high economic growth.

1-5-5. Relationship with the Three Sacred Treasures (Lifetime Employment, a Seniority Wage System, and Enterprise Labor Unions)

In the intense competition among corporations, workers and corporations shared the same fate, which resulted in labor and management building solidarity as one organization. Since they were autonomous entities with different principles, labor and management would by their nature be in conflict with each other. However, they built a cooperative relationship and overcame the incompatibility of productivity improvement and the goal of securing employment. This was the Japanese style of labor-management relationships during the period of high economic growth. It brought about the advancement of the Japanese economy, which was in the common interest of both labor and management, allowing them to move forward together. In other words, labor and management created a mechanism for turning their disputes into an opportunity for development.

Consequently, employment practices inevitably emerged that became known as features of Japanese business management practices. These included lifetime employment, a seniority wage system, and enterprise labor unions. The first of the Three Guiding Principles paved the way for having lifetime employment as a customary practice. In fact, in order to achieve lifetime employment for the Japanese people, the government, labor, and management collaborated to secure employment and make it as stable as possible.

Wages were based on the idea of lifetime benefits in response to lifetime employment.

Considering what kind of system would be socioeconomically appropriate for lifetime benefits at that time, a seniority wage system seemed to be desirable in terms of maintaining livelihoods and developing occupational skills. As noted earlier, enterprise labor unions determined the specific methods for improving productivity while maintaining employment, based on the ingenuity of each corporation's labor and management (the second of the Three Guiding Principles). Under close mutual cooperation between labor and management at each company, corporations made progress in business by making gains in the fierce competition among corporations. Meanwhile, the workers came to make a decent living. This is the reason that enterprise labor unions became mainstream in Japan.

1-6. Summary

The Japanese style of labor-management relations formed the basis of industrial society in postwar Japan. It also played a major role in economic growth. This style of relations was derived from The Three Guiding Principles of the Productivity Movement and had a great impact on the society, economy, labor, and lives of people in Japan. The Japanese style of labor-management relations was created by cooperative relationships between labor and management. This was done through mutual conflict and building solidarity across the organization. Corporations, workers, and the government shared the common goal of advancing the Japanese economy, as well as to stabilize and improve the lives of the Japanese people. To do so, a mechanism was created where both labor and management restrain themselves from pursuing their own short-term benefits, and instead put efforts into improving productivity.

As a result, employment was created by corporation expansion, which led to an increase in wages. They moved away from an adversarial relationship, where labor and management fought for a larger slice the pie, and went toward the development of a cooperative relationship that would lead to an expansion of the pie. In other words, for workers to protect their employment and increase wages to improve their lives, they were required to improve productivity so that corporations could achieve expansion and development. Corporations were also required to secure the employment of workers, who supported the corporations, as much as possible, while encouraging the development of abilities by promoting educational activities to cultivate talented employees. Therefore, corporations and workers shared the same fate. Within this system, the government promoted various kinds of policies and provided support for building this mechanism.

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2. LABOR-MANAGEMENT RELATIONS IN JAPAN

2-1. Introduction

As a result of the progression of globalization in Japan, a variety of work-environment issues now distinguish themselves from the issues that were experienced in the period of Japan's high economic growth. Globalization has caused part of the Japanese style of labor-management relations to no longer work properly since the mid-1990s. This has led to different styles of labor-management relations being developed. As a result, various labor-related problems have occurred. Therefore, it is important to find a new style of labor-management relations that is appropriate to the new environment. In this document, I'd like to explain the current style of labor-management relations in Japan, as well as why new styles of labor-management relations have been developed. I will also briefly explain some of the issues that have been caused by the new style of relations.

2-2. Causes of Changes in Labor-Management Relations: Globalization and Labor Costs

Compared to its period of high economic growth after WWII, Japan is now faced with severe economic conditions, which have continued since the collapse of the bubble economy.⁴ However, Japan is still one of the greatest economic powers in the world, and many Japanese firms have strong competitive powers in international markets. Part of the style of labor-management relations that was created by companies and workers during poverty and the period of ruin described in Chapter 1 has now changed and shows new perspectives. The causes of the changes include various environmental changes, which affected companies and workers. In particular, globalization has played a significant role in these changes. Globalization leads to the easy exchange of commodities, workers, money, and information between countries. Many Japanese companies have started to become more integrated with international markets, and the number of foreign workers in Japan has increased. While transitioning from a national economy to a global economy, the style of labor-management relations started to change from the mid-1990s. This was a period when Japan was facing a severe economic situation after the collapse of the bubble economy.

In fact, when the bubble economy collapsed, a large number of financial institutions were reorganized, and the financial institutions that had previously been strong stockholders began to fluctuate. This fluctuation caused a significant decrease in stock investments (Figure 2-1). In contrast, the proportion of foreign corporations increased drastically, as well as their requests for dividends and stockholders. In the late 1990s, when the financial system collapsed, many companies ended up with heavy debts, and the dependency on the stockholder market was increased. As a result, it became necessary to respond to stockholders who strongly requested short-term profits. In order to be attractive to investors, Japanese companies started to reduce labor costs and attempted

⁴ From the late 1980s to the early 1990s, land prices and stock prices increased sharply, in contrast with the real economy.

to obtain investments, all while still being faced with a severe business environment. Many companies shifted their business operations overseas, where labor costs were much lower than those of Japanese employees, whose wages were among the highest in the world.

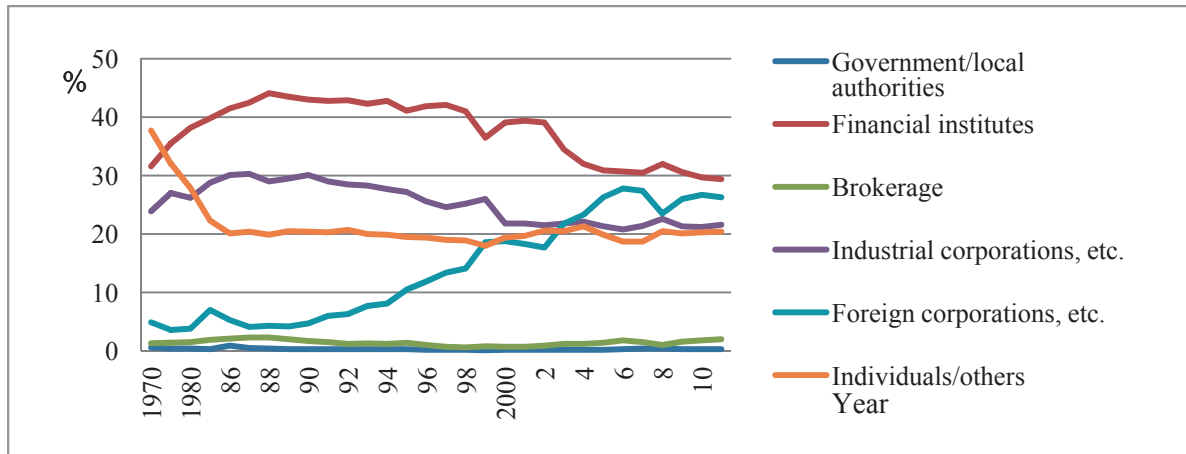


Figure 2-1. Share Holding Ratio by Investment Category
Source: All Domestic Stock Exchanges. Share Distribution Survey.

Even though the unemployment rate in Japan rose sharply (Figure 2-2) after the collapse of the bubble economy, the amount of overseas investment increased on the medium to long-term basis (Figure 2-3). Japanese companies tried to expand overseas as a way to survive under the severe international competition, while restructuring their employment domestically. To improve rationalization and reduce labor costs in Japan, a large number of companies encouraged their employees to retire earlier. In other words, employment until the age of retirement was no longer promised in Japanese society, even for regular employees. In addition, companies started to switch from regular employment to non-regular employment, which allowed for lower labor costs. While the rate of regular employment decreased, the rate of non-regular employment increased to 20.2% in 1990, and then to 36.7% in 2013 (Figure 2-4). This trend was not affected by economic fluctuations; it is due to medium to long-term structural changes. Today, the rate of non-regular employment is almost 40%.

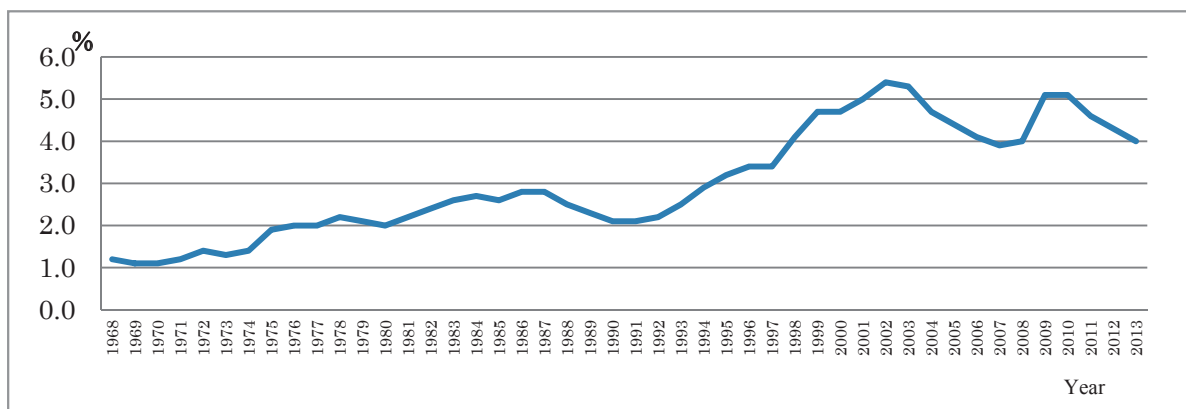


Figure 2-2. Unemployment Rate
Source: The Ministry of Internal Affairs and Communications. Labour Force Survey. 2014.

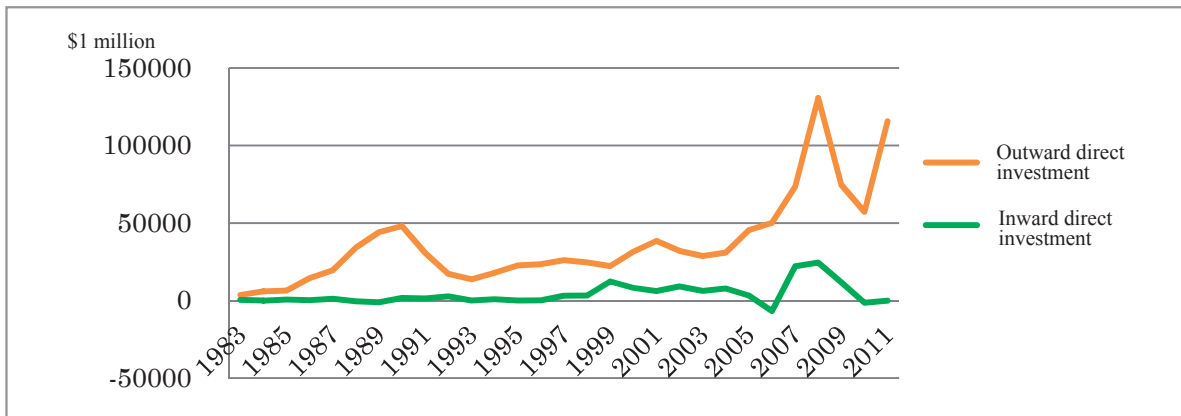


Figure 2-3. Japan's Outward and Inward Foreign Direct Investments.

Source: Japan External Trade Organization. Japan's Outward and Inward Foreign Direct Investments.

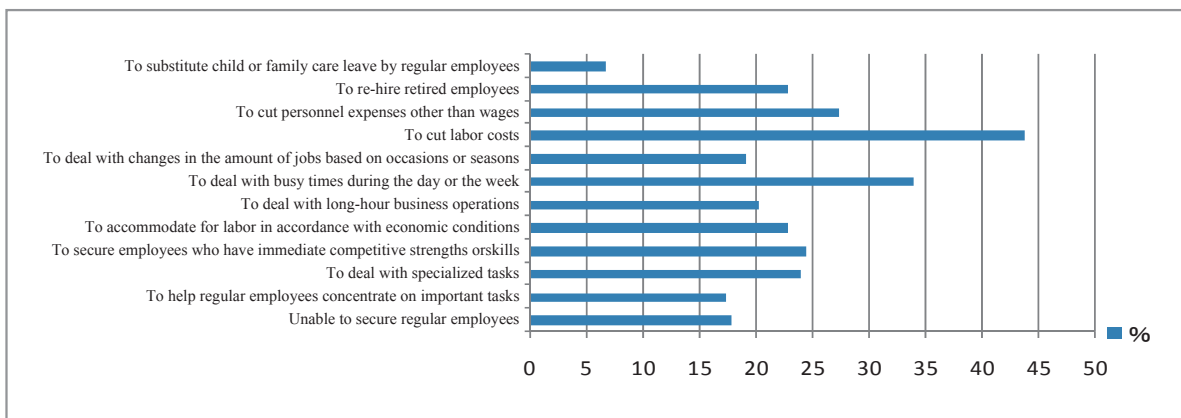


Figure 2-4. Reasons for Hiring Non-Regular Employees

Source: Ministry of Health, Labour and Welfare. General Survey on Diversified Types of Employment. 2010.

2-3. Estranged Labor-Management Relations⁵

Due to such changes in the business environment, the style of labor-management relations have transformed significantly. To shortly describe the current style of labor-management relations; the profits achieved by improvements in productivity are not always returned to the workers, and the development of companies does not always improve the living standards of workers. This trend is called "estranged labor-management relations." In the period when the classic Japanese style of labor-management relations, developed during high economic growth, was common, the development of the domestic economy was believed to fully represent the will of the Japanese people. To achieve economic development without being internationally competitive, it was essential to create national markets. However, many Japanese

⁵ Reference: Sumiko Ebisuno. Changes in Labor-Management Relations and the Development of Human Resources. Tokyo: Keio University Press; 2006; and Sumiko Ebisuno. Changes in the Employment and Unemployment Structure and the Corresponding Responses - From the Perspective of Labor-Management Relations. The World Labor 2011; 60 (4): 2-13.

companies are now internationally competitive, and domestic markets seem to just make up a part of the many markets available. In addition, the Japanese population is declining and domestic markets are expected to shrink. On the other hand, many developing countries are showing strong growth. This is therefore causing markets in developing countries to be even more attractive.

