

**CHANGING PROFILE OF INDUSTRIAL
RELATIONS IN POST COLD-WAR
JAPAN: (1991-2005)**

*Dissertation submitted to the Jawaharlal Nehru University in
partial fulfillment of the requirements
for the award of the Degree of*

MASTER OF PHILOSOPHY

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CERTIFICATE

This is to certify that the dissertation entitled “**CHANGING PROFILE OF INDUSTRIAL RELATIONS IN POST COLD-WAR JAPAN: (1991-2005)**” submitted by me in partial fulfillment of the requirements for the award of the Degree of **MASTER OF PHILOSOPHY** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other University.

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We recommend that this dissertation be placed before the examiners for evaluation.

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DECLARATION

I hereby declare that the dissertation titled, “**CHANGING PROFILE OF INDUSTRIAL RELATIONS IN POST COLD WAR JAPAN: (1991-2005)**” being submitted to the Center for East Asian Studies, **Jawaharlal Nehru University**, in partial fulfillment of the requirement for the award of the degree of **MASTER OF PHILOSOPHY** has not been previously submitted for any degree of this or any other university. Further analysis and interpretations of this research are my own and I take total responsibility for the same.



Varalaxmi Naik
JNU, New Delhi

Dedicated to

*My Beloved
Parents,
Brother and Murthy*

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PREFACE

Industrial Relations refer to the relationship between the Labour and the Management wherein at times the Government gets involved. Labor relations in postwar Japan have not always been amicable, although harmony is the hallmark. Japan progressed from an era marked by changes in the industrial structure, to an era in which ideological conflicts and the problems resulting from the shift from one energy source to another came to the fore into one in which labor and management were able to interact harmoniously. The discussions held in good faith between labor and management at individual corporations was, more than anything else, responsible for the transition from conflict to harmony. Over the years, Labor and management joined hands to establish working conditions and employment practices whose main emphasis was employment stability. Further, lifetime employment and promotion by seniority have fostered relationships of trust between labor and management at corporations. However, today these practices are threatened with, if not extinction, considerable overhauling at the very least. Employment practices in Japan differ from the industry- and occupation-based labor relations that prevail in the United States, where workers are laid off when business is bad.

Labor-management relations in Japan rest on the foundation of the internal labor market; the organizational form of labor unions, too, revolves around the enterprise union. In addition to deciding the working conditions of the internal labor market through collective bargaining with employers, enterprise unions are strengthening the function of labor participation in management through labor-management councils. For that reason, they have a character like the employee representative institutions, which is similarly visible in each European country.

The current factors that dominate the Industrial relations in Japan are as follows:

- Changes in the business climate a low growth rate and economic globalization,
- Shifts in the population structure and the aging of society,
- The diversification of attitudes toward work and increased labor mobility. and,
- The maturation of Japan's economy and society

- Induction of a large number of foreign workers.

Changes in the business climate affect Japanese corporations and labor relations as well, in a number of ways. The chief motivator of worldwide changes in labor relations was the easing of tension between East and West when the Cold War ended. The result was a transition from labor-management strife stemming from political and ideological differences to economic strife over working conditions in a free-market economy. In particular, globalization has spurred competition, both domestic and international, among corporations. In Japan, every company must decide how it will go about reforming its high-cost corporate structure in order to become more competitive internationally. Thus, corporations must focus on the rationalization of total labor costs, rather than on wage increases. Also regular reviews of wage-setting measures are needed. Recent labor-management negotiations have tended to address total labor costs, including issues such as wages, bonuses and retaining employees.

The aging of Japanese society leading to changes in demographic structure changes in workers' attitudes and the fluidity of employment demand are those that seek new directions for labor relations and employment practices. As more new employment patterns arise, and as workers attain a reasonable degree of prosperity, their expectations of corporations and unions will change. The diversification of employment patterns is a phenomenon caused by the changing needs of both corporations and employees, and its consequence is the necessity to overhaul the lifetime employment system.

Environmental changes i.e. the maturation of Japan's economy and society has prompted Japan to consider the reason of existence of labor unions, and to rethink the purpose of labor relations. Japan's wages are already among the highest in the world, and most Japanese feel that they should rise more or less uniformly. Then workers would be guaranteed adequate wages, even if they did not belong to unions. The aforementioned environmental changes will, however, necessitate shifts in the focus of both union activities and labor-management discussions.

A huge literature, which exists in English on Japanese- style management, is seen as being an approach to human relations and personal management. In particular there was an interest in how Japanese style management had produced a highly motivated workforce with an exceptionally strong work ethic and commitment to the firm and its goals. Although economists had been aware of Japan's steady rise to economic prominence over the hundred years following the Meiji restoration in 1868, from around 1970, Japan's large balance of payment surpluses drew wider attention to the "Japanese miracle".

To explain Japan's sudden emergence as an economic super state many writers including the futurologists Herman Kahn (1970), attached great importance to the Japanese mindset. They alleged that cultural remnants or feudalistic values- such as group loyalty, a motivation to achieve based on duty and the fear of shame or losing face, and Confucian frugality- and a special sense of community or national consensus were the wellsprings of Japan's economic success.

In the 1990s, Japanese labor market have witnessed various structural changes in the process of unprecedented economic stagnation often described as the 'lost decade'. One of the most impressive is the rapid growth of atypical employment, in particular part-time workers, which now account for nearly one third of total employment. At the same time, what counts as "typical employment" is also changing. Nowadays, there are so many varieties of jobs and career patterns within the category of typical employment that it is no longer defined in simple terms as a homogeneous category.

During the 1990s Japan drifted into a prolonged recession with rising unemployment and a growing awareness that the world outside was changing. In considering those changes a new framework was emerging which would increasingly shape the way work is organized in Japan. This research largely relates to accounting these new trends in Japan's changing industrial relations.

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I am alone responsible for the views expressed and whatever shortcomings in this work,

Varalaxmi Naik

GLOSSARY OF JAPANESE WORDS USED IN THE DISSERTATION

Jichiro- All Japan Prefectural and Municipal Worker's Union

Keidanren-Japan Business Federation

Keiretsu-Inter Corporate Relationship.

Nenko- Seniority Based Wage System

Nikkeiren-Japan Federation of Employers Associations

Nikkyoso- Japan Teachers Union

Rengo- Japan Trade Union Confederation

Shukko- Transferring Employees to other parts of Subcontracting Assembly unit

Shunto- Spring Wage Offensive

Wakon yosai- Japanese Spirit, Western Technology

Zaibatsu- Big Business Enterprises

ABBREVIATIONS

- DFI- Direct Foreign Investment
DGB- German Trade Union
ESOP- Employee Share Ownership Plan
FDI- Foreign Direct Investment
HRM- Human Resource Management
ILO- International Labour Organization
IMC- International Management Controls
IR- Industrial Relations
JC- Japan Council of Metal Workers Unions
JETRO- Japan External Trade Organization
JIL- Japan Institute of Labour
JLB- Japan Labour Bulletin
JMP- Japanese Management Practice
JSP- Japan Socialist Party
LDP- Liberal Democratic Party
MITI- Ministry of International Trade and Industry
MNC- Multinational Corporations
MOFTEC- Ministry of Foreign Trade and Economic Co-operation
R&D- Research and Development
RENGO-RIALS- RENGO Research Institute for Advancement of Living Standards
SME- Small and Medium-sized Enterprises
WTO- World Trade Organization
WWI&II- World War I and II

List of Major Rengo Affiliated Trade Unions

DENKI RENGO (Japanese Electrical Electronic & Information Union)

DENRYOKU SOREN (The Confederation of Electric Power Related Industry Workers Union of Japan)

FOOD RENGO (Federation of All Japan Foods and Tobacco Workers' Unions)

GOMU RENGO (Japanese Rubber Workers' Union Confederation)

JAM (Japanese Association of Metal, Machinery, and Manufacturing Workers)

JEC RENGO (Japanese Federation of Energy and Chemistry Workers' Unions)

JICHIRO (All-Japan Prefectural and Municipal Workers' Union)

JIDOSHA SOREN (Confederation of Japan Automobile Workers' Unions)

