EVALUATION OF JAPANESE INDUSTRIAL RELATIONS
SYSTEM IN TRANSITION

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I. INTRODUCTION

In terms of economic development and consensus of social, economic, and political issues, Japan has received all the other countries attention in the world. These countries have been most interested in Japan's outstanding economic growth, particular. As a result of its development, the Japanese management style and labor relations system have become attractive phenomena.

The Japanese Industrial relations system based on lifetime employment, seniority wages, and enterprise unionism that are known as three pillars. Besides these three pillars, other industrial relations institutions in Japan such as the collective bargaining, and the decision making process, and their unique applications make industrial relations system work well. It is also true that industrial relations system in Japan has been greatly shaped by its own culture and experiences.

Japan in its history attempted two times to link with other countries in order to develop itself. In the sixth century, China was a model for Japan. In this relation the principle was Japanese spirit and Chinese technology. Since late 19th century, Western countries have been a model for Japan. Now, the goal is to combine Japanese spirit and Western technology (Hanami, T. (1979) 20-21).

With the Meiji Restoration of 1868, modernization of Japan began and lasted until today. Even when Japan sustained a defeat in WWII and lost a third of its national welfare after the war, its development continued. Throughout its history of modernization,
on and development, Japanese culture, which is based on Confucian and Buddhist values, has shaped the new institutions that have been taken from other countries.

In this research paper, I will examine three pillars of Japanese Industrial relations systems that are lifetime employment, seniority wages, and enterprise unionism. In addition to them, the Japanese style of promotion, collective bargaining, decision-making system will be examined. Throughout the study, institutional changes and relations between Japanese culture and institutions will be taken into account.

II. THE THREE PILLARS OF JAPANESE INDUSTRIAL RELATIONS SYSTEM

1. Lifetime Employment

The first pillar of Japanese Industrial relations is lifetime employment. Particularly, it is important for enterprise union because lifetime employees are the natural and only members of the union. The other employees such as temporary, part-time do not have any role in unions.

Lifetime employment is not an old system as assumed. Some big companies established the lifetime employment system after WWI and it was institutionalized after the WWII. In the last four decades, it has been shaped by Japanese Industrial structure. Lifetime employment is not required by law from neither employer nor employee. It is gained after a probation period and the employee is expected to stay in the company until the employee's retirement age. In contrast, temporary workers' rights are regulated by law but they have no job security (Hanami, T. (1979) 25-26. 31).

Lifetime employees' recruitments, promotions, wages, and retirements have special features. They are hired directly from school, high school or college, rather than from job market. They are hired for their general characteristics and abilities rather than for a particular skill or job. Also, they expect not to be laid off or discharged. Furthermore, recruited lifetime employees are subject to socialization into the companies. They learn the company's nature, activities, history, and culture. Socialization is related not only to the job but also to social and organizational relations in company. Temporary workers and women workers are not included in this socialization process (Abegglen, J.C., Stalk, Jr. G. (1985) 199-201). In reality, mostly male workers are lifetime employee; women workers usually quit their jobs for some reasons like marriage and prefer to work part-time.

Today, only about a third of all employees in Japan are lifetime employees (Kuwahara, Y. (1987) 215); two thirds of all employees are temporary or part-time workers. Lifetime employment has been strengthened in the course of time. Especially, after Oil Shock of 1973, increasing number of employees tended to stay in their jobs long-term. In 1986, in companies with 1,000 or more workers, about 85% of males were lifetime employees while in companies with 100-999 employees the proportion is around 70%
and in companies with 10-99 workers it is greater than 50% (Inagami, T. (1988) 9). As seen, lifetime employment is mostly in large or medium sized companies, the weakest point of the system for unionization if the employment increase in small companies is considered.

As a result of life time employment, companies regard employees' welfare. They train workers in the beginning of their careers' and during the job transfers in the company. These trainings give great flexibility to cope with technological changes to the companies. Training also includes to teach some traditional Japanese art. Furthermore company involves the worker's personal social life such as his wedding, funural and feels responsibility for worker's social security and his social welfare (Hanami, T. (1989)28-30).