Globalization became popular, and many Japanese companies expanded their businesses overseas in order to reduce labor costs and avoid the risk of fluctuating exchange rates. As a result, new styles of labor-management relations were also created overseas. The Japanese-style of labor-management relations with Japanese workers became part of the various styles of labor-management relations. In addition, the proportion of non-regular employees exceeded one third of the employment in Japan, and short-term employment increased. It was no longer standard for workers and companies to work closely together to achieve medium and long-term development for both the workers and the companies while restricting their own short-term profits. Even in Japan, the classic Japanese style of labor-management relations described above became a part of the various types of labor-management relations.

In this situation, "estranged labor-management relations" based on the mechanism shown in Figure 2-5 were developed. Not all companies and workers followed the mechanism in Figure 2-5, but the mechanism shown in Figure 1-5 became a part of the various types of mechanisms and was no longer promoted as the national movement in Japanese society. Instead, the mechanisms in Figure 1-5 and Figure 2-5 co-existed and caused chaos. As shown in Figure 1-5, there was an excess of personnel due to improvements in productivity. To cope with this problem, companies attempted to generate domestic markets and expand their businesses domestically by increasing domestic demand. At the time, these were considered to be the only ways of developing companies while pursuing the Japanese style of labor-management relations. Accordingly, increasing domestic demand by equal distribution was absolutely necessary. However, once globalization started, there were a large number of international markets that were much more attractive than the domestic markets, especially markets in developing countries. Today, many Japanese companies are capable of competing in international markets. Because technologies and workers can easily be transferred overseas, companies can grow by expanding their businesses overseas without developing domestic markets.

As a result, "estranged labor-management relations" occurred, where workers and companies no longer worked closely with each other. In this situation, Japanese workers either lost their jobs or their employment became unstable with low wages. This was due to Japanese companies promoting their businesses overseas. As a result, only some companies had strong corporate performance results and the actual wages for workers decreased despite the good condition of the economy.

Among the impacting factors of globalization, the influence of stockholders, which was not included in the Three Principles, became stronger. Foreign corporations, which have increased recently, require short-term distributions and are likely to prefer following the market principle. This is totally different from the Japanese style of labor-management relations, in which both the workers and companies restrain short-term profits but work together to achieve medium and long-term profits for the companies' future development

(Figure 2-5). These investment principles differ from workers' life principles and the conventional management principles and are now included in the mechanism of labor-management relations. This means that the "integrated labor-management relations" that were developed during the period of high economic growth are being replaced with "estranged labor-management relations." In addition, these relations are structural changes that are mainly caused by globalization. The basis of these relations is not affected by temporal economic trends.

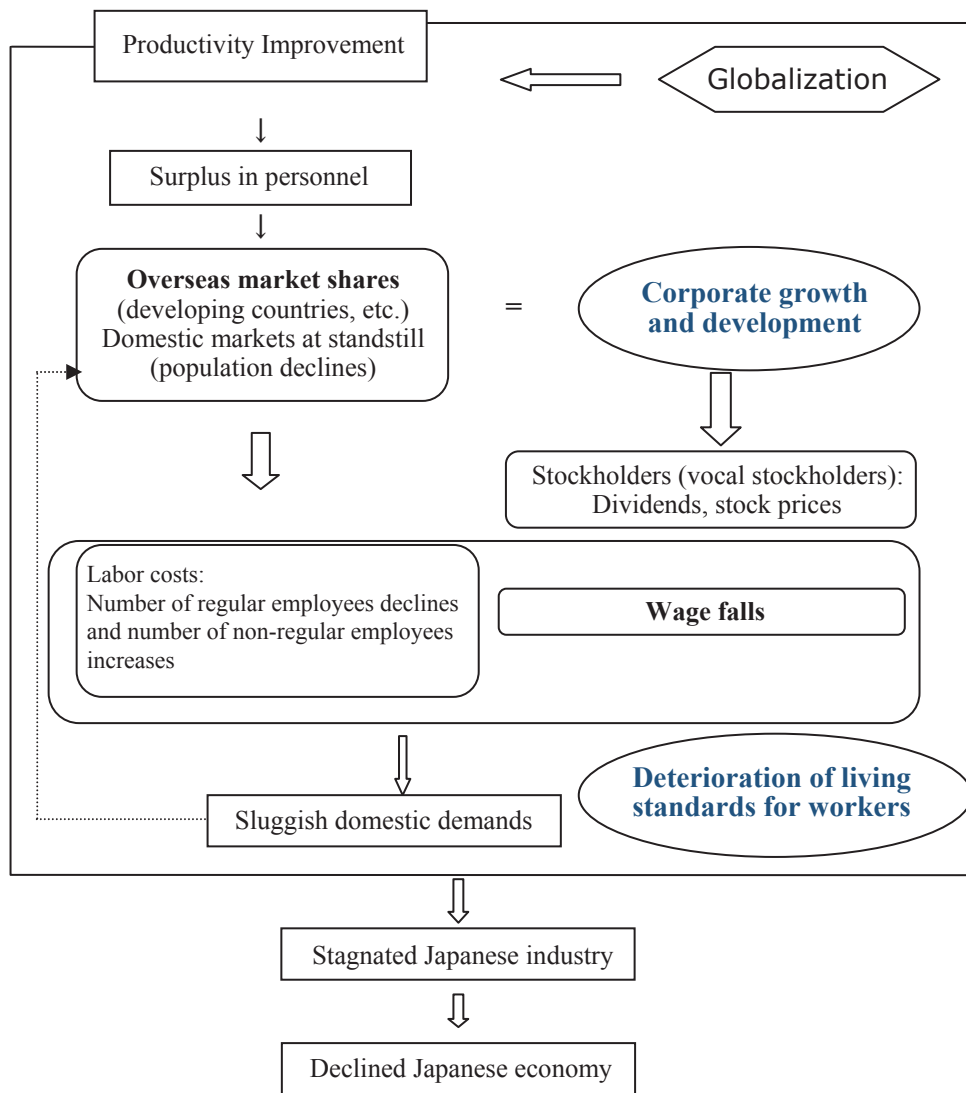


Figure 2-5. Estranged Labor-Management Relations

2-4. Issues Caused by Changes in Labor-Management Relations

2-4-1. Collapse of Unification and Individualism

How do workers think and act while companies and labor-management relations are changing to respond to the business environment conditions?

Figures 2-6 and 2-7 show what workers think about lifetime employment and the seniority wage system, as well as what they think about a sense of unity with their

companies or work sites. The figures show that a large number of people prefer those employment relations that were developed by the Japanese style of labor-management relations, where the workers and companies had a strong connection. Approximately 80% of people (both male and female from all generations) prefer this style of labor-management relations. On the other hand, however, the survey on loyalty and a sense of belonging to companies showed that the number of people who answered that their loyalty and sense of belonging to their company had reduced, or likely reduced, far exceeded the number of people (especially those in their 30s, 40s, and 50s, who are in their most productive years) who answered that their loyalty and sense of belonging had increased, or likely increased (Figure 2-8).

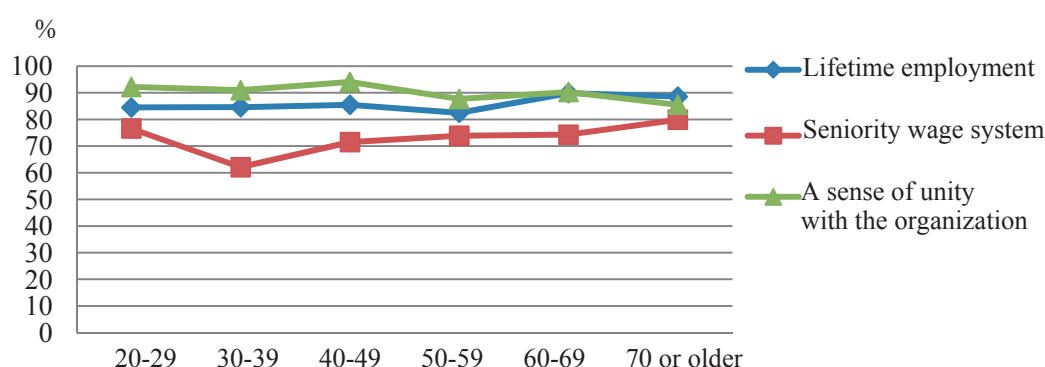


Figure 2-6. Feedback on the Japanese style of Employment (Male): Total of “It is a good thing” and “It is more or less a good thing”.

Source: The Japan Institute for Labour Policy and Training. 5th Survey on Working Life (2007). <http://www.jil.go.jp/english/archives/survey/2007/no.41.html>, accessed on 19 August 2014.

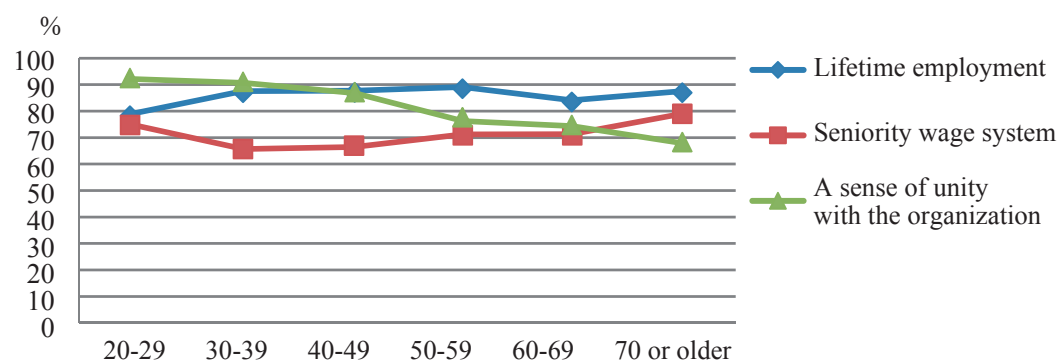


Figure 2-7. Feedback on the Japanese style of Employment (Female): Total of “It is a good thing” and “It is more or less a good thing”.

Source: The Japan Institute for Labour Policy and Training. 5th Survey on Working Life (2007). <http://www.jil.go.jp/english/archives/survey/2007/no.41.html>, accessed on 19 August 2014.

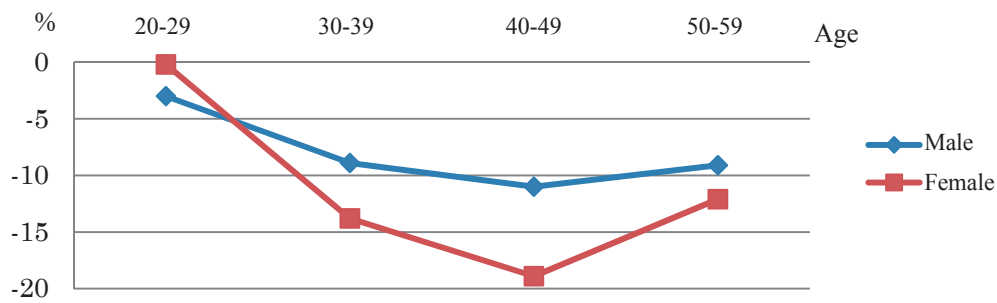


Figure 2-8. Loyalty and Sense of Belonging to the Company: "Increased" + "Likely increased" - "Likely decreased" - "Decreased"

Source: The Japan Institute for Labour Policy and Training. Employees' Awareness and Issues on Human Resource Management (Answered by Employees). 2008

There are therefore a large number of people who prefer the Japanese-style labor-management relations, where lifetime employment and seniority wage system are promised by a unified structure of labor and management. Needless to say, the core of this structure consists of companies and workers. It is possible for this structure to be achieved if the workers work hard to expand and develop their companies and protect their employment. However, workers have changed their attitudes. Loyalty and a sense of belonging to companies are no longer as strong. Even though workers still prefer the Japanese style of labor-management relations, they are not working hard to achieve company development, which is essential to this style of labor-management relations.

In addition, even though the number of collective labor disputes is decreasing, the number of individual labor disputes is rapidly increasing (Figure 2-9). Companies with labor unions have decreased to 17.7%, and there has been a weakening in companies sharing the sentiments of employees, as well as a weakening of the relationships at work sites. As a result, workers tend to deal with work issues individually. Due to this weakening in companies and work sites sharing the sentiments of employees, as well as a weakening of solidarity and cooperation among workers, individualism is becoming more popular.

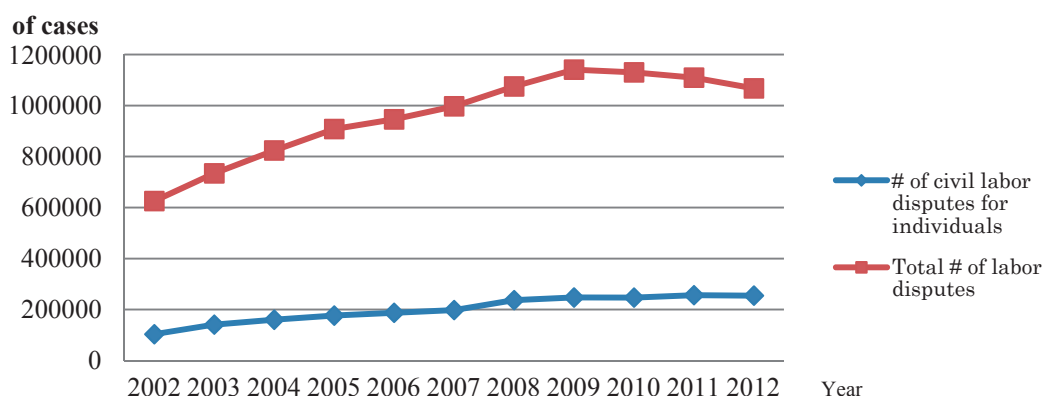


Figure 2-9. Total Number of Labor Disputes and Number of Civil Labor Disputes for Individuals

Source: Ministry of Health, Labour and Welfare. Operation status of the Individual Labor Dispute-Settlement System.