JPU (Japan Postal Workers' Union)

JR SOREN (Japan Confederation of Railway Workers' Unions)

JR-RENGO (Japan Railway Trade Unions Confederation)

JSD (Japan Federation of Service and Distributive Workers Union)

JYOHO ROREN (Japan Federation of Telecommunications, Electronic Information and Allied Workers)

KAIIN KUMIAI (All Japan Seamen's Union)

KIKAN ROREN (Japan Federation of Basic Industry Workers' Union)

KOKKO RENGO (Japan Public Sector Union)

KOTSU ROREN (Japan Federation of Transport Workers' Unions)

NHK ROREN (The Federation of All-NHK Labour Unions)

NIKKYOSO (Japan Teachers' Union)

SEIHO ROREN (National Federation of Life Insurance Workers' Unions)

SERVICE RENGO (Japan Federation of Service & Tourism Industries Workers' Union)

SHITETSU SOREN (General Federation of Private Railway & Bus Workers' Unions of Japan)

SONPO ROREN (Federation of Non-life Insurance Workers' Union of Japan)

TOSHIKO (The All Japan Municipal Transport Workers' Union)

UI ZENSEN (The Japanese Federation of Textile, Chemical, Mercantile, Food, Commercial, Service and General Workers' Unions)

UNYU ROREN (All Japan Federation of Transport Workers' Unions)

ZEN YUSEI (All Japan Postal Labour Union)

ZENDENSEN (All Japan Electric Wire Labour Union)

ZENGIN RENGO (All Japan Federative Council of Bank Labours' Unions)

CHAPTER 1

JAPANESE INDUSTRIAL RELATIONS: AN HISTORICAL OVERVIEW

Introduction

Industrial relations refer to the collective aspects of human resource management. It involves the employer in making a number of strategic decisions concerning the recognition of workers organizations, the forms of interaction, and the issues that form the basis of this interaction.¹ Recent times have evinced a very high degree of diversity and uncertainty in the business environment of the firms. The globalisation of business is forcing managers to grapple with complex issues as they seek to gain or sustain a competitive advantage further making the employment relations aspect more demanding and testing. The workplace of today witnesses the co-existence of employees from the various socio-cultural backgrounds i.e. race, gender, colour, national origin, economic status, ethnicity etc. and that way making the corporate culture a complete diverse one.² The progressive companies of the day look for diverse workforce who can bring and help in managing diverse talents, interests, and viewpoints and that too in the continuously changing business environment

The employment relations today are not confined to traditional issues of mere better working conditions and timely payment of salary etc. Rather the issues like empowerment, effectiveness, retention, development, managing cross-cultural diversity, management of gender issues, organisational learning, and change management etc. have emerged as contemporary challenges leading to new paradigms in industrial relations.³

Japan's system of post-war development had very little to do with the North American model of capitalism. While much academic ink is still spilt over the phenomenon, few

¹ John Benson, "Labour Management During Recession: Japanese manufacturing enterprises in the 1990s", *Industrial Relations Journal*. 29 (3), Blackwell publishers, pp-215

² Rosenzweig, P.M. and Nohria, N. (1994) 'Influences on Human Resource Management Practices in Multinational Corporations', *Journal of International Business Studies*, 25: 229—51.

³ Jain, H. (1983) 'Cross-Cultural Management of Human Resources and the Multinational Corporations', *Indian Journal of Industrial Relations*, 19: 101—14

now seriously disagree with the various ways that Japanese capitalist development was totally dependent on enormous state intervention and coordination between the large conglomerates (the former *zaibatsu*, restructured as supposedly *keiretsu* after the war).⁴

What was central to the industrial relations structure of Japan during this time was an almost universal system of permanent employment for men, with automatic annual wage increases and a corporatist structure of labour-management relations. While there were (and are) non-corporatist trade unions, the overwhelming tendency was for union leaders to seek compromise with management. And it is the generation of union leaders who entered the workforce in the 1960s and 1970s who now lead Japan's mainstream labour movement.⁵

The contradiction which is at the heart of the labour movement in Japan now is that, Japan's leading companies have demonstrated repeatedly they no longer have an interest whatsoever in maintaining the industrial relations systems of the past. While this may be less explicitly stated in Japan, it is clear from these companies own actions as they pour investment into China, India and other states in the region where collusion, harassment and union-busting are standard fare for industrial relations. Thus, employment patterns in Japan have been more and more diversified. Academic researchers as well as industrial relations practitioners are concerned about how to cope with this new reality. This research traces Japan's attempt towards adjusting to these challenges and struggle to keep its unique industrial relations.

This dissertation is organized into five chapters. The introductory chapter, titled as 'Japanese Industrial Relations: An Historical Overview', looks into the uniqueness of Japanese industrial relations and models of industrial relations. The second chapter titled as, 'Changing Profile of Trade Unions in Japan', traces structures of trade union and its struggle to hold on to its legitimacy despite challenges posed by globalisation and the

⁴ Kioke ,k. (1988). *Understanding Industrial Relations in Modern Japan*. Basingstoke: Macmillan

⁵ Mouer,R and Kawanishi, Hirotsuke,(2005), '*A Sociology of Work in Japan*', Cambridge University Press.

extent of change that has occurred in labour attitudes towards management and production systems. Third chapter titled as, 'Labour Grievances and Redressal Mechanisms', analyses how labor issues are handled with the onset of changing industrial relations. Fourth chapter titled as 'Industrial Relations in Japanese Overseas Subsidiaries', traces overall East Asian situation with specific cases of China and India, where Japanese traditional Japanese industrial relations practices are called into question over the clash with the host country practices. The final chapter deals with summary and concluding remarks.

Forces Driving Industrial Relations Change

The industrial relations systems change due to shifts in the constraints facing those systems, and that the most salient constraints facing IR systems in Asia have shifted from those of maintaining labor peace and stability in the early stages of industrialization, to those of increasing both numerical and functional flexibility in the 1980s and 1990s.⁶

Judging from the attention paid by researchers, it would seem that the 1980s and 1990s was a period of change, turmoil, and even transformation in industrial relations systems all over the world.⁷ Much of this literature has been based on evidence from the advanced industrial nations. While there are dissenting views about whether industrial relations has in fact transformed in these nations, and there have been attempts to make distinctions between transformation and non-fundamental change, there is broad agreement on the main factor driving these changes: increasingly competitive environments caused by the integration of world markets, as well as the direction of the change: decentralization of bargaining, and a movement towards increased flexibility in wages, labor deployment, and at the workplace level.

Most institutional frameworks used for studying industrial relations systems identify forces that drive IR change - for example, the importance of the economic, technical, social,

⁶ Rowley, C., and J. Benson. (2002). "Convergence and Divergence in Asian HRM." *California Management Review* 44 (2): 90-109.

⁷ Hollinshead G and Leat M, (2003), 'HRM: An International and Comparative Perspective'. Harlow, Pitman, Washington DC pp-107

political and legal environments. Although many different forces can cause change in IR systems, it is argued that at any given moment, some forces will be more urgent than others.

A crucial aspect of the argument is that the most salient constraints facing industrial relations systems throughout the world have shifted over time. However, it is also necessary to note that historically, industrial relations systems have not changed all that much, i.e., there is a tendency for them to get set and remain unchanged for long periods, except for minor modifications. Yet, the last decade has been a period of upheaval in industrial relations systems in the West as well as in Asia, suggesting the possibility that urgent pressure for change has come from the same source. There has been change recently in both the most salient constraints and in the overall systems.

Japanese Industrial Relations System

Unique features of the Japanese Industrial Relations System are: a) The Lifetime Employment System; b) The Seniority Wage System, c) The Enterprise Union; and The Bonus System.⁸

The first three characteristics are called the Three Sacred Emblems of Japanese labour policy. Lifetime employment is a unique feature of the working of large Japanese firms. It accounts for the exceptionally dynamic functioning of a large section of Japanese industry. The system presupposes that it is the employees that ultimately make the firm productive, creative and respectable. To Japanese management, guarantee of lifetime employment to its staff is a sacred obligation. Lifetime employment means employment till the employee attains the age of retirement which is normally 55 years but it is now being extended to 58 or more years. Top-level executives have, however, no mandatory retirement age.