Recently, the lifetime employment system began to produce some troubles for companies as well as economy. First of all, by aging, the companies' work structure began to change and now a company's age-profile is not in the shape of a pyramid as had been expected. It is now the shape of beer-barrel (Inagami, T. (1983) 10). This development reflects the general age structure of Japan. When lifetime employment was institutionalized after WWII, the life expectancy in Japan was almost equal to the mandatory retirement age. Now, life expectancy has increased twenty years since 1945s. Indeed, in 1955, the population age 65 and over was only 5% of the total Japanese population. it is now 11% and expected to grow to nearly one fourth of the total population by the year 2025. The increased number of older-aged workers creates three main problems. First, increasing labor costs because of seniority pay. Second, seniority based promotion become difficult, particularly under slow economic growth. Third, retirement expenses are increasing. Therefore, both government and managers begin to set up new policies toward older aged workers. While the government increased mandatory retirement age from 55 to 60, and it still wants to increases to 65. managers are following different policies (Schulz, H.J., Takada, K., Hosino, S. (1989) 6. 13-14, 21). Companies' policies are that 1) they tend to hire temporary, part-time workers, and hiring mid-career workers; 2) they tend to "loaning" older employees to other companies; and 3) they tend to receive loaned workers (Inagami, T. (1988) 10).

It seems that the retirement system does not work well. When a lifetime employees are retired, they need help because they are taking a lump-sum "retirement payment" and they have to wait 5-10 years to get social security benefits. Teherefore, in order to survive, usually they find jobs in these areas 1) self-employent 2) jobs in small companies that are unassociated with the former employer, and 3) "reemployment" through programs set up by the former (Schulz, H.J., Takada, K., Hoshino, S. (1989) 4-5).

As seen the life time employment system has some strengths and weaknesses. It's importance will be seen in the enterpries union where it is basic determinant of the system.
2. Seniority Wages and Promotion Systems

The second pillar of Japanese industrial relations system is seniority wages or Nenko System. Wages and promotions are based on seniority in Japanese companies. In fact, to some extent, seniority payment and promotion exist in most societies; but in Japan they are well developed. These systems are appropriate for Japan's social structure because of its age-graded structure. In addition, the Japanese assume that company is a unit and all members are responsible for its failure or success; therefore, with seniority pay promotions, the company creates an integrated and egalitarian organization (Abegglen, C.J., Stalk, G. Jr. (1985) 198, 203, 205). Furthermore, according to another interpretation, this personnel policy provided a sense of security for workers and creates "an attitude of overconformity-company men- who are willing to sacrifice their private lives for the sake of the company" (Inagai, T. (1988) 17).

In the seniority system, wages are based on not only employees' age and length of service but also sex and academic background. Therefore, college graduated male workers' wage curve is higher than that of high school graduates. Also, length of service affects more male workers' wage than females' and the age effect irrespective of educational background. Many research show that the system has been stable (Inagami, T. (1988) 14). Besides regular wages, companies usually offer bonuses to their employees worth about 4.8 to 5.2 months' salary a year (Kuwahara, Y. (1987) 220).

In order to assess and control the wages and promotions, companies pay attention to employees' age and gender structures and always report these data. In Western companies, this kind of report usually does not take place. Also, in Japan, wages can be cut when company is in trouble. In this situation, company first cuts its temporary and part-time workers' wages. There are no contracts or constraints against reducing wages. However, to cut unionized workers', namely lifetime employees, wages depends on negotiation between the company and the union. Before taking this step, company does reduce its executive members' wages (Abbeggleu, J.C., Stalk, Jr. G. (1985) 197, 204).

Besides age and length of service, the ability-based system has been used for promotion of workers for both blue and white collar, particularly since the late 1960s. With the ability-based grade system, the company wants to rewards worker according to their performances and abilities. Use of the grading system has increased. For example, in 1987, 88.1% of companies with 1,000 or more employees used this system. This percentage was higher than that of 1981 (Inagami, T. (1988) 17).