Figure 2-10 shows the reasons in chronological order why new employees chose their companies. From the 1970s until now, the most common answer has been "The ability to use their own skills and own personal qualities." From the 1970s to the late 1990s, this was followed by "The company's future potential." However, since the late 1990s, "The job is interesting" has been elevated to the second-most common answer. The answer "The company's future potential" has dropped to less than 10%. When the Japanese style of labor-management relations, where workers had a strong relationship with their companies, was common, the company's future potential was a very important factor when choosing a company to work at. This was because most workers thought of a company as a lifelong partner. Workers believed that their lives strongly depended on the company's future potential, based on lifetime employment. However, many people no longer think that companies and workers have to have a strong relationship, and they place greater importance on whether they can have an interesting job. This is presently an even more important factor than the company's future potential.

This fact shows that the opinions and attitudes of workers toward employment are changing. Workers highly evaluate the Japanese style of labor-management relations, where workers work closely with companies to create a sense of unity between them. However, presently workers are acting against this.

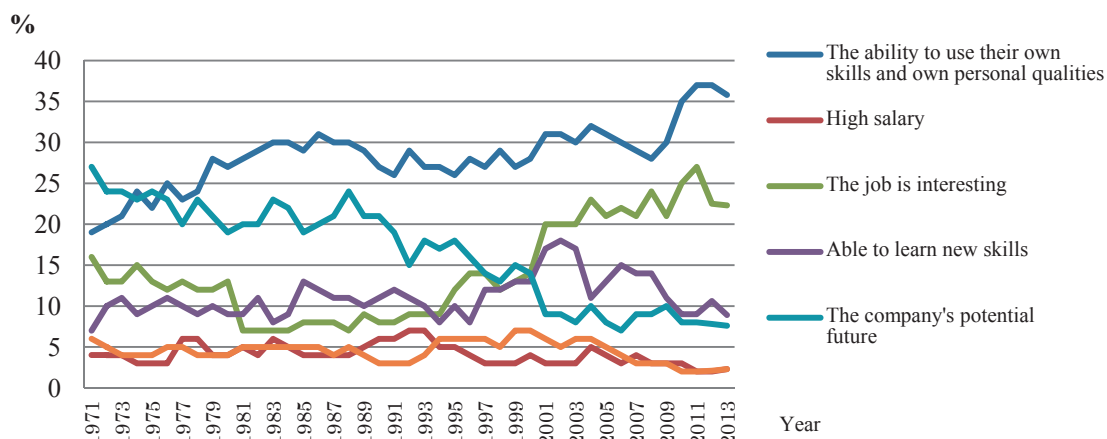


Figure 2-10. Reasons Why New Employees Chose their Companies
Source: The JPC. Survey on the New Recruits' perception of work.

2-4-2. Short-term Considerations

In this section, the reasons that new employees chose their companies will be focused on again. The second-most common answer is "The job is interesting." This answer represents a weakening in a sense of unity with corporations, as well as the increasingly short-term considerations of workers.

Most students cannot function in the workforce in Japan straight after graduation. They learn about their jobs while they are working, allowing them to become skilled workers. Only a few people are able to do interesting jobs right from the start. In addition, Japanese corporations do not hire graduates for specific jobs. It is common for Japanese corporations to hire graduates without specifying their actual job, and then decide where

to assign them. Hired graduates are trained at different work sites so that they can be built up into skilled employees. Most new employees are therefore not able to do the jobs they want to right after joining their company. Many people who chose their companies based on job interests have also experienced gaps between their expectations and the reality. As a result, the number of people who quit their jobs within three years after graduating is increasing. Generally speaking, 70%, 50%, and 30% of people graduating from junior high schools, high schools, and universities quit their jobs, respectively.

In addition, an increase in the number of non-regular employees indicates a sharp increase in the number of people who work with terminable contracts, as opposed to lifetime employment. These increases in short-term employment mean that both corporations and workers instead pursue short-term profits. Workers therefore tend to place importance on immediate advantages, such as the type of job or the working conditions. Furthermore, if they are not satisfied, they are quick to leave their company, as described above.

On the other hand, corporations tend to avoid long-term and costly investments. The most remarkable change is in the training for employees. It was once common in Japan to comprehensively train new employees who just graduated from schools, because they were not yet able to do their jobs. On the job training (OJT), where senior staff in companies instruct their subordinates on how to do their jobs, was the main means of training new employees. Techniques and skills that are difficult to teach by manuals can be taught by actually showing them to employees on the job. However, the number of corporations that conduct OJT is decreasing (Table 2-1). This is because the outcome of training cannot be seen immediately. In addition, training causes short-term negative impacts such as a loss of work efficiency for the personnel who take time to instruct the new employees. Therefore, if short-term profits take priority, the number of opportunities to provide training will decrease.

Table 2-1. Training Ratios

	Off-JT or Planned OJT	Off-JT	Planned OJT
1993	86.4	61.2	74.0
1994	86.2	54.0	54.7
1995	73.4	-	-
1996	66.1	-	-
1997	60.6	51.3	29.4
1998	69.0	-	40.3
2000	70.4	64.9	41.6
2001	68.3	60.2	44.8
2002	59.5	-	-
2003	63.1	58.3	46.7

Source: Ministry of Labor. Survey on Training by Corporations; and Ministry of Health, Labour and Welfare. Basic Survey on Human Resource Development.

Attendance at Off-JT has been decreasing since the late 1990s. There are now more workers who do not attend Off-JT than workers who do (Figure 2-11). Constantly

understaffed work sites due to severe business conditions makes it difficult for employees to leave their work sites to attend training. In addition, changes in the style of labor-management relations have also had an impact on this trend. Tenuous relationships between workers and corporations have made workers untrusting of the training provided by corporations. Some workers are also unwilling to attend training. If training is not functioning properly, and if the human resources who are needed for the company's development cannot be cultivated, this is a serious problem for corporations.

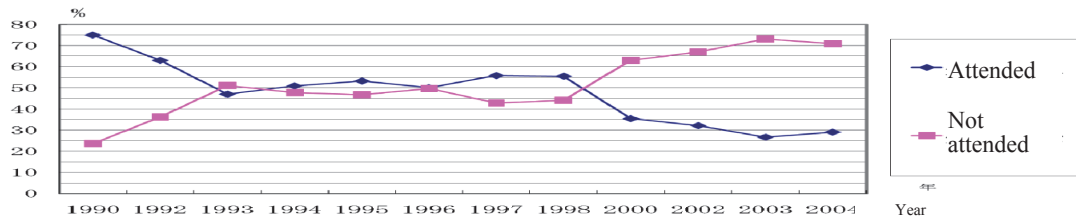


Figure 2-11. Trends in Off-JT Attendance

Source: The Ministry of Health, Labour and Welfare. Basic Survey on Human Resource Development.

2-5. Future Issues

A part of the structure in which the development of corporations stabilizes and improves workers' living standards is no longer functioning. This is due to the rise of "estranged labor-management relations." In other words, the system of strong relationships between workers and corporations no longer exists. In this system, workers used to work hard to develop their companies and in turn to secure their livelihoods, while companies protected the workers' employment, ensuring that they would work hard so that the company can develop. Instead, the attitude of restricting short-term interests to pursue the long-term development of both the corporations and workers has changed, and these corporations and workers are now against building strong relationships between them. Many of them have sought short-term benefits. The following explains how "production" and "distribution" are affected by the changes.

As described in Chapter 1, corporations and workers are autonomous entities with respective principles. This means that they sometimes conflict over the way that profits are distributed, with this conflict having a negative impact on production. This problem is not limited to the labor-management relations at corporations but also the whole economy. The following section briefly describes how the current estranged labor-management relations affect distribution, production, industry, and economy.

2-5-1. Distribution

As symbolized by vocal shareholders, dividends are much more important to shareholders today than they once were. Distribution was performed fairly among managers, workers, and consumers, based on the idea stated in the Three Guiding Principles of the Productivity Movement. However, this idea has been changed into the idea that stakeholders such as shareholders should have more profits distributed to them. This idea has changed the way that labor costs are viewed. It is now considered important to

always lower labor costs as much as possible, or make temporal adjustments to them depending on the business conditions.

From the corporations' point of view, labor costs are an expense. However, from the workers' point of view, it is how they make a living. In the Japanese style of labor-management relations, higher wages lead to increases in domestic demands from a long-term point of view. This should therefore also cause the profits of corporations to increase. As a result, increasing the market share was given priority over maximizing profits; corporations also attempted to ensure their employees' job security. However, once short-term profits started to be required, corporations focused on distributing profits, and maximizing profits took priority over increasing the market share.

Also, distribution has been influenced by a progression in globalization that has changed the importance of domestic markets. The decrease in Japan's population is also expected to shrink domestic markets, and there are many attractive international markets such as those of developing countries, which are expected to grow. Therefore, corporations that are internationally competitive see the domestic market as just a part of various markets. This means that as long as there are demands from international markets, corporations can continue to develop without depending on domestic markets. Since 1997, actual wages in Japan have been decreasing in spite of economic fluctuations. The average wage level has also decreased due to stagnation and reductions in wages for regular employees. There has also been an increase in the ratio of non-regular employees with relatively low wages. In other words, short-term employment relations have led to the distribution of low wages.

In addition, investments that pursue long-term profits such as research and development and the cultivation of human resources are less valued than before (Figure 2-12). As described above, training at companies is reducing, especially for non-regular employees, who are now becoming the majority. Therefore, this aspect of distribution rules is now the main concept for production.

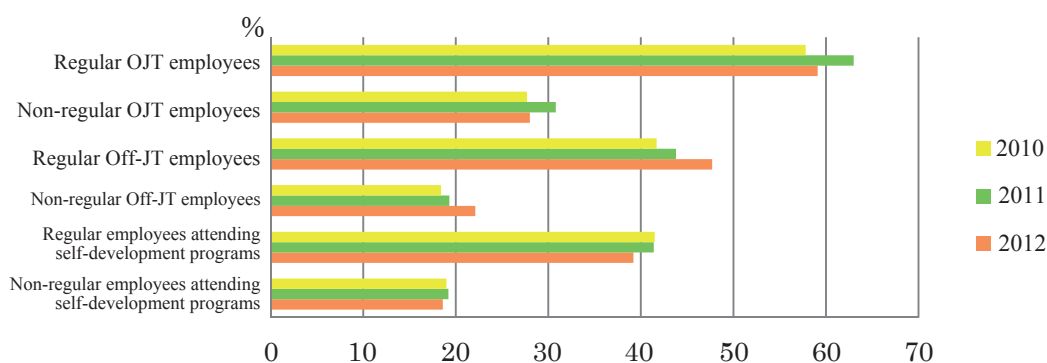


Figure 2-12. Training Attendance

Source: The Ministry of Health, Labour and Welfare. Basic Survey on Human Resource Development.

2-5-2. Production

Changes in distribution have a direct impact on the concept of production. In addition to a decrease in corporations' attempts to cultivate human resources, workers themselves are

also putting increasingly less effort into self-development (Figure 2-13). As the relationships between workers and corporations weaken, workers are also losing a sense of direction for what they need to learn and what abilities they need to develop. They recognize the importance of developing their abilities, but are unable to find what abilities are required for the long-term and what they need to do currently while taking into consideration their milestones in their lives. As a result, it is not only OJT and Off-JT that are decreasing, but also self-development. There are also concerns about the labor quality of Japanese workers. It is these human resources that have been supporting the development of the Japanese economy, with this development mainly depending on their skills. While a short-term point of view takes precedence over a long-term point of view, it is possible to lose this strength due to corporations' reduced efforts toward developing of human resources, as well as a lack of self-development by workers.

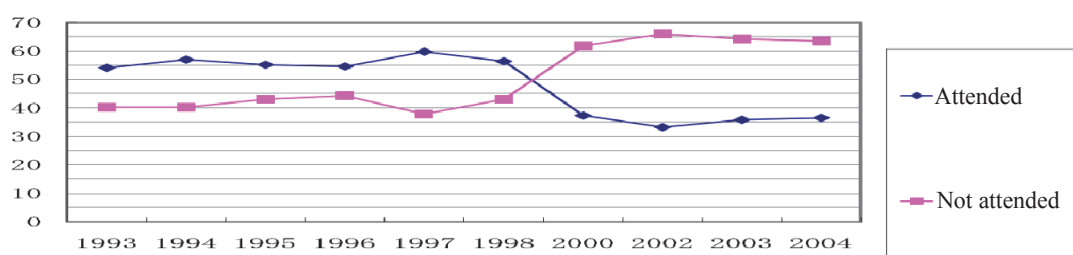


Figure 2-13. Trends in Self-Development Program Attendance

Source: The Ministry of Health, Labour and Welfare. Basic Survey on Human Resource Development.

In addition, cultivating human resources requires a lot of cost and time. However, a number of employees, especially young people, put a lot of importance on how interesting the job that they are doing is, as well as on what immediate advantages they can receive such as work conditions. As a result, there is an increasing rate in early job-leaving. Many corporations are also having difficulties teaching techniques and skills to next generation of workers. If the skilled employees necessary for supporting the corporations' future cannot be cultivated, investments on training can be a huge loss, and the absence of talented employees will be a serious problem for the development of corporations. In addition, if workers cannot learn techniques and skills, it will have a negative impact on their career.

Therefore, efforts to cultivate human resources that require a long time are reducing because both corporations and workers put priority on short-term profits. As a result, it seems that techniques at production sites would degrade together with the quality of human resources in the future.