Lifetime employment is not a legal or contractual obligation. And it is open to the employee to leave the firm, which, however, is rare. There is no legal restriction on the right of the employer to discharge or dismiss an employee, which is rarely resorted to.

⁸ Moore.J, (1987) 'Japanese Industrial Relations' *Labour and Industry*, October, , pp-143

Mainly large firms adopt this system and about 30-35 percent of the total labour force is covered by this system. But these employees may be described as Japan's standing industrial army-the backbone of her economy. Under this system, employment has emotional and moral implications. Not only the employee but his family also develops an attachment for the firm and the employee tries to serve the company to the best of his abilities. The tangible advantages of the system are now well recognised. Lifetime employment involves lifetime training as well which facilitates innovation and which strengthens the urge for excellence in work. Lifetime employment is described as one of the corner stones of the industrial relations system in Japan.

Japanese firms like Sony are introducing lifetime employment in their factories even in the USA with great success. For instance, the rate of absenteeism in the Sony factory in America is only 0.1 percent. American workers in Japanese factories in the USA take interest in their work and make valuable suggestions for improving productivity and quality. Japanese management is equally effective in a totally different American Culture.⁹

The second salient feature of Japanese industrial relations system is the seniority based wage system. The system guarantees that wages and other benefits increase steadily from the time of appointment. This is generally restricted to lifetime employees. The enterprise union system of Japan is found to be very useful in strengthening the individual worker's ties to his firm. In Japan every enterprise would have its own independent union. It ensures better mutual understanding between union official and management.

The Japanese firms pay their employees bonuses twice in a year. The payment is based on the financial achievements of the firm and not linked with the productivity of the workers. The system has three great advantages: (a) The workers become aware of the vital importance of the successful functioning of their firm. (b) The Japanese workers tend to live within their monthly regular earnings and the bonuses are mostly saved. This is one of the main reasons why Japanese households save on an average 17 percent to 19

⁹ Hofstede, G. (1980). *Culture's Consequences: International Differences in Work Related Values*. Beverley hills, CA: Sage

percent of their annual income; (c) The bonuses represent a form of deferred payment, which enables the firm to generate additional working capital.

Apart from the congenial and harmonious industrial relations climate, there has been indirect public support for workers' financial participation in Japan, as a means of preventing foreign takeovers of Japanese firms. The development of workers' financial participation depends on a series of social, cultural and historical factors. This is confirmed by the Japanese experience, which is characterised by a notable development of Employee Share Ownership Plans.¹⁰ In the absence of direct formal government support, this appears to be principally due to cultural, industrial relations and other institutional factors. ESOPs have been introduced by more than 90 percent of the firms listed on Japanese stock markets and by 60 percent of all corporations. The average stock held by each employee through an ESOP was estimated at US \$ 14,000 in 1988. In addition to ESOPs, cash based profit sharing bonuses account for an amount equivalent to about 25 percent of total pay, making Japan the country in which financial participation is most advanced. 97 percent of firms with 30 or more employees pay bonuses to their regular staff twice a year. In addition, more than 90 percent of Japanese firms operate a deferred profit sharing scheme.

Japanese industrial relations are its cultural legacy and heritage. Before making any attempt to trace the changes brought into this much-hyped system, it is imperative here to get a glimpse on historical evolution of this system starting from early industrialization of Meiji period.

Industrialisation: Japanese Experience Following The Meji Restoration and the Second World War

In the modern history of industrialisation, Japan became the world's most important example of a 'late developer'.¹¹ In this regard, choice and outside forces shaped the

¹⁰ Labourisation, *Bharatiya Mazdoor Sangh*. www.bms.org.in, April 26,(2005).

¹¹ Saxenhouse, G.R. (1999), Technological and Information Transfer: How Do Some Nations Learn What Other Nations know? Japan's Experience, *The Pacific Review* 12, pp. 225-248.

timing of Japan's late development. For over 250 years, during the Tokugawa or Edo period (1600-1867), unified Japan chose self-imposed exclusion from the rest of the world and developed an enormous lag in technological and institutional development compared to the leading industrial powers. In 1868, Japan changed the name of the year period to 'Meiji' (Enlightened Rule) in honour of the emperor who posthumously inherited the name in 1912.

However, this period, subsequently labelled the Meiji Restoration, was not simply a political revolution. The symbolic restoration of the emperor justified and channelled a massive national commitment and energy to play catch up with the West and become a global power. Japan's transformation from feudalism to a modern nation state in just two decades was and an extraordinary and perhaps unique story'.¹²

Under the slogan *Wakon Yosai* (Japanese Spirit, Western Technology), the Meiji Restoration, established Japan's signature to the 'problem of industrial transformation'.¹³ Japan learned from the West on virtually all aspects of economy and used this learning as the basis for industrial (and military) leadership. Hand picked students, including girls, were sent around the world to learn science and technology in disciplines wherever they were most advanced, while foreign experts in leading edge industries were paid high salaries to work in Japan.

The Japanese approach to the problem of industrial transformation was rooted in the philosophy of Frederich List (1922).¹⁴ Thus, investment in transportation and communication infrastructure was a priority as the government sought to provide the conditions to allow the realisation of List's 'productive forces' across the industrial spectrum. Neither branch plants nor foreign loans were welcome. Rather, the government strove hard, eventually successfully, to replace the unequal treaties with tariff barriers to protect 'infant industries', and the foreign experts were engaged only tempor-

¹² Reischauer, E. O. . (1991), *Japan: The Story of a Nation*. Tokyo: Charles e Tuttle Company.

¹³ Mcmillan, C.J. (1985), *The Japanese Industrial System*. New York: Walter De Gruyter

¹⁴ Fallows.J. (1995), *Looking at The Sun: The Rise of the New East Asian Economic and Political System*. New York: Vintage books.

arily. Whether industry was small scale or large scale, the Japanese sought to 'reverse engineer' Western technology.¹⁵ In this approach, defined as 'innovation mediated production', 'copying' set the stage for selecting, adapting and improving technology (and institutions) to Japanese conditions, that in turn provided the basis for global innovation.¹⁶ In the case of cutlery, a small-scale industry, metal workers in the remote community of Tsubame, using cutlery samples provided to them by Tokyo wholesalers, conducted trial and error experiments on a part-time basis.¹⁷ In the case of ships, the 'high-tech' product of the late 19th century, vital to military and industrial power, the government was directly involved in highly focused, subsidised efforts to transfer technological know-how.¹⁸

During the Tokugawa period of seclusion the construction of oceangoing ships was forbidden and Japan did not have the navigational abilities to cross the Pacific. In the 1840s, however, Japan began to study Western shipbuilding technology, an interest accelerated by the arrival of US 'black ships' in Tokyo Bay in the 1850s. To master the complex, rapidly evolving naval technology, Japan imported foreign ships, established a government-controlled shipyard, organised exhaustive demonstrations of ship performance, hired the best naval architects from around the world, obtained licenses, sent workers to foreign shipyards, suggested specifications to enhance capability, and stimulated private sector involvement initially around the giant Mitsubishi 'zaibatsu' (or financial conglomerate). The record speaks for itself. In 1867, Japan was able to muster a navy of nine foreign-built ships with a combined horsepower of 2,000 hp. By 1907, Japan had constructed a naval fleet (and merchant marine fleet) on a par with US and European technology, although still importing key components, such as engines. The horsepower was over 1 million. By 1918, Japan had mastered all aspects of shipbuilding technology, was domestically self sufficient, and a major exporter.

¹⁵ Freeman, C. (1988), Japan: A New National System of Innovation? In: G. Dosi, C. Freeman, R. Nelson, R. Silverberg and I. Soete eds *Technical Change and Economic Theory*. Pp. 330—348, London: Pinter.

¹⁶ Kenney, M and R. Florida (1993), *Beyond Mass Production: The Japanese System and its Transfer to the US*. Oxford: Oxford University Press.