The promotion system gives workers a great advantage to reach higher level positions in the company, even in the top management level. For example surveys show that in 1978, 15.7% and later in 1981, 16.2% of executive board members had previously been leaders of the enterprise union. When employees are promoted to managerial position, as a rule, they lose their union membership. Promotion is also subject to negotiation between union and company (Inagami, T. (1983) 8, 13). This practice is far away from the other industrialized countries promotion systems.
3. Enterprise Unionism

The third pillar of the Japanese Industrial relations system is enterprise unionism. Although there are other kinds of unions such as industrial, craft unionism, enterprise unionism has been the dominant type of unionism in Japan.

Japan's Constitution guarantees the right to organize and bargain collectively only for workers. These guarantees exist in a few Western countries like Germany, Italy, and France. According to law, employers are responsible for unfair labor practices and their lock out rights are limited to "defensive" aims (Hanami, T. (1979) 73, 81-82).

After WWII, unions rapidly developed in Japan. With collapsing general strike in 1947, Unions' revolutionary characters also collapsed. When-Sohyo (General Council of Trade Unions of Japan) was organized in 1949, unions had 6.6 million member and unions density was 56%. Unions' growth lasted until mid-1970s. In 1983, union density dropped below 30 %, and in 1987, the number of union members was 12.27 million and union density was 27.6%. According to one estimate, if decline continues, union density will fall to 14% by 2000 (Kuwahara, Y. (1983) 14-15, 27).

The reasons for the decline of unions in Japan can be classified as external and internal factors. External factors are: 1) increasing the number of service industries where union density has been lower than manufacture industries; 2) increasing the number of small size companies where union density has been weak; 3) increasing middle-class consciousness that has decreased enthusiasm for the union movements; and 4) two "oil shocks" which reduced rapid economic growth (Kuwahara, Y. (1989) 16). Internal factors for the decline of unionism are 1) the nature of enterprise unionism which they share management objectives and act according to them; 2) the managerial offensives; and 3) the decline in quality of union leaders (Dore, R. (1990) 56-57).

Enterprise union includes all lifetime employees regardless of their skill or job categories in the company. When a lifetime employee is recruited by company, the employee automatically acquires union membership, and union dues begin being "checked off" from his pay automatically. Union leaders are also employee not from outside. From a union's point of view, these features of enterprise unionism are disadvantages. Because of them, union members' "union consciousness" is less than their "enterprise consciousness" (Kuwahara, Y. (1987) 216).

Unions are organized according to the vertical principle which is also appropriate for unique character of Japanese society. When this structure is disturbed the union gets problem. Employers are well aware of this situation and they sometimes use unions' weakness to disturb them such as by dismissing union leaders (Hanami, T. (1979) 138-139).

Most enterprise unions belongs to federations (industrial center), and most federations belong to confederations (national center). There are more than 100 federations. About 80 percent of them are advisory bodies and the other 20 percent are genuine federations. Advisory bodies' functions are restricted to exchange information and mutual
assistance, and their affiliated unions are not bound by their decisions. In contrast, genuine federations’ policy decisions are binding on their affiliated member unions. Federations and confederations have neither right to bargain collectively nor to conclude agreements with the employers. But federations coordinate the bargaining policies in the time of the Shunto (Spring Labor Offensive). Previously, confederations such as Sohyo, Domei, Churitsuuroren, and Shinsabetsu were trying to keep and increase Unions rights and strengths at the national level, and therefore they were involving politics. Recently, in 1982. Labor federations in the private sector established Zenminrokkyo (the Japanese Private Sector Union Council) to reflect their enthusiasm for further consideration of their unity and strength (Hanami, T. (1979) 90, 92; Kuwahara, Y. (1987) 217). Unification of private sector unions continued in the late 1980’s. In 1987, Rengo with nearly 5 1/2 million affiliated members was established as a new national center (Dore, R. (1990) 55).