2-5-3. Industry and Economy

Disputes over the distribution between labor and management often do not just cause production problems, they also run down the industry. In order for Japanese workers, whose wages are relatively higher than global averages, to receive appropriate distribution of profits from companies that are promoting globalization, they are required to provide labor that compensates these high wages. As international competition is

intensifying, it is absolutely necessary to improve the quality of human resources and the techniques and skills they have. If corporations go overseas for lower labor costs, and the domestic industry undergoes a depression, there will be a decrease in employment opportunities for Japanese workers. As a result, the Japanese economy will also undergo a depression, which might even cause the collapse of Japanese society. Labor-management relations are one of the essential factors in an economy and society, and are the basis of people's lives. Therefore, changes in the style of labor-management relations have had significant impacts on industrial society, such as industry, economy, and the lives of workers. Japan is still seeking a style of labor-management relations that is appropriate to new business environments.

3. INDUSTRIAL RELATIONS IN JAPAN

3-1. Labor Unions in Japan

In Japan, enterprise-based unions formed for each individual enterprise play a central role. These enterprise-based unions come together to form industrial federations, while industrial federations gather to constitute the national center. Presently, the total number of members of labor unions that comprise the Japanese Trade Union Confederation (Rengo) is approximately 6.84 million.

Each spring, all enterprise-based unions submit demands centering on wage hikes to the companies. Under the direction and coordination of the national center and industrial federations, they all engage in collective bargaining with their companies at the same time. This method is called "the Spring Offensive." The present Spring Offensive method is said to have started in 1956 and has a history of more than half a century.

Wage demands are made and negotiated by many labor unions from February to April following the Spring Offensive method, in line with the policies of the national center and industrial federations. The national center decides the outline of policies for each year's Spring Offensive as well as addresses the issues that go beyond the realm of individual enterprise-based unions such as national movements for the realization of policies and systems and making requests to the government.

3-2. Challenges Faced by Japanese Labor Unions

One of the issues faced by labor unions in Japan is the decline in unionization rates.

As of June 2012, the number of labor unions was 25,775, while union membership was 9,892,000, which was a decline of 277 labor unions and about 68,000 union members compared to the previous year. The estimated unionization rate or the percentage of employees who are labor union members dropped to an all-time low of 17.9%. However, if we look at international comparisons, the unionization rate in Japan is not particularly low compared to other advanced countries excluding countries such as Sweden.

Another challenge is the improvement of working conditions for all workers including non-regular employees. Although one-third of employees are already comprised of non-regular employees such as part-timers and temporary staff, the unionization rate of non-regular employees is still low. There are some 837,000 part-time workers who are union members, placing the unionization rate at 6.3%, and it appears that almost none of the temporary workers have been unionized. In addition, the unionization rate for small and medium enterprises is low. Whereas the unionization rate for companies with 1,000 or more employees is 45.8%, the unionization rate for companies with less than 100 employees is 1.0%. This shows that the unionization of non-regular employees workers as well as employees of small and medium enterprises is a major challenge.

3-3. Addressing the challenges

One of the responses to the challenges faced by labor unions in Japan is the restructuring and consolidation of organizations. Industrial unions in particular have made marked progress in restructuring and consolidation. For example, UI ZENSEN and Japan Federation of Service and Distributive Workers Unions consolidated in November 2012 to create the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions (UA ZENSEN). The industrial union, which represents 1.33 million members, takes full advantage of its scale in its activities.

With regard to unionizing non-regular employees, existing unions have been taking on aggressive measures for unionization and making demands to government regarding the establishment of policies and systems to raise the positions of non-regular employees. Moreover, the establishment of labor unions for individual membership called community unions whose activities are based in local communities can also be seen as part of the movement to unionize non-regular employees.

3-4. Labor Policies and Labor Unions

It is ideal to have dialogues between labor and management on a regular basis and to establish a relationship of trust. In order to build healthy and stable industrial relations, various forms of communication are being promoted on a regular basis in individual labor-management relations based on the principles of labor and management equality as well as labor and management self-government. In addition, Labour Relations Commissions have been established as fair and impartial third-party organizations working to resolve labor disputes.

It is also important for labor, employer, and public interest groups to work together to make decisions about important labor policies. Rules regarding workplaces must be made with the participation of the concerned parties, namely, workers and employers who have a through knowledge of the workplace. Tripartite governing structures representing workers, employers and governments has been prescribed in many areas including various conventions of the which stipulate that decisions about employment policies should be made through councils composed of equal numbers of representatives from labor, employer, and public interest backgrounds. Therefore, law revisions and other measures in the area of labor require deliberation and reporting procedures to be followed by the Labour Policy Council, which is composed of labor, employer, and public interest representatives.

3-5. Healthy and Stable Industrial Relations

Labor unions are organizations in which workers work together to improve working conditions including wages and working hours. The workers' rights to unite to engage in collective bargaining with employers and take group action such as going on strikes are basic rights guaranteed by Article 28 of the Constitution. The Labor Union Law that was enacted to realize these basic rights give labor unions the authority to conclude "labor agreements" with employers regarding working conditions and other matters. The law also forbids the unfavorable treatment of labor unions and labor union members by

employers, calling such treatment “unfair labor practices.” It also prohibits legitimate actions by labor unions to be regarded as crimes and damage claims to be made against such actions.

3-6. Labour Relations Commission System

Unfair labor practices by employers, industrial actions such as strikes and other labor disputes can cause costly damage to not only the workers and employers concerned but also the general public. Therefore such disputes should be prevented or promptly and amicably resolved as much as possible. When labor disputes do occur, they should be resolved independently by the workers and employers, but in some cases they cannot be resolved by the parties concerned. To deal with such cases as fair and impartial third party institutions, the Local Labour Relations Commissions in each of the 47 prefectures and the Central Labour Relations Commission, which is a national organization, were established.

The Labour Relations Commissions are independent tripartite bodies with members representing labor, employer and public interests. The Central Labour Relations Commission is composed of 15 members from each of the three parties, while the Local Labour Relations Commission are composed of 5 to 13 members from each party. Commissioners representing the workers are recommended by the labor unions, while commissioners representing the employers are appointed by the Prime Minister based on recommendations by employers’ associations. Appointment of public interest commissioners requires the agreement of commissioners representing both workers and employers. The Labour Relations Commissions make decisions on whether or not unfair labor practices have been committed based on applications from the parties concerned through the three adjustment mechanisms of mediation, conciliation and arbitration.

3-7. Decision-making about Important Labor Policies by Labor, Employer and Public Interest Groups

The Labour Policy Council (main council) is composed of 10 members each from labor, employer and public interests, and deliberates legislative bills related to labor and other important matters. Under the main council are subcommittees and sectional committees also composed of the same number of members from each interest group, and studies and deliberations are conducted about affairs under their jurisdiction.

Minimum Wages Councils deliberate minimum wages based on the Minimum Wage Law and in full consideration of results of investigations into actual conditions of medium wages and various other statistical data. Local Minimum Wages Councils, which are composed of equal numbers of representatives from labor, employer and public interests, conduct deliberation and reporting based on the local situation and take into account the guideline for wage increases that are announced each year around July or August by the Central Minimum Wages Council, which is composed of 6 members each from the three parties.

The fact that decisions on important labor policies and measures are made through the tripartite structure of labor, employer and public interests holds great significance. It is in line with the philosophies of labor and management equality as well as labor and

management self-government, and contributes to the realistic and effective execution of measures.

3-8. Reflecting Opinions of Labor Unions in National Government

In addition to the Labour Policy Council, representatives of labor unions participate in various councils of the government as experts. For example, Rengo participates in such councils as the Industrial Structure Council and Government's Tax System Study Council.

The participation of labor unions representatives in government councils serves to reflect the opinions of workers, who play a crucial role in society, in government policies and measures and to gain the cooperation of workers in the implementation of policies and measures.

4. CASE STUDY (1): HONDA MOTOR WORKERS' UNION –THE STRUCTURE OF LABOR-MANAGEMENT COOPERATION AND EFFORTS FOR RELATIONSHIP-BUILDING

4-1. Outline of the Organization of Honda Motor Workers' Union

4-1-1. Organization

In June 1953, a union was established by 1,269 members at the Saitama Factory's Shirako Plant. In 1963, six enterprise-based unions (Tokyo, Saitama, Hamamatsu, Suzuka, R&D, Manufacturing Machinery) were integrated into the Honda Motor Workers' Union. Presently, it is an organization composed of nine branches (Suzuka, Hamamatsu, Saitama, Kumamoto, Tochigi, Engineering, R&D, R&D Center Tochigi, national headquarters) and nearly 40,000 members.

The union has a membership of approximately 39,000 (as of June 2014). It takes a union shop system and is composed of Honda Motor Co. Ltd. and eight enterprises.

4-1-2. Relationship with Exterior Organizations

Many labor unions in Japan are enterprise-based unions organized by workers within a single enterprise, and it is difficult to resolve matters such as consumer price levels, housing, healthcare and social security issues between the labor and management in the corporation. Therefore, the Honda Motor Workers' Union has a strong collaboration with labor organizations including the organizations shown in Table 4-1.

Table 4-1. Labor Organization and number of members

Labor Organization	Number of members (as of June 2014)
HMWU / Honda Motor Workers' Union	38,887
AHWU / Federation of All Honda Workers' Union	78,000
JAW / Confederation of Japan Automobile Workers' Union	762,000
JTUC / Japanese Trade Union Confederation	6,800,000
ITUC / International Trade Union Confederation	176,000,000
JCM / Japan Council of Metalworkers' Unions	2,000,000
IndustriALL Global Union	50,000,000

4-1-3. Executives of the Organization

Central executive committee members (including the president of the executive committee of each branch) and the secretary general and deputy secretary general of each branch are full-time executives, while executive committee members and shop committee members of each branch are part-time executives. Executives in all positions serve two-year terms, but they may serve as executives for consecutive terms. Central executive committee members are selected by convention delegates at regular conventions through elections, while the secretary general, deputy secretary general, executive committee members and shop committee members of each branch are selected by union members of each branch through elections.

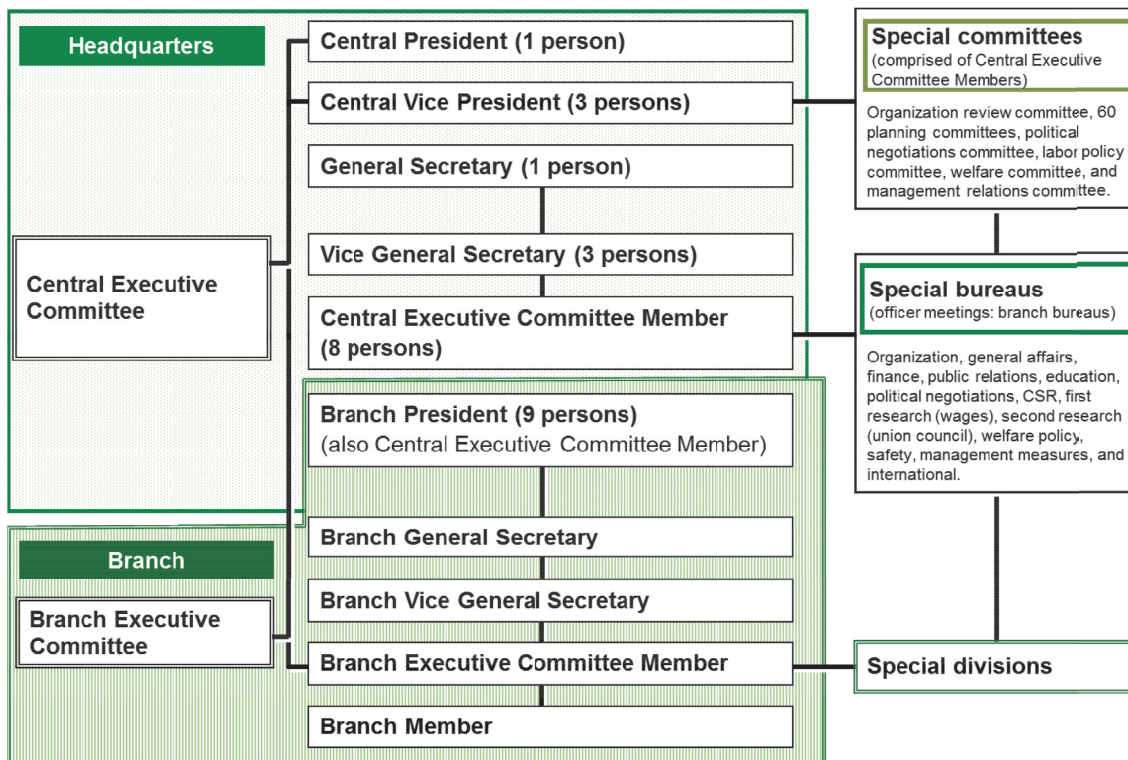


Figure 4-1. Roles of the Union

4-1-4. Meetings and Voting

(1) Regular Convention (once a year)

Top decision-making body. Composed of all central executive committee members and convention delegates selected from shop committee members, the required number of which are stipulated by election regulations. Makes decisions about action plans, budgets, etc., and elects central executive committee members.

(2) Central Committee Meeting (4-6 times a year)

Supplementary decision-making body. Consists of all central executive committee members and the secretary general, deputy secretary general and executive committee members of each branch. Makes policy decisions about basic working conditions and approves agreements. Decides on matters to be discussed at conventions.

(3) Central Executive Committee Meeting (about twice a month)

Executive body responsible for the execution of union activities based on decisions made by the decision-making bodies. Formulates and operates policies.

(4) General Meeting of Branches (once a year)

Decision-making body of branches. Consists of executive committee members and convention delegates selected from union members (1 for every 20 members) at each branch. Makes decisions about action policies and budgets for the branch.