¹⁷ Hayter, R and J. Patchell (1993), Different Trajectories in the Social Division of Labour: The Cutlery Industry in Sheffield, England and Tsubame, Japan, *Urban Studies* 30, pp. 1427-1445

¹⁸ Howe, C. (1996), *The Origins of Japanese Trade Supremacy: Development and Technology in Asia from 1540 to the Pacific War*, London: Hurst and Company

A key part of the story of Japan's rise to the forefront of shipbuilding technology is the stimulation by the government of the private sector. Thus, in the period, 1883-1906, almost 75 per cent of Japan's warships were imported, and just over 1 per cent was built in private yards.¹⁹ Over the next 15 years, imports provided only 7 per cent of Japan's warships, the rest being supplied from naval yards (48%) and private yards (45%). The government had 'targeted' shipbuilding as a development priority, built shipyards that channelled and demonstrated learning processes, underwrote efforts to learn Western technology, and gave accreditation to preferred shipyards. Long before Japan's Ministry of International Trade and Industry (MITI), established in the post-1945 period the Japanese government led by the Ministry of Finance saw its role as 'facilitator' and 'guidance councilor' for private sector initiative.²⁰

In fostering industrialisation, the Japanese government supported the domination of giant firms over a large population of small and medium-sized enterprises (SMEs). Nevertheless, Japanese policy contrasted sharply with the West, where conventional economists shared Marx's view about the inevitable demise of SMEs. Moreover, in Japan, SMEs did not simply provide a reservoir of cheap labour, as favoured by conventional interpretations of the dual model.²¹ SMEs played vital roles in creating specialised and cooperative social divisions of labour during Japanese industrialisation, a development he contends was an institutional response to the technological gap between Japan and the West.²² To 'catch-up' with more powerful Western firms, Japanese companies had to focus their activities more sharply and mutually share their expertise.

By 1914, Japan's emergence as a world power, with its own colonies in Asia, was rapidly enlarged and equally rapidly destroyed during the Second World War. Japan's economy was effectively de-industrialised. In re-industrialising, Japan's approach closely paralleled that of the Meiji Restoration. Again the emperor was restored to help hold

¹⁹ *ibid*, pp- 289

²⁰ Johnson, C. (1982), *MITI and the Japanese Miracle*. Stanford, Stanford University Press.

²¹ Patchell, J (1992), Shinchintaisha: Japanese Small Business Revitalization, *Business and the Contemporary World* 4, pp. 50-61..

²² Fruin, M. W. (1992), *The Japanese Enterprise System*. Oxford: Clarendon Press

together the nation and channel its energies, only this time the restoration depended upon US acumen, especially that of General MacArthur, rather than samurai from Kyushu. Again, Japan opted for a 'Listian' model of development based on economic nationalism rather than the 'Anglo-Saxon' model of economic liberalism. While the latter favoured priority on Japan's low-wage comparative advantage in textiles, the former encouraged policy emphasis on the progressive development of the main and leading edge technologies in consumer and producer goods.²³ The creation and ascendancy of MITI reflected this choice, albeit not without debate. Again, industrialisation was realised through the relentless pursuit of 'reverse engineering' with Japanese control tightly protected by tariff barriers and constraints on inward DFI. In two or three decades, Japan became a global economic giant.

In the electronics sector, mass merchandisers in the United States, and eventually Europe, provided the major impetus for Japanese firms to launch into global markets.²⁴ Thus 'Sears, Roebuck, J.C. Penny, Montgomery Ward and other leading chain stores in the United States placed massive contracts with Japanese makers supplying designs, specifications and quality control. Only Sony insisted on selling its products under its own trademark in overseas markets at the outset'. In the late 1960s mass merchandisers in the US (and Europe) shifted their purchases to Hong Kong when assemblers trimmed costs below that of Japanese manufacturers, using Japanese components. Hong Kong then became the world's largest producer of transistor radios. Initially, Hong Kong assembled transistor radios aimed at United Kingdom and other Commonwealth country markets, facilitated by the system of Imperial Preference. The first transistor radios assembled in Hong Kong, by Champaign Engineering (later renamed Atlas Electronics) were under subcontractor arrangements with Tokyo Tsushin Kogyo KK (later renamed Sony Corporation). 'Hong Kong entrepreneurs were quick to "reverse engineer" the latest Japanese radio models and produce near-replicas which were sold at prices considerably below those of Japanese makers. However, rather than attempt to inhibit

²³ Okimoto, D.I. (1989), *Between MITI and the Market: Japanese Industrial Policy for High Technology*, Stanford, CA: Stanford University Press.

²⁴ Gregory, G. (1986), *Japanese Electronics Technology: Enterprise and Innovation*. (2nd edn.), Chichester, John Wiley and Sons.

this process, Japanese radio manufacturers, also producers of important components, generally rode with what they came to accept as the natural course of events'.²⁵

Post Second World War Industrialisation and labour in Japan

Most industrial relations systems in the West and in Asia were institutionalized formally in the decades following World War II. In these first decades after the war, most governments and large companies gave priority to maintaining labor peace. For example, in the United States the Wagner Act²⁶ was promulgated so as to provide a constructive structure for unions to organize in the wake of the sit-down strikes and other incidents of labor unrest during the depression, while the Taft-Hartley Act was designed as a counter to the powerful unions and the wave of strikes after World War II. And, this phenomenon was not limited to the U.S. In the Japanese case, for example, there seems to be support for the argument that the basis for the postwar Japanese industrial relations system was the need for the development of strong internal labor markets in Japan in the 1950s, given the problems of strikes and high labor turnover rates.²⁷

There is general agreement that the central features of the Japanese industrial relations system have included workplace focused enterprise unions, lifetime employment systems, broad based training, and seniority based wages. There is also agreement that one of the key outcomes of the Japanese IR system, when examined in conjunction with related Japanese institutions such as the keiretsu system and the system of production organization (subcontracting and quality-focused, team-based work) is the simultaneous achievement of stability in labor market terms and considerable functional flexibility in workplace level industrial relations through the development of internal labor markets.

²⁵ Ibid, pp. 422-423

²⁶ Kawada, Hisashi (1973): "Post-War Labor Movements in Japan." In Adolf Sturmthal and James G. Scoville (eds.) *The International Labor Movement in Transition: Essays on Africa, Asia, Europe, and South America*. Urbana: University of Illinois Press.

²⁷ Kuruvilla Sarosh, (2002), Change And Transformation In Asian Industrial Relations, *Industrial Relations*. Volume 41, no 2 (April), 171-228,

Since the end of World War II, profound changes have taken place in the world economic scenario. Though the Japanese economy has been put to the test many times it has not only endured, but has also attained a prominent position in the global economy. Many factors have contributed to its economic growth and industrial expansion. The key factor is the ability of labor and management at individual corporations to respond to the multitude of changes in the economic climate with considerable flexibility. Changes in the business climate affect Japanese corporations and labor relations as well, in a number of ways. The chief motivator of worldwide changes in labor relations was the easing of tension between East and West when the Cold War ended. The result was a transition from labor-management strife stemming from political and ideological differences to economic strife over working conditions in a free-market economy. In particular, globalization has spurred competition, both domestic and international, among corporations.