Although unification at industrial and at national level has continued, enterprise unions are much powerful than federations and confederations since most union activities take place at the company level. Enterprise unions are autonomous in running their organizations and in promoting their members’ interests. Moreover they are financially interdependent (Kuwahara, Y. (1987) 220). After turbulent years, 1950s and 1960s, unions in Japan have been more cooperative and help companies to adapt new technological and organizational innovations to cope with economic problems. At the same time, managers have generally facilitated union activities such as by providing development funds and meeting rooms.

As seen, the relation between company and union in Japan includes not only economic relations but also social relations. They do not see each other as opposite groups. For them, the company is more than an economic unit, it is a social unit in which they live and act like family members. With these characteristics, enterprise unions are very different from other countries’ unions.

The last word for enterprise unionism would be that the union, in reality, is created by the company. This is true when the relation between lifetime employment system and union membership is considered. In this context, the company directly determines the quality and quantity of members. In other words, to some extent, union is dependent variable. Therefore, company has a great opportunity to control union activities and power, at least, in long run.

III. COLLECTIVE BARGAINING AND ITS RECENT TRENDS

As a result of enterprise unionism, most collective bargaining in Japan takes place between enterprise union and management at the level of enterprise and plant. However, to some extent industry-wide bargaining has developed at national and regional level where industrial unions exist. For example, collective bargaining between All-Japan Seamen’s Union and four associations of shipping corporations. As a rule, union federations and confederations do not involve collective bargaining. However, sometimes, en-
terprise unions allow the participation of outside union officials in bargaining. For example, according to the Ministry of Labor survey of collective bargaining in 1967 only 19% and in 1977 13% of enterprise union allowed the participation of outside union officials agreement (Shirai, T. (1984) 308-309).

Since Trade Union Law does not offer any limitation for collective bargaining subjects, collective bargaining can include every subject relating to conditions of work and employment. Income-related subjects, wages, salaries, bonuses, and retirement allowances have been major subject of collective bargaining. Working conditions are still of less concern to Japanese workers. New and most significant feature in the recent development of collective bargaining in Japan is personnel issues including hiring, transfer, retraining, reassignment of employees, cutbacks, and dismissals. However, managers still want to exclude some issues such as introduction new technology, organizational change, mergers of firms from collective bargaining. In public sector, these kind of matters have already been excluded by law (Shirai, T. (1984) 312-313).

Collective bargaining agreements in Japan have many special features which are different from their western counterparts. One feature is that collective agreements are usually general and abstract. Another is that economic deals are often concluded without written contract. The other is that most often agreements include a clause "consultation in good faith". In contrast, in Western countries, collective agreements are specific, solid and economic deals are clarified. According to Japanese, mutual understanding and trust are more important than making an detailed agreement to solve disagreements successfully (Hanami, T. (1979) 52-53).

Industry-wide collective bargaining has taken place as de facto and de jure. De jure industry-wide bargaining has long been the rule between All-Japan Seamen's Union and four associations of shipping corporations. De facto industry-wide bargaining occurred via Shunto (Spring Labor Offensive) since 1955. Ideas were to remedy the shortcoming of enterprise unionism, and to coordinate bargaining strategies of enterprise unions in one industry. In Shunto, the representatives of industrial federations of unions are not a side of bargaining, but they involve the bargaining process directly and informally with the top management of leading corporations in order to negotiate wage increases. Also, in major metal industries, de facto collective bargaining takes place (Hanami, T (1979)94, Shirai, T. (1984) 309-310).