(5) Shop Committee Meeting (about once a month)

Supplementary decision-making body of branches. Consists of executive committee members and shop committee members at each branch. Decides on matters to be discussed at the general meetings of branches.

(6) Executive Committee Meeting of Branches (about once a week)

Subsidiary organization of the central executive committee meeting. Serves as a liaison between the upper level organization and the union members and promotes activities of the branch such as resolving issues in the workplace.

4-2. Industrial Relations Based on Dialogue

4-2-1. Learning from Labor Disputes

Honda Motor has experienced two major labor disputes. Reflecting on the fact that the lack of unity among unions developed into labor disputes, the Honda Federation of Workers' Unions (the present Honda Motor Workers' Union) was established. Discussions were held about how it is important for the parties involved to strive to resolve issues rather than labor and management being persistent with their own claims. A settlement was reached when the unions admitted to making excessive claims and the company completely reversed their decisions.

Having been forced to spend a huge amount of time and energy to bring the confused organization back into control, the unions recognized that they must always be aware of the effects of division and confusion in the organization when executing union activities. Moreover, although past disputes of the Honda Motor Workers' Union resulted in amicable settlements between labor and management, it should be remembered that failure to reach a settlement could endanger the survival of the company or the employment of the workers. In order for labor and management to respect each other's positions, cooperate and work toward the enduring prosperity of the company and the improvement of working conditions of union members, they must try to understand each other's positions and viewpoints even in times of conflict. The best way to do this is through dialogue.

4-2-2. Labor Agreement – Chapter 1 Article 1

Chapter 1 Article 1 of the Labor Agreement states the following:

"This agreement has been concluded in the aim of encouraging the company and union members to reconfirm the existing keynote of dialogue, and recognize that the position of the company based on its unique foundation and the position of the union which advocates labor unionism based on the spirit of autonomy and independence should be

mutually respected, and that both parties should cooperate for the enduring prosperity of the company and improvement of working conditions of union members, and thus assure the long-term stability of industrial relations. Both parties are obliged to observe the clauses contained herein with good faith and sincerity."

The agreement expresses the workers' union's commitment to pursue ideal enterprise-based union activities for the benefit of union members and their families.

4-2-3. The DNA of the Honda Motor Workers' Union

The Honda Motor Workers' Union, in recognition of the fact that values about labor that individual union members have are in the process of change, launched the General Policymaking Board in the 31st period (from September 1998). Issues such as the way of working and the workplace environment of each department are being assessed with the key phrase of "shifting the focus from overall optimization to the individual." At the same time, union activities and organizational management are being evaluated from the standpoint of "attractiveness," "understandability" and "effectiveness & efficiency."

Through these evaluations, efforts are being made for "Reform (change)" and "Creation (make anew)." At the same time, there was a concern that the Honda Motor Workers' Union would not be able to maintain the core of its activities unless they were "Carrying on (preserving)" certain values even in times of drastic change.

The values that the Honda Motor Workers' Union should carry on can be found in the words of the predecessors and various materials compiled by the union. Moreover, it would appear that they have been passed down in an intuitive manner among the executives. These have become the standards of conduct for union executives and have been followed as practical methods for "raising, responding and resolving issues" as Honda Motor Workers' Union executives.

While working towards "Reform" and "Creation," the Honda Motor Workers' Union is identifying what values it should be carrying on (the DNA of the Honda Motor Workers' Union) and applying these to future activities.

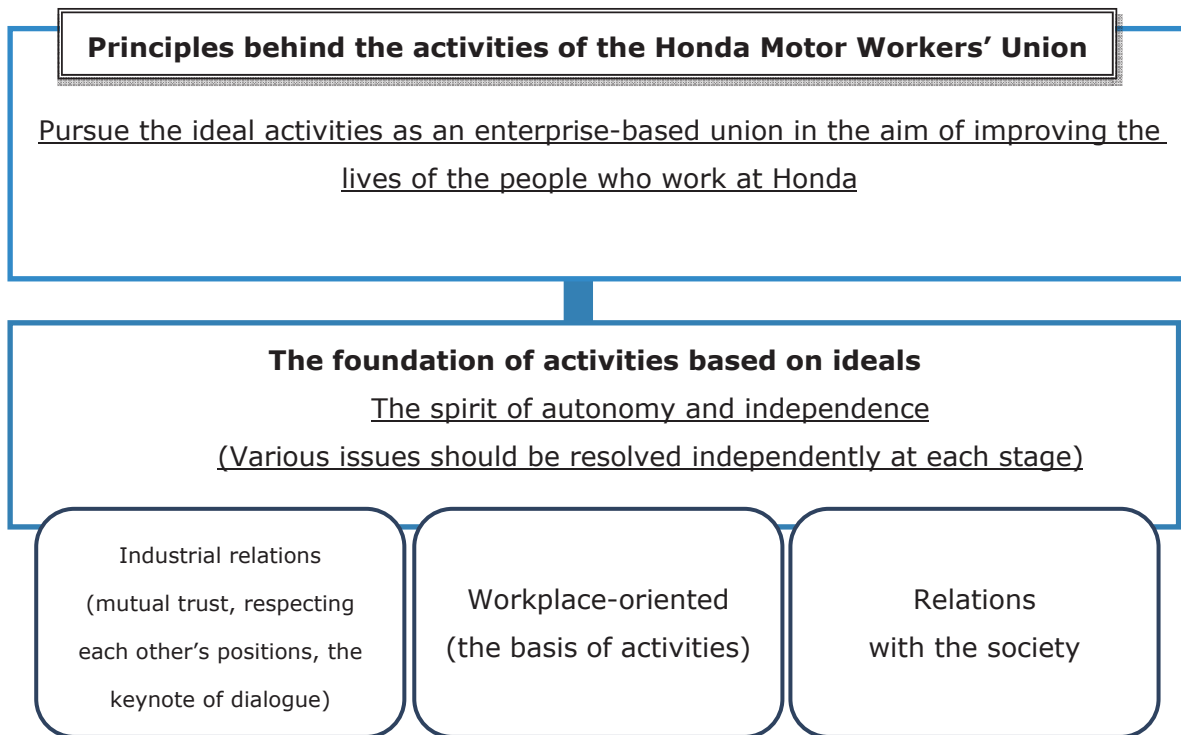


Figure 4-2. The DNA of the Honda Motor Workers' Union

5. CASE STUDY (2): INDUSTRIAL RELATIONS IN THE JAPANESE AUTOMOTIVE INDUSTRY

5-1. About the Confederation of Japan Automobile Workers' Union (JAW)

The JAW has a membership of approximately 762,000 (as of the end of February 2013). It is an industry-wide confederated body with a wide range of labor unions of automobile manufacturers, car body/parts manufacturers, sales dealers, transportation companies and general businesses that represent the broad-based automotive industry. The JAW was formed in 1972 and celebrated its 40th anniversary in 2012.

Within The JAW are organizations called “union federations,” and the composition of each union federation is shown in the reference material. Basic activities are conducted in a “vertical” structure of the JAW, union federations and enterprise-based unions. At the same time, the JAW has district councils in each of the 47 prefectures of Japan and promotes “horizontal” cooperation through monthly board meetings.

The JAW’s activities aim to intersect industry functions and policy functions to address challenges unique to the industry as well as cross-industrial issues.

The JAW focuses on the following five key areas and makes the most of the economy of scale realized by its large membership and its influence within the industry to conduct activities aimed at promoting the growth of the automotive industry and pursue the happiness of union members. In addition, the JAW is involved in a wide range of economic, social and political activities.

- (1) Efforts to realize policies
- (2) Fulfill our role in society and local communities
- (3) Respond to employment issues and challenges of the industry (responding to changes in industry structure)
- (4) Efforts to shape labor policy
- (5) International activities

An example of “efforts to realize policies” and “efforts to shape labor policy” is the JAW’s involvement in labor legislation and its efforts to realize policies for worker protection. The JAW is also aggressively engaged in activities for Trans-Pacific Partnership (TPP) negotiations and a fundamental overhaul of automotive taxes.

In order to “fulfill our role in society and local communities,” the JAW has district councils in each of the 47 prefectures of Japan and conducts monthly board meetings at the district councils with the participation of staff from JAW headquarters as well as organizes various local events. Moreover, it is actively promoting the growth of the organization and steadily expanding the organization to include non-regular employees.

As part of efforts to “respond to employment issues and challenges of the industry,” the JAW exchanges opinions with various automotive industry-related employer’s associations concerning a wide range of industry-level issues such as new generations of vehicles and

policies of the automotive industry that cannot be resolved by individual union federations or enterprise-based unions.

With regard to “international activities,” the reference material shows the relationship between the JAW and its superior bodies. The JAW is a member of the national center “Rengo” (Japanese Trade Union Confederation). The JAW is also a member of the global union federations of IndustriALL Global Union and UNI Global Union. Moreover, in August 2013, the JAW launched the JAW 1st Asian Autoworkers Union Conference in Bangkok, Thailand, which was the first multinational conference of its kind, taking the initiative to build networks that bring together automotive company unions of various countries.

5-2. Efforts to Build Constructive Industrial Relations in Japan and the Example of the JAW

The reference material shows the role of collective bargaining and labor-management consultations in the industrial relations of individual enterprises in Japan. A distinctive characteristic of Japanese industrial relations is that “confrontation” through collective bargaining in pursuit of fair distribution coexists with “cooperation” through labor-management consultations in pursuit of productivity improvement, producing tension in industrial relations. At the same time, labor and management share the common goals of corporate growth and the stability and improvement of employment and the quality of life.

In Japan, dialogue between labor and management takes the forms of “collective bargaining” and “labor-management consultations.” Collective bargaining is based in law and conducted in the aim of realizing the fair distribution of results. The so-called “Spring Offensive” is well known in Japan. Meanwhile, labor-management consultations are based on labor agreements, and labor and management discuss various issues in the aim of improving productivity. For example, many enterprise-based unions participating in JAW discuss a wide variety of issues from management policies such as business plans and production schedules to more immediate issues such as the working hours of union members.

As shown in the reference material, on each level, labor unions share roles and conduct various activities in areas such as relationships with employers, relationships with union members and their families, relationships with government and international relations.

“National center” refers to the national center Rengo, which engages with government to address issues that cannot be resolved by individual enterprise-based organizations such as the taxation system, social security including pension and medical care, and labor legislation, and promotes activities for improvement and reform of these systems on the national and local governmental levels. During the Spring Offensive, the national center develops overall strategies and basic policies.

Industrial organizations engage with employers to form industrial policies to promote the sound development of the overall industry and conducts discussions with industry-based employer’s associations. The JAW is an industrial organization.

In Japan, collective bargaining is conducted by individual enterprise-based unions, and

the authority to enter into labor agreements is generally held by individual enterprise-based unions as well. In collective bargaining, industrial organizations such as the JAW set shared demand goals, develop strategies and coordinate between unions.

For example, the JAW organizes labor-management consultations in the form of regular industrial labor-management meetings with industry associations such as Japan Automobile Manufacturers Association, Japan Auto Parts Industries Association, Japan Automobile Dealers Association and Japan Automobile Carrier Association.

The reference material shows the general system of consultations between labor and management at individual enterprises.

At the central labor-management council, leaders of labor and management hold talks several times a year about management policies and management plans. This is an important activity to accurately convey management policies to union members.

At subcommittee and advisory committee meetings, discussions are held about such topics as production plans, business policies, overseas business development plans and benefits programs.

At business office labor-management councils, the heads of labor and management discuss management policies and other issues of each business office.

At workplace labor-management conferences, everyday issues of each workplace such as work environments are discussed between labor and management.

In this way, various efforts to improve labor conditions and increase productivity are being made through discussions between labor and management on each level.

The following are factors that labor unions must consider when constructing demands. The first is the importance of long-term stability of employment. The second is the fact that medium- to long-term growth of enterprises is essential to the stability of the lives of union members. The third is that a "take what you can now" attitude is inappropriate and can lead to the decline and bankruptcy of enterprises, which will also mean the end of the unions.

For labor unions, "pragmatic demands" means that the thinking behind the demands are explained to all union members and that the demands reflect the opinions of the union members and have gained their understanding and support. By making sure that the voices of the union members are strongly reflected and that corporate performance is taken into consideration in the discussions, excessive demands or demands that go far below the inflation rate can be prevented.

As a basic stance, labor and management should aim to reach an agreement that is satisfactory to both parties through intensive dialogue and seek a "landing point" that will lead to future growth and cooperation between labor and management. It is also important to report to union members about the progress of the negotiations, and "the voice of the union" can be significant reinforcement material that helps make persuasive arguments against the company.

It is necessary to promote dialogue between labor and management, and in some cases, informal labor-management talks are held as needed in addition to formal labor-management conferences that are held about once every month. Labor leaders should establish a relationship with the president in which they could see the president at any time so that laboratory and management can build a culture in which various issues can be resolved through consultations.

6. CASE STUDY (3): THE LABOR-MANAGEMENT CONSULTATION SYSTEMS IN JAPAN AND EFFORTS FOR THE SPRING LABOR OFFENSIVE

6-1. The Labor-Management Consultation System in Japan

6-1-1. Characteristics of Labor-Management Relations in Japan

In Western countries, there are labor-management relations that are formed by industry or by occupation that go beyond individual enterprises to transect entire societies. In Japan, however, labor unions are formed by individual enterprises. Therefore, the actual state of labor-management relations can be seen in individual enterprises.

6-1-2. The Relationship Between the Labor-Management Consultation System and the Spring Labor Offensive

The annual spring labor offensive (shunto) attracts much attention in society as a labor-management relations initiative, but dialogues between labor and management are not limited to the time of the spring labor offensive. Rather, repeated labor-management consultations are held in the background throughout the year, making it possible for labor and management to work through the springtime negotiations with a sincere attitude and negotiate with integrity. With regard to the historical background and significance of the spring labor offensive, see “6-2. Efforts for the Spring Labor Offensive in Japan” in the latter part of this chapter and to “Chapter 3. Industrial Relations in Japan” (Ministry of Health, Labour and Welfare).