Industrial relations is probably the one area receiving the most academic interest among observers of Japanese management. At first glance the reasons are obvious. Japan has enjoyed the lowest unemployment, the lowest strike levels, and the most enviable pattern of technological change.²⁸ Traditionalism, paternalism and cultural uniqueness have been the code words to describe the Japanese system in contrast to American practice. There is a consensus that human resource development and labour-management relations have contributed crucially to performance of Japanese economy. The most popular view stresses the uniqueness of both the institutional setting, including permanent employment, seniority wages, and behavioral patterns, such as the so called group-oriented nature.²⁹

In his study of the evolution of social policies toward labor in modern Japan, Sheldon Garon argues that Japan's labor history must be written as more than a movement from below. Despite a well-documented pattern of suppression of the labor movement, the state was not always or singularly opposed to organized labor. Exploring the complex relations among

²⁸ Charles J McMillan, (1985) *The Japanese Industrial System*, Walter De Gruyter, Berlin, New York. pp-153-55

²⁹ Koike, K. (Ed)(1994), Human Resource Development and Labour Management Relations. *The Political Economy of Japan*.

business groups, parties, factions of the labor movement, and bureaucratic cliques, the author finds no clear-cut battle line dividing capitalists and the state against the proletariat. Instead, he describes a complicated web of shifting and unpredictable alliances, as various elites tried numerous formulas for ensuring harmonious industrial relations. In this multifaceted process, Garon claims, the "initiative behind many of the most important democratizing reforms of the 1920s came not so much from the bourgeois parties—and certainly not from the weak social democratic movement—but rather from activist cliques of higher civil servants"³⁰. The strange bedfellows of Japan's modern labor history were the worker and the career bureaucrat. On the face of it, this conclusion is not surprising. Many other reforms bore the stamp of Japan's highly educated, elite bureaucratic corps, whose members viewed their role and that of the state as one of mediating social conflict for the benefit of the polity as a whole. If their concern with the living and working conditions of laborers was not always inspired by humanist impulses or commitment to social justice, it was always driven by nationalist goals of promoting industrial productivity, preserving national unity and social order, and heading off radical socialism. The middle-level bureaucrats in the Social Bureau of the Home Ministry, held ideals that, "were often 'liberal,' for they envisioned the optimal society as one in which interest groups freely and fairly competed before the referee-state."³¹

Contemporary industrial relations in Japan are considered to be very amicable, but this has not always been the case, especially between the end of Second World War and 1960. The leading actor on the management side was *Nikkeiren*, the National Employer's Federation, established by a group of pioneering employers in the year 1948, with the aim of establishing the smooth and harmonious labour-management relations that were essential to the nation's economic reconstruction. Their major goals were (1) to enhance business ethics (2) to establish sound human relations within corporations (3) to contribute to social and economic progress through corporate activities.³² They put great effort into creating smooth industrial relations. However until 1960, *Nikkeiren* as well as

³⁰ Sheldon Garon(1987).. *The State and Labor in Modern Japan*. Berkeley and Los Angeles: University of California Press. Pp 73-74.

³¹ Ibid-118

³² Makiko Yamada, (1998), '*Japan's Top Management From The Inside*', London, Macmillan Press Ltd, pp-70

the managements of individual corporations had great difficulty with aggressive labour movements, involving a succession of serious labour disputes and strikes. The rapid growth of the economy, which started around 1958, further, helped to calm the labour movement in Japan.

Life-time employment was introduced by management to ease the pressure exerted by radical labour movements. In 1955, eight national unions organised by industry, (Coal Mining, Private Railways, Chemicals, Pulp And Paper, Metal, Electrical Equipment, Synthetic Chemicals, And Electric Power) succeeded in bringing all the industrial unions together to demand pay rises, concentrating their activities in the period from January to march. Since then the spring wage offensive (*shunto*) has been an annual event to both labour and management.³³ In response to the spring dispute, Nikkeiren proposed the 'Three Pay Principles' to the managements of its member companies: that managements should not pay rises as an excuse for rising prices; that managements should not agree pay rises that exceeded corporate profits; and that managements should not agree to pay rises without commensurate increases in productivity. These principles have formed the basis of Japanese companies' wage strategies ever since.³⁴

Industrial Relations Policy and Practice prior to 1990s

There is disagreement on the date of institutionalization of the Japanese industrial relations system. It is suggested that the lifetime employment practice developed in the late 1800s in the silk industry where employers, forced to compete for scarce labor, instituted lifetime employment to create stable employment conditions.³⁵ The key practices were encouraged by the government, which institutionalized several of them during the inter-war period in its Factories Act of 1938³⁶. Enterprise Unionism emerged

³³ Akira Takanashi (1989) et al., *Shunto Wage Offensive: Historical Overview and Prospects*, Japanese Industrial Relations Series 15 (Tokyo: Japan Institute of Labour,

³⁴ *ibid*, 72.

³⁵ Taira, Koji. (1970). *Economic Development and The Labor Market in Japan*. New York, Columbia University Press.

³⁶ Jacoby, Sanford, M. (1993). "Pacific Ties: Industrial Relations and Employment Systems in Japan and the United States since 1900." In Harris, H.J. and N. Lichtenstein (Eds.), *Industrial Democracy in America: The Ambiguous Promise*. Cambridge: Cambridge University Press..

post war based on the structure of the firms (the large employers who accounted for a significant share of employment). The precursors to the current system could be seen in the company unions of the 1920s, with institutionalization occurring during the inter-war period. It was the early labor-management crises in the post-war period, coupled with the revolution in production management (i.e., the engineering developments under Ohno Taichi) that account for the creation of the more advanced aspects of the internal labor market in Japanese industry³⁷. The industrial strife of the 1950s is the most important variable in the development of the Japanese Industrial Relations system. "The main stimulus [for lifetime employment] was the experience of large-scale conflict between labor and capital in the early postwar years, partly in response to many workers being made redundant as the war industries shut down. Employers sought a way to end or reduce this conflict ... [it was] not a social or political norm impervious to pressures of economic change."³⁸

Clearly, these suggest that the most salient constraint in Japan during this period was the need for labor peace. However, the institutional structures that provided stable internal labor markets also provided Japanese employers a high degree of functional flexibility in the use of human resources, as lifetime employment, firm specific training, and enterprise-based unionism became widespread.³⁹ And the interconnections among corporations given the keiretsu structure (cross -corporate holdings and agreements, or— alliance capitalism) further enhanced flexibility, as workers could be transferred from one company to another when needed, within the keiretsu. These connections also made it more possible for firms to sustain their promise of lifetime employment. The development of internal labor markets had an impact on the wider labor market and education systems as well.⁴⁰

³⁷ Okayama, R. (1986). "Industrial Relations in the Japanese Automobile Industry, 1945-1970. The Case of Toyota." In S. Tolliday and J. Zeitlin (eds), *The Automobile Industry and its Workers*. Oxford: Polity Press.

³⁸ Takahashi, Yukichi. (1997). "The Labor Market and Lifetime Employment in Japan." *Economic and Industrial Democracy*, 18, pp. 55-66.

³⁹ Gerlach, Michael L. (1992). *Alliance Capitalism: The Social Organization of Japanese Business*. Berkeley: University of California Press.

⁴⁰ Nakamura, Keisuke and Michio Nitta. (1993). "Developments in Industrial Relations and Human Resource Practices in Japan." Working paper, Department of Collective Bargaining, Cornell University. March.

The development of internal labor markets and lifetime employment systems created a highly segmented labor force, with little inter-segment mobility. Thus, those with lifetime employment were invariably those who graduated out of the best schools, and those at lesser schools were forced to enter a different segment of the labor market, from which upward mobility was not possible. This system also made education very competitive, as families strove to ensure that their children did well enough to get into the best schools and thus into lifetime jobs. These linkages reinforced the core of the Japanese system well into the early 1980s. Thus, the picture that emerges is one characterized by highly functionally flexible IR systems within firms, in a context of a fair degree of rigidity in the labor market more generally, term “flexible rigidity” sums up this phenomenon⁴¹. It is also true that there were several changes in the Japanese system over the 1970s and 1980s. Notably, there was an erosion in the seniority based wage concept, as wages began to be tied increasingly to skills acquisition and productivity, while employers had started the practice of mid career hires in white collar and technical occupations. The practice of "shukko"- transferring employees to other parts of the keiretsu during downturns- had gained in prominence over the last two decades. However, the changes in the 1990s were even more far reaching.

Recent Changes

In the 1990s there has been acceleration in change already underway, as well as changes in other practices that constitute the core of the Japanese system. This has been due in large part to the effect of the recession of the 1990s, which has been the deepest one since the war. Thus, in the 1990s, there has been a significant questioning of the lifetime employment concept, with severe declines in job security on an unprecedented scale, changes in hiring practices from schools and universities, a dramatic increase in outsourcing strategies, the introduction of limited term employment contracts for some occupations, increased wage flexibility, and some degree of union restructuring, along

⁴¹ Dore, Ronald. (1986). *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy, 1970-1980*. London: Athlone Press.

with evidence of breaking up of some keiretsus. By themselves, any one of these changes might suggest a gradual adaptation to new economic circumstances (and, indeed, as noted above some of this happened in the 1970s and 1980s), but all of this happening together in the 1990s suggests the critical importance of the 1990s recession in forcing employers to question the existing practices and act to change them.