Joint consultations in Japan are helpful for solving collective bargaining issues. Sensitive subjects which are usually, at the same time, collective bargaining issues are discussed within them. The parties of joint consultations are union and management. When they could not reach a consensus on subjects, they bring these subjects to collective bargaining table. Another factor reducing distinction between collective bargaining and joint consultation machinery is that employee representatives in the consultations are almost always officials of the enterprise union. Besides enterprise level, at the industrial and national level, the number of joint consultations has risen. At these levels, macro issues relating to labor relations such as industrial organization, technical change are discus-
By the mid-1970s, in nineteen industry, consultation took place. At the national level, the Industry-Labor Council consisting of leaders of national union centers, employers' associations and eminent authorities on labor questions has been consulting with government and labor-related officials since 1970.

Collective bargaining has worked very well when we consider on the number of disputes and number of man days lost. They have decreased steadily from the peak in 1974. In 1987, number of disputes was 1,202 and number of man days lost was 256. They were 9,581 and 9,663 in 1974 respectively (Kuwahara, Y. (1989) 7, Table 1). In terms of peaceful relations, government policy has been to facilitate voluntary collective bargaining and not to intervene directly. Today's collective bargaining system in Japan is different from that of before WWII that work conditions were mostly determined unilaterally by the employers and were not negotiable (Shirai, T. (1984) 313-316).

VI. DECISION-MAKING PROCESS IN COMPANIES

Decision making in Japanese companies is highly different from their counterparts in the West. While "top-down" type decision making process is common in Western companies, "bottom up" type decision making process is used by Japanese companies.

Although Japanese companies have hierarchical in structure, their decision making process reflects the other Japanese cultural features rather than hierarchical. In firms, it is expected to join decision making process known as ringi system from middle and junior managers or, in broad sense, all concerned employees. In process, a decision is expected to prepare by concerned manager or managers and to discuss it until reach a consensus. When the consensus takes place, the decision is sent to upper senior managers in order to follow the same procedure and reach the consensus. So, that decision goes every concerned department and employee. When all concerned reach the consensus, decision sealed by all involved employee and managers. This process takes a long time, but when the decision is made, every member of company is ready to implement it very rapidly.

With ringi system, all concerned employees and managers are informed and they share the responsibility for the decision. Ringi is basically "group-centered" decision which is appropriate to the group-valued Japanese culture. Also, ringi is supported by the predecision process of discussion and accommodation of views known as Japanese Nemawashi. In terms of motivation Theory of Mc Gregor, Ringi System reflects the application of "Theory Y" (OECD (1977) 11.29; Abegglen J.C., Stalk, G. Jr. (1985) 208-209).

Besides, joint consultations at company level, Quality Control Circles (QC), Zero Defect (ZD) groups, and the suggestion system which have been developed since 1960s are not directly but indirectly relating to decision making process.
V. IMPLICATIONS OF JAPANESE INDUSTRIAL RELATIONS SYSTEM FOR OTHER COUNTRIES

As said earlier, many countries, including both developed and developing countries have been interested in Japan's successful economic achievement. In this respect, Japan's industrial relations system has also been subject to investigation. Therefore, many countries have sent experts to examine and to find-out what can be learnt from Japanese experience in Industrial Relations. Until now, there has been no strong evidence that shows the other developed countries desire to adapt Japanese style industrial relations in their countries totally. So, what has the result of these comparative studies been?

According to the OECD's report in 1977, cultural differences between Japan and other countries, especially individualism in Western countries and vertical or group orientation in Japan, could not permit system to apply outside Japan. However, other countries could learn the value of consultation between management and employees in reaching a consensus in important decisions (OECD, (1977) 40-41).

German Employers Federation (BDA) sent a team to study of the labor relations system of Japan in 1981. The team report concluded that Japan clearly lagged behind other industrial countries in the length of the work year, in retirement policy and pensions, and in the situation of workers in small companies. The strong point of Japanese system was "principle of harmony between man and society". In contrast Democratic French Confederation of Labor (CFTD) criticized not only working conditions and employment relations but also the idea of "social consensus and industrial relations system in Japan (Kassalow. E.M. (1983) 209-210, 212).