6-1-3. The Three Guiding Principles of the Productivity Movement and the Labor-Management Consultation System

The labor-management consultation system is a permanent consultation body that is established based on a voluntary agreement between labor and management. It serves as a communication channel between labor and management that is separate from collective bargaining and was designed as a form of “cooperation between labor and management,” which is the second principle of the Three Guiding Principles of the Productivity Movement proposed by the Japan Productivity Center.

Incidentally, the first principle of the Three Guiding Principles of the Productivity Movement is “expansion of employment,” and the third principle is “fair distribution of the fruits of productivity.” These Three Guiding Principles of the Productivity Movement were widely spread in the industrial world and contributed greatly to the stability of labor-management relations in Japan and the development of society and economy.

The second principle in particular, which states: “Labor and management must cooperate in researching and discussing specific methods to improve productivity in consideration of specific corporate circumstances” became the basis of the establishment of the Special Committee on the Productivity Council in November 1956. Then, in July 1957, the committee stated in its report the basic view that “In order for management to achieve

improved productivity, they must first seek the active cooperation of workers and labor unions. To achieve this, they must abolish all factors that hinder understanding and cooperation, and the labor-management consultation system is the best way to remove such barriers.”

6-1-4. The Difference Between Collective Bargaining and the Labor-Management Consultation System

Collective bargaining is a system for determining employment conditions that is based on law and the right to strike when negotiations between labor and management break down is also guaranteed by law.

Whereas collective bargaining is based on law, the greatest feature of the labor-management consultation system is the fact that it is a voluntary system based on an agreement between labor and management.

	Characteristic	Attitude	Goal	Effect
Labor-management consultation	Shared interests	Cooperation	Productivity improvement	Flexible
Collective bargaining	Conflicting interests	Confrontation	Distribution of profits	Binding

Figure 1. Differences between the collective bargaining system and the labor-management consultation system

6-1-5. Actual Model of Labor-Management Consultations (Example)

(1) Participants of labor-management consultations (Cases in which most participants of labor-management consultations are from the central level.)

Management side: President (or vice president), directors (in charge of each department such as corporate planning, sales, financial affairs, research, and manufacturing), director of the personnel department, etc.

Labor union side: Chairman, vice-chairman, secretary-general, executive committee members, etc.

(2) Requirements for labor-management consultations to come into effect

Labor-management consultations come into effect with the attendance of the majority of committee members from both the management side and the labor union side.

(3) Examples of agenda items at labor-management consultations

- a. Matters regarding management policies and business content
- b. Matters regarding production and sales planning, results
- c. Matters regarding capital investment and introduction of new machinery
- d. Matters regarding personnel affairs policies and organization policies
- e. Matters regarding research and technological development, achievements
- f. Matters regarding safety and health, accident prevention
- g. Matters regarding operation improvement, quality improvement and proposals

- h. Matters regarding the safety of consumers and communities, environmental conservation
- i. Matters regarding employment benefits and welfare
- j. Matters regarding working hours

6-1-6. Installation Criteria for the Labor-Management Consultation System

The Japan Productivity Center proposed the “installation criteria for the labor-management consultation system” in 1986, at a time when the labor-management consultation system had become generally established in industrial circles. This aimed to once again make the importance of the labor-management consultation system appealing while making revisions that were necessary for Japan to respond to the current situation after achieving rapid economic growth and facing new environments and structural changes of the times. The criteria are listed in Appendix as reference.

6-1-7. Stages and Levels of the Labor-Management Consultation System

The labor-management consultation system is introduced to various levels from consultations at the central level of the entire company to consultations held at the factory (office) and workplace levels. Conducting labor-management consultations in such a detailed manner has the effect of not only communicating accurate information from the top management to the workplace in a top-down approach, but also communicating issues and requests from the workplace to the top management through a bottom-up process. Moreover, accurately transmitting management policies and management information to the employees helps to build mutual trust and a cooperative relationship between labor and management.

In addition, special councils (committees) are established in some cases with the participation of committee members from both labor and management in order to study and discuss specific themes (e.g. personnel affairs, revision of wage systems) between labor and management.

6-1-8. Prior Consultation

Prior consultation is an effective method that was born from the long history of labor-management relations in the aim of avoiding situations in which the opinions of labor and management clash in formal discussions and result in a battle of wills where neither side is willing to give in. In such cases, if a limited number of members from both labor and management confirm the agenda items beforehand, they can take some time to consider one another's positions and prepare for the consultations.

6-1-9. Dissemination of the Contents of Labor-Management Consultations

Matters discussed at labor-management consultations are disseminated to employees in a prompt manner. Information on labor-management consultations may be disseminated through the distribution of newsletters compiled separately or jointly by labor and management. In recent years, they are often sent by email.

6-2. Efforts for the Spring Offensive in Japan

6-2-1. *The History of the Spring Labor Offensive in Japan*

The greatest characteristic of the spring labor offensive is the idea that “labor unions in Japan are organized company by company and wage negotiations would be more effective and produce greater results if industry-wide negotiations are conducted simultaneously in the spring season.” From the point of view of the management, if wage negotiations are conducted separately by each enterprise-based union, for example, they would not know the responses of other companies in the same line of business, and risk being put at a competitive disadvantage if they alone agree to wages that are higher or lower than other companies. Therefore, companies have compelling reasons to be interested in how other companies respond to wage hike demands. Labor unions also recognize the importance of going beyond the individual enterprise and uniting with large numbers of workers. In this way, the spring labor offensive has the function of moving beyond the limits of individual enterprises and supplementing the function of enterprise-based labor-management relations.

The concept of the spring labor offensive was conceived in 1955 and implemented in 1956, coinciding with the start of the period of high economic growth in Japan.

6-2-2. *Benefits of the Spring Labor Offensive*

As an increasing number of unions participate in the spring labor offensive, it has the effect of: 1) contributing to the leveling of wage by forming a wage market, and 2) producing a spillover effect (function) for workers who are not organized and raising their wage levels across the country. In other words, it can be said that the spring labor offensive produced a mechanism that goes beyond individual enterprises to adjust wage settings by industry on a national level. The spring labor offensive is significant in that it was the growing industries in the private sector (especially steel, machinery, metal, automotive and electric industries) that took leadership and became the driving force behind negotiations rather than the labor unions in industries under national protection.

6-2-3. *Wage Demands and Economic Growth*

Needless to say, excessive wage demands that do not take into consideration the growth of the nation and the current conditions would cause confusion in the country's economy, society and the lives of the people, and ultimately negatively affect the employment and work conditions of workers. In the process of forming a “wage market,” it is important to consider the growth, profitability and future prospects of the industry (company) concerned while building “an ideal form of income distribution” from the perspective of the national economy. Such information sharing and mutual understanding between labor and management was one of the beneficial results of the spring labor offensive, and it is believed that it was the efforts of labor and management to share information and promote mutual understanding through this process that prevented strikes from occurring even when wage negotiations resulted in low levels of wage increases.

6-2-4. Avoiding the Vicious Cycle of Wage Hikes and Inflation

In the 1970s, when Japan was riding the wave of rapid economic growth to join the ranks of the developed countries, it was hit by the first oil shock that was triggered by the Fourth Middle East War. In the spring labor offensive of 1975, the labor union side refrained from making wage demands after careful consideration, taking into account that if they made wage demands as they had in the past, it might bring about inflation (and confusion in the economy). The spring labor offensive in the following years took a change of direction, adopting the method of making wage demands that aim for increases in real wages within the limits of the growth of the national economy. After that, the 1980s was a time when the high-speed growth engine of the Japanese economy began to sputter.

6-2-5. The Arrival of a Turning Point in the Spring Labor Offensive

Since the so-called bubble economy burst in the 1990s, maintaining and securing jobs has been the main topic of discussion between labor and management for many years. Even the growth industries in the private sector that had been the driving force in shaping the market in the spring labor offensive in previous years were affected and the disparity in business performance between companies became prominent. In such times, an entire industry could no longer take leadership and drive the negotiations, which had a considerable impact on the spring labor offensive.

In addition, the 1985 Plaza Accord and the 1987 Louvre Accord enabled countries to conduct coordinated interventions in the foreign exchange market, which also had a major impact on the spring labor offensive. Since then, exchange rate fluctuations often greatly affected corporate performance, and the cooperative relationships between labor and management as well as the experiences and learning that had been gained were no longer effective in some cases.

6-2-6. Shareholder-Focused Attitude and the Distribution of Profits

Since the 21st century, partly because major revisions have been made to the Companies Act, management has taken an increasingly shareholder-oriented stance. In particular, more companies are placing emphasis on the distribution of profits to shareholders (payment of dividends) and investor relations (disclosing management information to shareholders). As a result, there was a shift in the previous management stance of placing emphasis on the employees and exchanging management information between labor and management. Fundamentally, there should not be a trade-off between shareholders and employees, and relationships with both are important, but in recent years, more and more companies are clearly shifting their emphasis from the employee to the shareholder. This trend is also not unrelated to the function that collective labor-management relations and the spring labor offensive have served.

6-2-7. Agreement Between the Government, Labor and Management

In 2002, as the employment situation in Japan deteriorated as a result of economic stagnation, the government, employers and labor came together to study “work-sharing,” a concept of adjusting working hours with the aim of maintaining and securing

employment, and agreed on a Basic Concept on Diversified Work Patterns and Work-sharing.

Under normal circumstances, the government refrains from excessive intervention due to the principle of individual self-government of labor and management, but in a state of emergency related to industry and employment or in situations that relate to growth strategies for the nation such as the recent attempt to pull the Japanese economy out of deflation, the government may call on the labor and management of industries and promote consensus building in society.

6-2-8. Efforts of the Spring Labor Offensive in 2014

A major feature of the 2014 spring labor offensive was that a government, labor and management conference was held from the previous autumn to discuss employment, wages and other relevant issues. The objective was to create a virtuous economic cycle of wage hikes, rising prices and growth of corporate earnings. Such efforts proved to be effective and the management side, which had maintained a cautious stance toward wage increases in recent years, effectively demonstrated a policy of accepting pay-scale increases, and the spring labor offensive attracted attention from the society for the first time in years.

6-2-9. Results and Issues of the 2014 Spring Labor Offensive

In the end, the 2014 spring labor offensive resulted in an average wage increase including annual wage increases of 5,928 yen and a wage increase rate of 2.07%, which was the highest level of increase in the 15 years since 1999. Moreover, about 40% of the labor unions of small and medium enterprises gained wage increases corresponding to pay-scale increases in addition to gains corresponding to increases in basic salary, showing that the spring labor offensive had a spillover effect on small and medium enterprises.

However, there were no major advances in the improvement of labor conditions among small and medium enterprises, unorganized workers or non-regular workers, revealing that the spillover effect of the spring labor offensive did not extend to all areas. Moreover, a widening disparity could be seen between major firms in the same industry, showing that the scheme in which growth industries became the driving force behind the spring labor offensive was not revived.

What is most important is that the positive effects of the 2014 spring labor offensive not be temporary and that labor and management strive to continue the positive momentum in the coming years. In order to do so, labor and management must try more than ever to come up with ways to create workplaces that provide job satisfaction and to build businesses with high profitability.

6-2-10. Reconfirming the Importance of the Spring Labor Offensive

Among labor and management in the Japanese industrial world, the tendency to appreciate the benefit of the spring labor offensive is stronger than the tendency to deny it. This is because the spring labor offensive enables labor and management to openly discuss and share an awareness about a wide range of issues such as ideal ways of

working, work rules, work-life balance and welfare, based on an understanding about not only the distribution of wages but also issues such as the management environment, the social environment and corporate performance. Such characteristics of labor-management relations are rarely seen in the world and are a strong point of Japan. It may be difficult for the spring labor offensive to return to its former state, and its scale and degree of influence may change, but the fundamental qualities and significance of the spring labor offensive such as “formation of markets” and “spillover effects” are likely to be carried on.

7. JAPAN'S ECONOMIC DEVELOPMENT AND LABOR-MANAGEMENT RELATIONS⁶ – THE ROLE OF THE RESPECTIVE ENTITIES

In the past, relations between labor (workers and labor unions) and management (employers) in Japan were extremely confrontational. However, the weakness inherent in this atmosphere of confrontation actually provided an opportunity for development that facilitated the achievement of high economic growth. This was the most important and revolutionary milestone in the history of Japan's labor-management relations, as described in Chapter 1. Chapter 1 details the process by which the prolonged and intense labor disputes of the postwar period were overcome, ushering in the formation of the stable Japanese labor-management relations on which the advancement of the Japanese economy was based. Chapter 1 also describes the structure and characteristics of the newly formed labor-management relations. Chapter 2 then puts forward the view that these newly formed labor-management relations are now facing various problems in the context of a business environment that is undergoing significant changes, and discusses the characteristics of labor-management relations.

As has been discussed, labor-management confrontations in Japan were converted into a mechanism for economic development, with the newly formed labor-management relations revolving around workers and companies. However, the formation of labor-management relations cannot be discussed without taking into account relationships with other entities such as the government and the Japan Productivity Center. In order to form and maintain stable labor-management relations, co-relations with these entities were important. Therefore, the last section summarizes the roles played by each respective entity.

Today, it is true that the Japanese style of labor-management relations seems to have changed partially in the structure and content. However, the main framework that encompasses peripheral entities has been maintained to this day. In responding to new problems, the same framework that has been used since the formation of the Japanese style of labor-management relations is still employed. Furthermore, fierce labor-management conflicts still take place frequently in other Asian countries, and these countries are looking for solutions.