One facet of change is the decline in job security and lifetime employment, as well as changes in hiring practices.⁴² The massive declines in capacity utilization, particularly in the auto and electronics sectors, as Japanese manufacturers located more and more production in Southeast Asia in response to cost pressures. Similar excess capacity problems in the auto and electrical industries also were reported. In the electrical industry, increased outsourcing of production from Japan, to other Asian countries has resulted in a net decrease of employment (male employment increased from 1.3 million to 1.4 million, while female employment decreased from 1.16 million to 900,000).⁴³ In these industries, both layoffs and plant closures have occurred apart from large job losses for casual/temporary workers and women (traditional buffer groups that sustain the lifetime employment system). In general, there has been an increase in layoffs as a function of downsizing and the average tenure in large firms decreased in the 1990-1994 period. In 1995, 4.2 jobs were lost per 100 workers, compared to 2.1 jobs in 1991.⁴⁴ The 1990s have witnessed a sudden and dramatic increase in outsourcing within Japan as well, termed "work commissioning." A Ministry of Labor survey (JLB, 1998) finds that 45 per cent of 4500 firms surveyed had increased outsourcing due to the need for increased numerical flexibility.⁴⁵ The survey shows two mechanisms of outsourcing. Either the work itself is subcontracted outside the company, or the job is kept within the firm's premises, but is done by "dispatched workers" (workers employed by a

⁴² Berggeren, Christian. (1993). "Toward Normalization? Japanese Competitive Position and Employment Practices After The Heisei Boom." Paper presented at the Industrial Relations Research Association Annual Meetings, Washington DC.

⁴³ Toyonaga, Mami. (1998). "Change in the Structure of Employment in the Japanese Electric Machine Industry. Do Asian Affiliates Affect Employment?" Paper presented at the 1998 Regional Conference on Industrial Relations. March 14-18, 1998.

⁴⁴ Yamakawa, Ryuichi. (1999). "The Silence of Stockholders: Japanese Labor Law from the Viewpoint of Corporate Governance." *Japan Labor Bulletin*, 38, no. 11 (November) pp.6-12.

⁴⁵ Japan Labour Bulletin, (1998)

subcontractor providing labor services). In the latter case, regular female employees have been the first to lose their jobs to "dispatched" workers. The number of dispatched workers has increased from 140000 in 1985 to 890000 in 1998, while part time workers have increased from 4.7 million to 11.1 million over the same period⁴⁶.

Apart from the clear evidence of job loss, suggestive of a declining commitment to lifetime employment, there are chinks in the hiring system, which is an integral part of lifetime employment. First, there has been a reduction in hiring, and second, there have been changes in the hiring practices of large firms. A recent Ministry of Labor survey reports that the percentage of graduates hired by large companies fell 17 per cent among men, but 41 per cent among women. The ratio of job openings to job applicants fell to .47 (the lowest since 1963). The placement rate for 4-year university graduates was 65.6 per cent, the lowest figure since 1951 (at its peak, this rate was 81.3 in 1991). Only 62 per cent of high school graduates obtained jobs in 1996, the lowest rate since 1978. Cutbacks in hiring only suggest the extent of the change but do not provide an indication of nature of the changes in the system. Changes in hiring practices by trend setting firms provide better clues as to whether hiring practices are being transformed. The number of mid career hires have increased substantially over the last decade while many companies (for example, Sony) have started five year employment contracts for some occupations, such as software engineers (a clear departure from the system of hiring that was the basis behind lifetime employment).⁴⁷ Several other companies stopped the practice of recruiting graduates from the elite universities, in favor of second tier schools. And, last Nissan hired contingent workers for the first time. Two reasons are driving such changes in hiring: the cost savings induced by hiring less elite graduates, and the fact that fast changing technologies are undermining the traditional system of taking novices and providing firm specific skills. For example, the increase in employment in the service sector motivates people to move from manufacturing to services, notably in the finance profession. Thus, larger chinks are appearing in the lifetime employment and recruitment system. In what has been seen as an effort to "legitimize" contractual

⁴⁶ Japan Institute of Labour, (2000).

⁴⁷ Siegel, J. (1999). "Collapsing Pillars in Japan." *Paper Presented at the 51st Annual Meeting of the Industrial Relations Research Association*. New York: Jan 2-5.

employment, the Japanese Diet passed a new law providing legal backing for limited duration employment contracts in March of 1998, thus providing a legal basis for the breakup of the lifetime employment norm. These changes in the employment relationship are set against a wider picture of change in IR and HR in Japan. For instance, there are changes in organizational structure towards flatter organizations, eliminating the dual hierarchy system that has existed for decades. Changes in corporate governance (reducing the size of the board of directors) to make decisions much quicker: "the competitive and global market has driven Japanese companies to change their management style to make speedy decisions and cut operations costs, including that of human resources" There are several cases where the determinants of pay have shifted from seniority to performance. While wage increases have been getting smaller, there is ample evidence that the variation in wage increases and bonus payments are increasing, and recently, the National Personnel Authority has recommended pay cuts for government servants to keep in step with the declines in compensation for the private sector⁴⁸. These changes have reduced the power of trade unions. As Morishima notes, "unions in Japan are currently facing a difficult time with increased membership losses and decreasing membership loyalty"⁴⁹, while Rengo (the predominant peak level federation) is making efforts to strengthen the industry federations to make up for the weaknesses of enterprise unions by pushing for unification of industrial federations.

These changes are a consequence of the need for increased numerical flexibility. Observers have often painted the Japanese IR and HR system as being highly functionally flexible, particularly in terms of the ability of Japanese employers to adapt to market conditions. Key elements in this flexibility have been the patterns of subcontracting, the use of temporary labor that enabled the lifetime employment system, highly sophisticated internal labor markets and the keiretsu system.⁵⁰ However, the experience of the 1990s indicates that there are now different types of flexibility being sought. There is a movement towards a higher level of market oriented flexibility than the

⁴⁸ Japan Labour Bullietin, (1998).

⁴⁹ Morishima, Motohiro. (1998). "*Changes in Japanese Human Resource Management: Implications for Firm Performance.*" Paper presented at Sixth Bargaining Group Conference, May, Champaign, Illinois.

⁵⁰ Lincoln, James R. and Yoshifumi Nakata. (1997). "The Transformation of the Japanese Employment System." *Work and Occupations*, 24, No. 1, pp. 33-55.

three pillars system has thus far allowed -- thus removing the "rigid" from Dore's term of flexible rigidities and hence the focus on numerical flexibility.

Viewing these changes as a movement towards industrial relations system transformation, given that the evidence suggests changes in most aspects of employment relations in Japan, such as job security, hiring, corporate governance, wages and wage flexibility and the role of seniority, as well as union structure, and would seemingly consist of a significant eroding of the "three pillars" and a move towards a more individual based system such as in the United States.⁵¹

There is also some evidence that the keiretsu system is breaking down after the crisis, possibly as a result of firms' capital requirements, and thus one major source of the "stickiness" seems to be weakening. Other observers, however, suggest that there is considerable "stickiness" still remaining in the Japanese system and are hard pressed to decide whether these changes are fundamental. These changes underway represent an evolutionary process towards more fundamental change that reflects the need for the rigidities in the employment system to be broken down.⁵² Although the Japanese IR system witnessed some change in the 1970s and 1980s, the 1990s has seen a major acceleration of change in several different facets of the system, which, taken together, may well represent the beginnings of a radical change in Japanese industrial relations.