In the United States, like CFTD, AFL-CIO in 1982 criticized Japanese system and expressed that American labor relations system was better than Japan's. But, in contrast to AFL-CIO's ideas, in 1981, a study mission composed of officials from the Ford Motor Company and the United Automobile Workers went to look at plants as well as unions and employers in Japan. They were impressed from human relations but not technology in Japan. When a new collective bargaining signed for Ford in 1982, they agreed to experience "lifetime employment" for the work force at two of the company's plants and also launched an "employee involvement" program that seemed to be modelled on the quality of work circles. In contrast to this experience, Japanese companies in the United States like Honda car plant in Ohio, Nissan plant in Tennessee, and Kawasaki motorcycle plant in Lincoln have followed American management policies in their plants (Kassalow. E.M. (1983) 210-211).

As seen, the Japanese Industrial system is not totally accepted by the other countries. Generally, Unions in the West oppose to Japanese practices. If we consider the U.S., until now there has not been any strong evidence that shows the U.S., management and unions desire to import the Japanese system. In fact, the industrial relations system could be introduced to the U.S. by multinational Japanese firms operating in here, if they were applying their original system in their companies in the U.S. In other words Japanese-
se firms have not tried to export their industrial relations system to other countries. Yet, it is necessary to want to export the system to the other countries in order to be a model industrial relations system in terms of Windmullers' well known model industrial relations system theory.

Indeed, every country's industrial relations system should be evaluated by considering their economic, social, political, cultural, and their roles in the world market. In these respects, it looks like the United States, and Japan's labor relations systems will continue on their own way. At the same time, both of them have yet to optimize their labor relations system; therefore, they could take some lessons from each other as seen in example of UAW and Ford Company. In sum, it seems that when countries see that some elements of the other countries industrial relations system functional for them, they are ready to introduce these elements to their system by socializing them with their own cultures.

VI. CONCLUSION

Since Meiji Restoration, there have been two turning points in Japan's history: World War II and oil shocks of 1970s. Before the second World War, Japan chose Western World as a modernization model and introduced its technology to Japan. This modernization was voluntary. After Second World War, because of unconditional surrender of Japan, the Allied Powers imposed Western institutions on Japan by the Democratization program. Japan, now, had to act under two strong factors: Japanese culture and westernized law. The conflict between them has created a new cultural concept for Japanese. Until now, at least two generations in Japan have been socialized under these circumstances. This could explain why although Japan's and Western countries' institutions are the same, their meanings and concepts are almost totally different in Japan from Western countries. Japan's industrial relations system was also affected by oil shocks of 1970s. These shocks led to more cooperative relations and decline union movement in the system.

Since 1945s, the general trend in labor and Industrial relations system in Japan has been reducing conflict and increasing cooperation among the parties. Trade unions left their rigid political attitudes and gradually began to cooperate with their employers and the economic and political systems. Union density rose until 1970s. With oil shocks and decreasing economic growth, union density began to fall and the decrease still continues. At the company level enterprise union and management has been peaceful. At the national level, union movement has tended to unify and to take a part in the global policy process (Dore, D. (1990) 54). In contrast, in long run, it seems that enterprise unions could be controlled by the company because of the lifetime employment system that determines the number of union members.

Lifetime employment has been institutionalized since 1945s. Recently its proportion began to fall. At the same time, companies and government try to set new policies
toward to lifetime employment and seniority wage system because of aging, cost problems and work force's new structure. In addition to these developments, for decision on seniority wages and promotions of employees, sex, educational background and ability-based grade system have been used by companies.

In collective bargaining, bargaining subjects have been expanded in personnel issues. Furthermore, there has been a slow tendency for making collective bargaining at the industry-wide. Joint consultations at every level have been helpful to solve collective bargaining issues peacefully.

Lastly, Japan's Industrial relations system has been attractive for other countries because of its economic success, but it has not been identified and understood clearly by the other countries. Although it has been still subject to survey, many countries, particularly newly developed countries like Korea, Taiwan, Singapore in the Pacific Region, and Malaysia and very strongly interested in Japanese Industrial Relations System as a model.

BIBLIOGRAPHY