This chapter focuses on the formation of labor-management relations in Japan, which, after overcoming fierce confrontations, became a driving force for economic development. It will then go on to describe the roles of the respective entities. Although it is true that various entities have played important and diverse roles, some have had a greater and more direct impact on the formation and maintenance of Japan's stable labor-management relations, namely, companies, workers, labor unions, governments, and the

6 Reference: Sumiko Ebisuno. *Changes in Labor-Management Relations and the Development of Human Resources*. Tokyo: Keio University Press; 2006; Sumiko Ebisuno. *Changes in the Employment and Unemployment Structure and the Corresponding Responses - From the Perspective of Labor-Management Relations*. *The World Labor* 2011; 60 (4): 2-13; and Sumiko Ebisuno. *Labor-Management Relations during High Economic Growth: Japanese-Style Labor-Management Relations*. *Japan Labor Review* 2014; 11: 78-102.

Japan Productivity Center (JPC). This chapter will summarize the roles played by each of these entities, based on Chapters 1 and 2. It is important to note that while these entities have played many roles during various phases, the discussion herein will cover only those events in which they were involved from the perspectives of production and distribution with the goal of properly establishing and maintaining the Three Guiding Principles of the Productivity Movement. The discussion is based on the data in Tables 7-1 and 7-2.

Table 7-1. Japanese Style Labor-Management Relations

	Production	Distribution
Problems	Problems: Japanese products break easily and are cheap No technical capability Burnt-out ruins after the war: no facilities No natural resources	Problems: Severe confrontations between labor and management => affects even production (strikes, etc.)
Companies	Education Research and development	Fair distribution (1) Wage: Expansion of domestic demand (2) Internal reserve (next investment) => facilities, research and development : Productivity improvement (3) Employment secured for excessive workforce => Business expansion Diversified business operations (new industries)
Workers	High motivation (Awareness of my company) (Growth of the company will improve my own living)	Appropriate wage increases # Collect eggs after making chickens fat * Spring Labor Offensive: Negotiate based on corporate business performance/prices, etc.
Government	Economic plan (slide) Effective distribution of limited resources Infrastructure development •Energy •Roads/railways (shinkansen) Education Technical development	System to stabilize labor and management relations Labor committee Minimum wage Employment Adjustment Subsidy
JPC	Impartial position Enrichment/education/coordination, etc.	
	*Productivity improvement	*Appropriate distribution: long-term growth

Table 7-2. Current Labor Management Relations

	Production	Distribution
Problems	Problems: Intense international competition Some fields lost their technical predominance Youth layer: High ratio of leaving work Future potential of the company not emphasized	Problems: Shareholders (dividend, share price) Drop in real wages Greater disparity (regular and non-regular employees) Reduced workforce Reduced investment in education
Companies	Education Research and development	Balance of stakeholders Contribution to overseas companies also reflected in salaries
Workers	Hand down skills Efforts to form cooperative relationships in the workplace Formation of the awareness of being employed	Efforts to correct disparity through types of employment Measures to correct the decline in workforce Severe negotiations
Government	Industrial Policies Infrastructure development •Energy •Roads/railways (linear-induction motor car) Education (career education) Technical development <Ministry of Economy, Trade and Industry>	Establishing and controlling rules of labor (Wages and working hours) (Cooperation among government, labor, and management) <Ministry of Health, Labour and welfare>
JPC	Impartial position Enrichment/education/coordination, etc.	
	* Productivity improvement	* Appropriate distribution: long-term growth

7-1. Companies

The Japan Association of Corporate Executives⁷ quickly and ahead of all others understood the importance of the productivity movement. It actively promoted the movement and played a role as a pioneer. However, they did not necessarily agree and accept the idea at first. As with workers, it took a long time to obtain understanding from companies.

Nevertheless, companies gradually began to understand the idea that modernization was the only way to find a breakthrough for the Japanese economy, which was in a dead-end situation. It became apparent that the productivity movement could not be realistically achieved without the cooperation of the workers and that leaving the situation as it was would result in deadlock, and therefore that the establishment of stable labor-management relations was vital.

7-1-1. Production

It was not initially feasible to work towards modernization due to the extremely low technological levels of the workers who were supposed to drive the modernization process. Therefore, companies started to focus on educating their workers from the point of view of production. Because most workers entering a company after graduating from school had no industry-ready work skills such as technical expertise, companies trained them from scratch through on-the-job and off-the-job training. Although the cost of providing such education was a financial burden, low standards meant that Japanese companies that wanted to develop were forced to train their employees themselves and help them to become a workforce that would generate added value, and thereby raise productivity. In addition, as described later, workers themselves also were active in acquiring skills in order to secure employment and achieve a stable and better lifestyle. As a result, companies were able to focus on revolutionizing the technology and conducting research and development to develop new products.

7-1-2. Distribution

With the aim of achieving the aforementioned production, the most notable characteristic with regard to distribution is fairness. In other words, companies secured internal reserves to enable research and development and capital investment, as shown in Figure 1-6 in Chapter 1. In addition, workers and management cooperated in production to expand the economic pie, which was then fairly distributed to workers. By paying appropriate salaries to workers, companies generated domestic demand and promoted spending, thereby driving an increase in their own production. In this way, market share expansion came to take priority over profit maximization, enabling secure employment.

In order to realize modernization from the perspective of production and thereby improve productivity, companies invested in education to train their workers, distributed salaries

⁷ An organization established by business leaders in 1946. It made proposals on economic issues, etc. with the aim of aiding democratic recovery and the reconstruction of the postwar Japanese economy. Even today, it voices progressive opinions.

fairly, and restrained themselves from maximizing their own profits. From the perspective of short-term corporate management, such corporate behavior was irrational. But for the medium and long terms, it was rational because it would drive further development. The behaviors described above gradually raised the standards of the Japanese economy as a whole, thereby in turn realizing the development of the companies.

And then, in accordance with Principle 1 of the Three Guiding Principles of the Productivity Movement i.e., "... prevent the unemployment of surplus personnel through job relocation or other measures," companies did their utmost to avoid redundancies. For example, when the oil shocks hit Japan, the major worldwide recession resulted in many companies having too many employees. However, many companies did their utmost to maintain employment and prevent redundancies, with the government also providing support in the form of the Employment Adjustment Subsidy. The unemployment rate back then was in the 1% to low 2% range. Japanese companies maintained almost full employment even in the face of a global economic crisis. For companies, dismissing workers in whom they had made an investment in the form of training was irrational in the medium and long term, even in such a severe business environment. In addition, workers did not make immoderate demands at this time of corporate crisis, which kept inflation under control.

Indeed, as described above, they worked to ensure the survival and development of their companies. Further, the sudden rise in the price of crude oil triggered by the oil shocks was devastating to Japan, which lacks natural resources. However, this rise in the price of oil acted as a trigger for companies, workers and the nation as a whole, driving a commitment to energy-saving activities and spurring further technological advances.

7-1-3. Inter-industry and Inter-company Cooperation

Taking into account trends in Japanese industry as a whole, the Japan Association of Corporate Executives and KEIDANREN⁸ have been studying best practice for companies, and have put forward various guidelines. Japan lacked infrastructure and other industrial bases. Even if companies strived to improve productivity independently, none of them would have been able to start the mechanism necessary to expand production unless improvements in productivity were realized for all of society. Even if the technological standards of one company improve, production cannot improve without sufficient infrastructure and materials. Back then, everything was in short supply, from materials to energy and infrastructure. Accordingly, cooperation across companies and industries was essential for the development of both individual companies and the economy of Japan.

Trade associations played a major role in the establishment of the collaborative and cooperative systems of Japan's industries. Such associations strived for information sharing, efficiently allocated resources, and put forward guidelines to facilitate the development of their respective industries and companies while raising the standards of the Japanese economy as a whole, thereby encouraging cooperation.

⁸ A liaison organization for various economic organizations, established in 1946. It organizes the opinions of the business community and makes proposals to the government and parliament. It merged with NIKKEIREN in 2002.

7-2. Workers and Labor Unions

In order to realize modernization and make the mechanism for extended reproduction, workers and labor unions each played an important role in both production and distribution. Each worker needed to understand this mechanism, so the first message that needed to get through was this: Continuing disputes will bring only exhaustion, rather than leading to stable and better lives. Thus, improving productivity is important. However, as described in Chapter 1, improvements in productivity are generally followed by loss of employment. It was by no means true that all labor unions showed understanding quickly, or that individual workers were satisfied. The long, fierce labor-management confrontations up until then had left a huge scar. Understanding gradually spread only as a result of perseverant negotiation with management and the mediation of the JPC.

7-2-1. Production

With regard to production, workers actively learned new skills and management techniques in order to overcome Japan's insufficient technological ability and enhance productivity. While, as noted above, companies made an effort to educate their workers, the workers themselves were also active in acquiring skills and techniques.

In addition, by working to improve the workplace and making various proposals such as new approaches to manufacturing processes, workers continuously worked to increase productivity with the goal of producing better and more inexpensive products. In other words, individual workers were participating in management at their places of work.

In addition, companies in turn actively listened to the various proposals of their workers, thereby working toward modernization. Employees understood that unless their companies developed, their own employment could not be assured, with the result that their ability to improve their own lives would be less certain. Therefore, they worked hard to improve the productivity of their companies.

7-2-2. Distribution

With regard to distribution, parties sought fairness and maintained appropriate standards, rather than demanding the maximum share. And as a result of such a strategy, the following cycle began to function: Necessary investment for further corporate development is secured – Expansion of the economic pie is achieved – Salary standards that will expand domestic demand are secured – Companies grow in the medium and long term – Worker's lives improve. When the oil shocks triggered the great recession in the 1970s, there were concerns that a rise in salaries might accelerate inflation and lead to skyrocketing prices. For this reason, collective bargaining in the spring labor offensive resulted in an agreement to cap salary increases within appropriate standards based on commodity prices.

This enabled inflation to be successfully kept within the nation's targets. Thus, thanks to labor-management cooperation during the economic crisis, inflation was controlled, thereby securing a sound economic environment and allowing sustainable corporate

management and the protection of employment for workers. This response to the economic crisis protected the soundness of Japan's economy, enabling Japan to get out of the oil shock-triggered crisis ahead of other developed countries.

Another favorable event was the establishment of the system of spring labor offensive, whereby labor unions request wage and other working conditions to management on an annual basis. This created stable opportunities for labor-management collective bargaining and ensured systematic and constructive negotiations. In addition, matters agreed in spring labor offensive were significant in that they functioned as guidelines even for those parties not involved with labor unions, such as small and medium enterprises without unions and workers who were not union-members. Thus, matters agreed in such negotiations had an enormous impact across Japanese society.

7-2-3. Cooperation between Workers and between Labor Unions

As stated in Principle 2 of the Three Guiding Principles of the Productivity Movement, basically, each company would negotiate with its labor union with the aim of achieving greater productivity, with each side responding according to the situation. However, it is important that certain guidelines for all industries are put forward while taking into account various industrial situations such as the aforementioned oil shocks. Indeed, industry-based labor unions produced such guidelines aimed at establishing a unified direction. This played another role—strengthening an otherwise weak negotiating position in the case of individual negotiations. Further, confederations proposed targets and trends for Japanese society as a whole. Confederations united industry-based labor unions, enabling information sharing among the various unions, thereby striving to improve the lives of Japanese workers as a whole. Just as the impact of spring labor offensive went beyond the relevant companies and workers, extending to the issues of salary standards and other working conditions for workers as a whole, the role played by industry-based labor unions and confederations was also significant.

As described above, all parties—individual workers in the workplace, enterprise labor unions, industry-based labor unions, and the Japanese Trade Union Confederation⁹—actively contributed from their respective standpoints so that the mechanism for economic development could function.

7-3. Government

7-3-1. Labor-Management Autonomy

In Japan, the government basically does not directly interfere in labor-management relations, under the principle of labor-management autonomy. This means that a line is set between politics and economics. This basic arrangement is advantageous in that political fluctuations do not directly affect labor-management relations, which are fundamental to the economy. One of the major reasons for the intense labor disputes was

⁹ The Japanese Trade Union Confederation is the largest national center of labor unions in Japan. It was formed in 1989 and current membership is approximately 6.75 million. It has a strong influence on the policy making process including labor policies.

ideological conflicts. The fierce disputes between the free-market countries and the socialist countries did not just impact on Japan's labor disputes. They were a globally grave issue and even resulted in wars.

However, the Japanese people formed their labor-management relations through economic activities via production and distribution, separating their business activities from conflicts based on political and social systems. This is an important characteristic of Japanese labor-management relations. Disputes arising from ideological conflicts led to prolonged and intense disputes, while achieving nothing. Such an experience led the Japanese people to make a pragmatic choice. They faced up to the reality that their future lives could not be assured unless the Japanese economy was advanced through the realization of modernization. This understanding led them to draw a line to separate the economy from ideologies and political and social systems and to establish labor-management relations based on cooperation. They had a common understanding of the best way to make the mechanism for economic development work, and of the approach to production and distribution that would best achieve that. For this reason, the Japanese government has never led any interference in labor-management relations.

Having said that, with the aim of growing the economic pie through labor-management cooperation—in other words, forming and maintaining the Japanese style of labor-management relations—the government has put its energies into establishing the foundation and framework and providing the necessary support. Although the government's efforts are diverse and various, the following section will summarize only the major events that are directly related to the aforementioned Three Guiding Principles, with a focus on production and distribution.

7-3-2. Industrial Policies—the Industrial Base and Economic Mechanism

As stated in Chapter 1, the government has implemented various industrial policies to promote the efficient use of limited resources and improve productivity nationwide. Among many initiatives, major policies from 1950 onwards include the establishment of the Japan Development Bank, which secured the flow of funds to the private sector. The government also drew up a number of medium- and long-term plans for specific areas, including five-year plans. Such government policies provided direction for the development of the Japanese economy and presented priorities and procedures for the use of limited resources. In the case of competition among companies or industries for resources, a weak industrial base and fierce competition among small parties will lead to insufficient allocation, resulting in a situation in which no industry is able to develop and companies destroy each other in internecine battles. The government played a role in developing a framework to prevent such a situation and establishing a base upon which labor and management can cooperatively improve productivity and grow the economic pie.