In Japan, the changes in the economy, coupled with the new law that permits short-term employment contracts, coupled with various new approaches of firms with respect to lifetime employment practices, are suggestive of the beginnings of change in the deep structure of the Japanese system. One could argue that the predominance of numerical flexibility strategies in a country with very flexible internal labor markets (which had become entrenched over time through supporting and reinforcing practices and insulated from the wider labor market) is evidence that the carefully constructed Japanese

⁵¹ Brown, Clair, Yoshifumi Nakata, Michael Reich, and Lloyd Ulman. (1997). *Work and Pay in the United States and Japan*. New York: Oxford University Press

⁵² Benson, John. (1998). "Labour Management During Recessions: Japanese Manufacturing Enterprises in the 1990s." *Industrial Relations Journal*, 29, No. 3, 207-220.

employment system is breaking up. There is change in almost every established feature of Japanese employment and industrial relations practice and institutions, with intensified change in the 1990s. Such a breakup might suggest a reconsideration of the deep structure reflected in the "three pillars," although the new set of basic underlying assumptions is difficult to discern at this point.

Japan's Labour Market

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Despite appearances to the contrary, the Japanese employment situation is not homogenous and shows differences by industry, size of firm, and geographic regions. Yet there are certain characteristics, which are of sufficient importance to warrant some generalization. The first is that since Japan was much slower to industrialize than most western countries, there has been an historic shortage of skilled workers.⁵³ Unlike West Germany or France, with millions of immigrant "guest workers" for many low skilled jobs, Japan's population dynamics have created labor supply problems- even today a large number of workers are engaged in agriculture, forestry and fisheries. The second issue is that education and work career in Japan are tied together. The emphasis in the past has been on middle school leavers, progressing up to high school, junior colleges and universities. The gradation of company jobs was directly related to educational attainment. And thirdly, there is the lifetime commitment feature, whereby the employer-employee contract has a long-term feature, which implies a social as well as an economic aspect.

The foreign perception of Japanese unions and individual workers as docile and submissive is largely misplaced, since it ignores the basis of strength in the union structure derived by the post-war legal reforms carried out by the American authorities. Under various legislated reforms such as the labour conciliation law, the labour standards law, and the labour relations adjustment law, - reforms so profound even by US labour norms they amounted to what Ronald Dore has called a "Social Democratic

⁵³ Galenson, Walter and Konosuke Odaka (1979): "The Japanese Labor Market," in H. Patrick and H. Rosovsky (eds.) *Asia's New Giant: How the Japanese Economy Works*. Washington D.C.: The Brookings Institution.



Revolution”⁵⁴ unions gained for their members not only basic pay and work conditions similar to management committees making decisions relating to labour conditions. Firms for example, above ten workers must submit their work rules to the labour standards office and clauses involving quick employee dismissal are not permitted.

The Japanese system can be analyzed with reference to the labour-market model, wherein the managers have only two basic models to adapt to environmental conditions, namely the work force and the technology. However in contrast to the situation in North America, the workforce manpower strategy is asymmetrical such that managers can meet expansion/growth demand by hiring workers but cannot face contractions in production output by firing or laying off workers. In short labour is not a variable cost but a fixed cost.⁵⁵ Given the protracted post-war labour shortages and the resulting necessity of retaining workers in the firm, ports of entry are relatively closed and personnel screening is a critical function, hence the use of education and university ranking as the main employee selection mechanisms in the Japanese firms. Even young students recognize the clear role of educational credentials in future career patterns. Firms and government departments also recognize the relationship between their own reputation and attracting the best students.

The management of Japanese organization thus takes a different turn from western companies faced with a high mobility labour-market approach. First, Japanese workers are viewed as a resource different from any other high cost capital item- hence the best use must be made of them. Continuous training and job rotation and even foreign postings are used as vehicles for manpower planning. Second, given the population structure of most Japanese companies, wherein the younger workers receive less pay than older workers, the *Nenko System* of wages tied to age and length of service provides Japanese management with a real incentive both to improve productivity and to attain

⁵⁴ Dore, Ronald P., (1986) *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy*. Athlone

⁵⁵ Ofreneo, Rene (2002) *Changing Labour Markets in a Globalising Asia: Challenges for Trade Unions Asian Labour Update*, Issue No. 45, October- December

market growth. Internally generated growth from increased production in turn lowers average wage costs when new workers are hired.

A third consideration is that in Japan, worker and technology are not viewed as being in conflict, such that new products or production process are seen by workers as adding to their job security, not threatening it. Japan has always been described as an innovator, not as inventor, a copier rather than originator. The reason for this charge is that Japan has consistently been able to make often-spectacular improvements in existing products or production processes, even where the technology has not been proprietary or particularly unavailable in other countries. Behind this imitative image of Japanese technology, however, is a basic shop floor level process of consultation and two-way communications flow, which make constant technological change possible.

A major characteristic of the labour-management relations in Japan is the enterprise union, and the legal framework, which distinguishes union practices between the public and private sector. The enterprise union is the basic unit of employee organization in contrast to industrial union in North America. Members of the enterprise union are the employees involved in the permanent employee system.⁵⁶ About three quarters of all union members are in the private sector. Spring labour offensive sets the going rate for labour generally, even though only a minority of workers actually participates. Because the enterprise union consists of a "stew pot" of different occupations, bargaining concentrates on the wage increment each year and occupational and skill classification differences as not as important as in North America, hence intra-firm mobility is facilitated.

Yet the emphasis on the retention of the high skill labour force composition, together with the premium placed on managerial personnel policies of continuous learning, manpower training, and job mobility, is not without certain costs, given the overall

⁵⁶ Lincoln, James R. and Yoshifumi Nakata. (1997). "*The Transformation of the Japanese Employment System.*" *Work and Occupations*, 24, No. 1, pp. 33-55.

emphasis on the flexibility in the adoption of new technologies. In this model the firm is able to meet the demands of change in the environment only by long run adaptation to technology; the emphasis on short run adjustments of the labour force is conceded to long run technological change. Workers cannot be easily laid off and employees facing “burn off” or low productivity are a severe drain on the organization. On the one hand this cost inflexibility has important compensating implications for personnel policies. First, turnover of personnel is likely to be low, in the sense that workers will receive the incentives to stay in the organization for both intrinsic and extrinsic awards, as well as in the sense that that management can ill afford the high costs of selection and training. Second, management will have an important commitment to develop an overall strategy of employee participation, commitment to consensus, decision and employee, as distinct from managerial, commitment to innovation and change. And third, employees, desirous of an “adult” climate of organizational functioning and immune from the “market” model of labour force layoffs, have no institutionalized reason for challenging the introduction of new technologies, in the sense that the new technologies will not lead to labour substitution, loss of jobs, or a commitment to managerial fiat.

CHAPTER II

CHANGING PROFILE OF TRADE UNIONS IN JAPAN

Introduction

The early 1990s saw the onset of a severe recession and ‘globalisation’, prompting both businesses and the right-wing unions to seek comprehensive deregulation of employment systems, against the faltering opposition of the left. As Japan shifts from its ‘paradigm’ of an industrial relations rooted in mass production and ‘lifetime employment’ to a more flexible, high tech-based economy, unions are emphasizing new strategies for protecting jobs in their own industries, and the labour movement's influence over general working conditions has been further eroded. Post-war Japan's second ‘paradigm shift’ suggests that there are important limits to convergence, as unions spurn the social provisions of the EU, and cooperate with business to nurture Asia as an allied production base for Japan. In addition, those who regarded the Japanese employment system during the 1970s and 1980s as a ‘model’ for organizing cooperative industrial relations in industrializing societies have to confront the fact that the model itself is now in flux.¹

The dramatic shift from high economic growth to lower growth, and then protracted low growth have posed several problems for the Japanese labour market and labour/management relations. They include mounting unemployment, which caused little concern in the past, challenges to the seniority-oriented wage system, and a re-examination of problems caused by stringent fiscal restraints, especially social policy measures which have belatedly begun to be introduced in Japan. It is difficult to explain these phenomena without referring to the Japanese employment system, which features adaptability in terms of incomes and employment, and the spring labour offensive which provides a mechanism for reaching a social consensus on incomes at national level. The Japanese employment system is characterized by very rigid restrictions on dismissal and high flexibility on job relocation within the internal labour market. As such, the system allows greater freedom for employment adjustment and job relocation within the company and its affiliates, instead of resorting to lay-off or dismissal. Also, because the