7-3-3. Employment Policies—Subsidies to Retain Employment

Employment policies were also important, as shown in a paragraph in the Three Guiding Principles of the Productivity Movement: "... a public-private partnership is essential in formulating valid policies to prevent the unemployment of surplus personnel through job

relocation or other measures.” There were phases when, due to harsh economic conditions, labor-management alone was not enough to sustain employment easily.

During such times, the government provided various forms of support to prevent unemployment. For example, when economic crises arose unexpectedly due to overseas situations such as the oil shocks, many companies used the Employment Adjustment Subsidy program to help maintain employment. Under this program, the government subsidizes a portion of employees’ salaries. Thanks to it, companies have been able to retain their workers, enabling them to secure their livelihoods and propelling them to make the utmost effort to overcome the crises their companies were facing.

7-3-4. Establishment and Observation of Orders and Rules

In addition to the basic rules of industries and economies, the government establishes social standards to secure the lives, health, and safety of workers. The government also strives to maintain a stable social order by policing acts that violate such standards and rules.

For example, certain social standards are suggested by the government such as those regarding negotiations for salaries, even though salaries are as a general rule decided by individual companies and unions based on the spring labor negotiations. The government sets standards regarding the lowest wage-rate necessary in order to secure workers’ lives—commonly called the minimum wage. In this way, any salaries falling short of the standards are disallowed regardless of the form of employment. In addition, as stated above, the Employment Adjustment Subsidy program aims to support the retention of employment and prevent its loss by helping companies to pay a portion of their employees’ salaries when they are unable to do so. Various social standards are also set regarding working hours to ensure workers’ health and safety.

Such rules are basically set following the deliberation of three parties—namely, workers’ representatives (such as confederations), employers’ representatives (such as KEIDANREN), and public members (such as academic experts). This system of rule-setting is based on collaboration and cooperation among the government, labor, and management. As a result, labor-management rules are formed through mutual respect for each party’s assertions.

In addition, to maintain social order, the government sometimes acts on its own to deal with acts that violate the rules, while other times the government works together with labor and management to tackle such issues. For example, the Labor Standards Inspection Office (the government) strictly polices violations with respect to working hours, such as long working hours. On the other hand, the Labor Relations Commission, which is formed by the three aforementioned parties, also plays an important role in resolving disputes regarding labor-management rules and protecting workers from unjust labor practices.

In other words, while the government plays the central and most important role with regard to establishing and enforcing labor-management and working rules, its involvement entails various forms of collaboration with workers and management.

7-4. JPC—Mediation and Enlightenment

It goes without saying that the central entities for labor-management relations are companies (management) and workers (labor unions). The government has provided support and established a base for both entities to build a cooperative relationship and realize expanded productivity. Even today, the three sectors—the government, labor, and management—work together to try to solve various problems and implement new measures, as discussed above.

However, in order for both workers and management to understand the mechanism of economic development and perform their respective functions, third parties other than these three sectors have played a significant role. In Japan, intense labor-management conflicts continued for a long time. Japan's stable labor-management relations were formed only as a result of overcoming such conflicts. However, it would have been extremely difficult for the relevant parties alone to break the deadlock, bring the prolonged and intense conflict to an end, and build new relations. For this reason, the JPC was established as a neutral third party organization. An additional result of establishing a third party to form labor-management relations without the direct interference of the government was that a line was drawn between politics and labor-management relations. This attitude has been consistent to this day as a principle of labor-management autonomy, and constitutes an important feature of Japanese labor-management relations.

Looking at the situation in Japan on the eve of the establishment of the JPC, even though economic standards had recovered to their pre-war levels, technological standards were extremely low internationally. Accordingly, productivity was extremely low and Japan's GNP per head was only about one-tenth of that of the U.S. Thus, Japan was by no means competitive internationally. For a country with scarce natural resources, there was no way to develop economically and enable the populace to benefit from a stable livelihood, other than to strive for modernization. However, the companies and workers who drive an economy did nothing but fight day in and day out, failing to generate an environment in which modernization could take place. While both labor and management had the common aim of Japanese economic development, both had made great sacrifices and were exhausted as a result of the prolonged and intense disputes. Each party had a strong sense of distrust for the other and they were unable to find a trigger for a breakthrough.

It was during this troubled time that the JPC proposed that both parties stop fighting over the economic pie, and instead work to expand it. In suggesting the Three Guiding Principles of the Productivity Movement, the center presented the kind of relationship that needed to be formed between labor and management in order to make the mechanism for economic development work. During the ensuing period, the JPC strived to seek the understanding of both labor and management, and to disseminate these principles. The most important point in the Three Guiding Principles and the greatest hurdle for labor and management was to overcome their mutual distrust. In order to achieve future development, both parties had to restrict the short-term profits that appeared within their reach. In addition, if either of the parties tried to maximize its profit rather than exercising restraint, the other party would end up suffering a great loss. The mutual distrust was extreme after many years of disputes that had left nothing but scars. Therefore, it was

enormously difficult for both labor and management to easily understand and accept the developmental mechanism and respond accordingly. On this point, the mediation of the JPC was significant. Conducting activities aimed at slowly increasing enlightenment, the center clarified the things that labor and management each needed to do and guided them toward the relationship that was required in order to achieve their common goal—realizing modernization to develop the Japanese economy.

The JPC also provided educational opportunities to both management and workers that enabled them to learn the business knowledge necessary to achieve modernization and acquire new skills. Through various training sessions and dissemination efforts, the center gradually succeeded in obtaining a deeper understanding from both parties. These efforts paved the way to a functioning mechanism for development.

7-5. Conclusion

In this chapter, we examined the main roles played by the entities that were central to forming and maintaining Japan's stable labor-management relations. The specifics of their achievements in their respective roles have been described in the case studies in the previous chapters. Before the intense labor disputes were settled and Japan started to realize modernization, a third party organization was established and all of the parties—the government, labor, and management—contributed to the realization of Japan's long-term growth as social entities, with the objective of developing the country's entire economy. Underlying factor of this contribution was each entity's existence as a social institution and the spirit of mutual trust that has continued until today.

Japan's labor-management relations may provide a point of reference for other Asian countries when they settle their labor disputes and build stable labor-management relations. Furthermore, labor-management relations in each country need to be formed through methods appropriate to that country's specific conditions. It is expected that the discussion will further advance regarding how each entity should be as well as the relationship among the entities.

APPENDIX: DRAFT INSTALLATION CRITERIA FOR THE LABOR-MANAGEMENT CONSULTATION SYSTEM

Introduction

XX Co., Ltd. (hereafter referred to as the "Company") and YY Union (hereafter referred to as the "Union") hereby conclude this Agreement for the purpose of putting in place a specific means to achieve the objective of creating an environment that allows an enterprise to continue growing soundly as a member of the international community, Japanese society and local community, and that enables each of its employees to attain improved social and economic standings as an individual, as well as the objective of widely providing ordinary citizens with benefits stemming from enterprises' activities, based on the principles of social justice and productivity improvement, while being aware that making such efforts is an obligation imposed on present-day employers and labor organizations. Another purpose of the conclusion of this Agreement is for the Company and the Union to utilize the above-mentioned means through employer-labor collaboration (mutual participation).

(Nature)

Article 1

The Company and the Union shall establish the Corporate Operation Labor-Employer Forum (provisional name) (hereafter referred to as the "Forum") as a body for both parties to consult with each other with the aim of achieving the objectives mentioned in the Introduction.

2. The Forum shall serve different functions from collective negotiations, and shall be operated by fostering mutual complement with collective negotiations.

(Establishment levels)

Article 2

The Forum shall be established at the Company's headquarters and at each of its factories and business facilities.

2. The Forum to be established at the Company's headquarters (hereafter referred to as the "Central Forum") shall deal with company-wide matters, and the Forum to be established at each of the Company's factories and business facilities (hereafter referred to as the "Business Facility Forum") shall deal with matters specific to the factory or business facility (including issues involved in the specific application at the factory or business facility of company-wide matters).

3. The Central Forum and the Business Facility Forums shall continue to work closely with each other.

(Composition)

Article 3

The Central Forum shall be composed of Forum members representing the Company (hereafter referred to as "Company Side Forum Members") and Forum members representing the Union (hereafter referred to as "Union Side Forum Members"), both totaling at least X persons each, respectively. Each of the Business Facility Forums shall consist of Company Side Forum Members and Union Side Forum Members, both totaling at least X each.

2. Company Side Forum Members of the Central Forum shall be those appointed by the Company's President from among its Directors and non-union member employees. Union Side Forum Members shall be those elected by the Union from among its members.
3. Company Side Forum Members of the Business Facility Forum shall be composed of those appointed by the head of the business facility from among non-union member employees belonging to the business facility, and Union Side Forum Members of the Business Facility Forum shall consist of those elected from among union member employees belonging to the business facility.
4. The term of office of a Forum member shall be a period of two (2) years; provided, however, that the residual term of office of a Forum member appointed or elected as a substitution shall be the period equivalent to the remainder of the term of office for his/her predecessor.
5. Forum members are not prevented from being reappointed or reelected.

(Secretaries)

Article 4

Each of the Forums shall have Secretaries.

2. Secretaries, comprising one elected from among the Company Side Forum Members and one elected from among the Union Side Forum Members, shall serve as liaisons between the employer and the Union and as moderators of a meeting between the former party and the latter party.
3. Each Secretary shall, prior to commencing a meeting, organize proposals to be submitted to the Forum for approval.

(Matters for consultation)

Article 5

The Forum shall have consultations on various issues associated with the Company's business operations; provided, however, that the Forum shall not handle any matter that clearly deserves to be handled by collective negotiations or any complaint lodged by an individual employee.

2. Prior to making a final decision on any business operation measure that may affect the employment of, and the terms and conditions of employment of, its employees, the Company shall have the Forum conduct a sufficient degree of consultations on the subject.
3. If deemed necessary during the course of the consultations mentioned in the preceding Paragraph 2, the Forum may transfer the handling of part or all the matter for consultation to the collective negotiation procedure.

(Information provision obligation of the Company)

Article 6

The Company shall provide the Forum with a sufficient amount of information on the firm's operating conditions and business plans.

2. If requested by the Forum to submit information relating to any matter consulted on by the body, the Company shall do so in good faith. Notwithstanding the foregoing, this shall not apply to cases where management is able to obtain the Forum's agreement to the fact that the information in question concerns the Company's confidential information.

(Specialized Committee)

Article 7

Each of the Forums may establish the Specialized Committee for the purpose of deliberating on a specific matter.

2. Members of the Specialized Committee shall deliberate on matters according to a request made by the Forum, and report to the Forum on the progress and results of the deliberation process, according to the requirements stipulated by the Forum.

3. The composition and operation of the Specialized Committee shall be prescribed separately.

4. The provisions of Paragraph 2 of the preceding article, and those of Article 9, Article 13 and Article 14 shall apply mutatis mutandis to members of the Specialized Committee.

(Holding of meeting)

Article 8

A Forum meeting shall be held once every X months.

2. In addition to the provision of the preceding paragraph, a Forum meeting may be held on an ad hoc basis if it is necessary to do.

3. If the provision of the preceding paragraph applies, the Company or the Union shall notify, in writing, the other party of the reason for holding the Forum meeting, the agenda and the desired date or timing of holding the meeting, no later than at least X days prior to the desired date of holding the meeting.

4. If the Company or the Union has received such notification as is mentioned in the preceding paragraph, both parties shall immediately have a preparatory discussion for holding the Forum meeting.

5. Forum members intending to attend the Forum meeting shall notify other Forum members to that effect no later than the date immediately preceding the date of holding the meeting.

(Meeting)

Article 9

A Forum meeting shall in principle be attended only by Forum members; provided, however, that, if deemed necessary for the consultations concerning a certain matter, the Company or the Union may, upon obtaining the other party's consent to do so, have a non-Forum member attend the meeting.

2. If necessary for Forum meeting operation purposes, the Forum may put in place the position of Chair who plays the role of streamlining and steering the meeting.

3. In addition to the provision of the preceding Paragraph 2, any matter necessary for the running of a Forum meeting shall be provided for separately.

(Meeting minutes)

Article 10

The Forum shall have the process and results of a Forum meeting recorded in the meeting minutes, and obtain verification of them by the Company and the Union, respectively.

2. As for any mutual consent that is obtained at a Forum meeting and that needs relevant documentation, the Forum shall prepare a relevant written agreement, to which the Company's representative and the Union's representative shall affix their signatures or their signatures and seals, respectively.

(Handling of matter for consultation)

Article 11

The Forum shall have consultations on a matter for consultation in ways that allow, to the

extent possible, its members to reach agreement.

2. If Forum members have succeeded in reaching agreement on a matter for consultation, the Forum shall translate the said agreement into action upon obtaining the approval of the Company and the Union to do so.

3. If Forum members have failed to reach agreement on a matter for consultation, they may decide to terminate the consultation process while recording the decision and the pros and cons of the consultations in the minutes.

4. If the Forum has translated a matter consulted on into action, as mentioned in the preceding Paragraph 2, it shall promptly notify the progress of the action to the other party involved.

(Dissemination of information on matter consulted on)

Article 12

The Forum shall, as promptly as possible, notify the Company's ordinary employees of the progress and results of consultations conducted at a Forum meeting.

(Confidentiality protection)

Article 13

Forum members and other persons who have attended a Forum meeting may not leak any confidential information obtained at the meeting.

2. The scope of confidential information for the Forum shall be determined through consultations each time it is necessary to do so.

(Salary)

Article 14

The Company shall not make any salary reduction for a Forum member for the hours during which he/she attends a Forum meeting.

2. The Company shall bear the travel expenses, accommodation cost and other necessary expenses incurred by a Union Side Forum Member attending a Forum meeting.

(Effective term)

Article 15

This Agreement shall come into force on XX YY, ZZ.

XX XX

President

XX Co., Ltd.

XX XX

Union President

YY Union



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