¹Charles Weathers (2001) “*The Politics of Labour in Global Age*”, 20 September, pp. 156.

determination of working conditions through the spring offensive allows both industry and labour to adapt to changes in economic growth every year, and because wage levels refer to those in the manufacturing industries, which are exposed to international competition, pay increases are commensurate with productivity gains. The moderation of wage increases is also established in the Japanese labour market. The spring labour offensive has an important influence over all wage levels because it reflects a social consensus and it works as an information-disseminating mechanism for all industrial sectors. This socially reached wage level influences not only trade unions but unorganized labour, too. The social standards established through the spring labour offensive are not entirely dependent on the short-term business results of individual enterprises or of specific industrial sectors, even though the wage negotiation system is decentralized. Hence, it can be said that the system retains a social equalization function for wages and other working conditions.²

Japan has not always been blessed with cooperative labour-management interrelations. The late developing union movement in Japan resulted in several episodes of violence and strike activity at the Kikkoman Company. The worst of these episodes occurred in 1923 and 1927-28. The 1927-28 strike was one of the largest and most expensive in pre-WWII Japan. It lasted for 218 days and resulted in the discharge of 1,000 workers. The union was destroyed and discredited locally and nationally. The pre-WWII industrial relations system proved unable to cope with changing economic and technological conditions following the war, and began to be replaced by what is regarded as the modern Japanese industrial relations practices.³ This evolution of industrial relations practices in Japan differed from developments in Western countries, in contrast to the rapid adoption of Western-inspired manufacturing methods in place of the traditional Japanese household-based manufacturing.⁴ There is considerable scholarly dispute about the reasons for and nature of the transition from the pre to the post-WWII Japanese industrial relations systems. What is beyond dispute, however, is that, by world standards, post-WWII labour-management relations in Japan are remarkably harmonious.

² Abegglen, J., and G. Stalk. (1987). *Kaisha: The Japanese Corporation*. Tokyo: Tuttle. *Asahi shimbun*. 2002. "Koyo kankyo gekien ni taiyo" [A way to cope with dramatic changes in the employment climate]. 4 July: 9.

³ Ayusawa, Iwao F, (1966), 'A History of Labour in Modern Japan, (Honolulu: East-West Centre Press)

⁴ Fruin, W.M., *Kikkoman: Company, Clan, and Community*, Harvard Univ. Press, 1983.pp-209

Enterprise Unionism.

Japanese unions are organized on an enterprise basis, with only permanent, fulltime employees of the company eligible to join the union.⁵ This structure has led Japanese unions to defend job security and the working conditions of their members through company-based mechanisms. The union's chances of success through such mechanisms is, at this time, somewhat diminished. This has led unions to focus on job security rather than pay increases, which has lessened their appeal to young people, and has alienated unorganized nonregular workers in large companies and the vast majority of employees in small companies. These deficiencies have led unions, through their affiliation with Rengo, to strengthen industrial unions through mergers so as to increase their bargaining power, extend their activities beyond the enterprise, and involve the wider society in their welfare initiatives. These activities have increased union concentration and have strengthened the Japanese labor movement, allowing for the possibility of more formal arrangements with governments. Nevertheless there is a growing disagreement between constituent industrial federations that is leading to a decline in common policy during "Shunto" and over other key issues. While these developments suggest a shift away from the firm, enterprise unions are likely to remain the key union structure in Japan in the foreseeable future. There has, however, been a continuous decrease in overall union membership with trade union density at the end of 2002 falling to 20.2 percent -a decline of 16 percent in union coverage since 1990.⁶ Part of the reason for this decline has been the industry shifts taking place in Japan. Nevertheless, it also relates to the inability of unions to organize new workplaces and to change members' perceptions of the value of unionism. Member's perceptions of the low value of unionism appear well founded as the unions have little effect on monthly pay and annual earnings for both men and women. Moreover, union membership did not increase job satisfaction or reduce turnover propensity. While enterprise unions may have improved communications between workers and management, they remain susceptible to management interference, and their bargaining power is weak in this period of growing unemployment.

⁵ Solomon B. Levine, (1984), "Employers Associations in Japan," in *Employers Associations and Industrial Relations: A Comparative Study*, ed. John P. Windmuller and Alan Gladstone (New York: Oxford University Press, Clarendon Press, pp. 318-56.

⁶ *Japan Labor Bulletin* (2003); Ministry of Health, Labour, and Welfare 2003.

Japanese enterprise unions are not, however, homogenous. Some enterprise unions are independent of management, and it is these unions that are significantly more likely to have directly challenged managerial prerogative over staffing levels and management and work practices. Nevertheless, many enterprise unions have been weak in such areas as the regulation of production schedules, staffing levels, standard output quota, and controlling the speed of production. This was considered acceptable as part of the trade-off with management for employment security and regular pay increases. With the failure to protect job security and the inability to gain pay increases, many workers now believe that union membership is almost pointless. This has brought union policy and strategies to the center of debate.⁷

Much of the literature on Japanese industrial relations assumes that enterprise unions are similar in structure, role and purpose. While differences have been identified in the operations of industrial federations and in the political philosophy of union leaders, the assumption of homogeneous unionism underpins the writings of both supporters and critics of enterprise unions. Their defenders have cited the gains made by unions in the bargaining and consultation processes, but their critics see enterprise unions as little more than a third arm of management. Few researchers have distinguished differences in the behaviours and strategies of enterprise unions and so have not qualified their research findings. Some exceptions nevertheless exist. Dore suggested categorizing enterprise unions by their militancy/co-operative behaviour, but did not use such a classification as an analytical tool⁸. In a similar vein, Benson found that their independence from management varied considerably. Moreover, the impact of enterprise unions on firm performance was found to differ significantly depending on whether the union had full-time officers⁹. To help fill this knowledge vacuum about enterprise unionism, differences among Japanese enterprise unions are identified within a framework of union independence from management.

⁷ Benson, John (2004) ' Changing Nature of Japanese HRM The Impact of the Recession and the Asian Financial Crisis' *International . Studies of Management. & Organisation.*, vol. 34, no. 1, Spring, pp. 32–51.

⁸ Dore, Ronald. (1990). *British Factory—Japanese Factory*. Berkeley: University of California Press. pp-329

⁹ Benson, J. (1994). 'The Economic Effects of Unionism on Japanese Manufacturing Enterprises'. *British Journal of Industrial Relations*, 32:1-21.

Unions and Independence

Enterprise unionism, in which membership is restricted to a firm's employees, predominates in Japan. Within a particular company, industrial unions or a second enterprise union may also exist. Even so, in more than 90 per cent of unionized firms, only one union is present. This connection between the union and the firm has led many to equate enterprise unionism with company unions. Prima facie such logic is difficult to refute. The well being of union members is tied to the company's economic success. Improvements in wages and working conditions require a viable company, so unions have a direct interest in working closely with managements to increase productivity and profitability. The expulsion of industrial union officials by managements in the 1950s, when unionism was restructured on an enterprise basis, added to this perception. In the same period, united resistance to union demands in the electricity and steel industries was an attempt by employers to replace industrial unions with more docile enterprise unions.¹⁰ In these industries, Japanese management supported enterprise unions by recognizing them and by providing facilities and time off for union officers. Union office is also a route to senior management, most of the directors being former union officials. These links and managements' strong support for enterprise unionism led many Western commentators to claim that craft, industrial and general unions are the only structures capable of independence and advancing worker interests. Those who argued that the only way the Japanese labour movement would be able to secure a democratic and representative role in industry would be to restructure as industrial unions promoted this perspective. Management behaviour influences the role of all enterprise unions¹¹.

The level of influence is not determined solely by union structure, but by the continuing behaviour of union members, union leaders and management. Furthermore, management influence can be ameliorated by external factors such as the policies and actions of industrial federations. An appropriate way, therefore, to categorize unions is by their level of independence from management.

¹⁰Matsuzaki, H. (1992). *Japanese Business Unionism: The Historical Development of a Unique Labour Movement*. Studies in Human Resource Management and Industrial Relations in Asia, No. 1, University of New South Wales. pp-19

¹¹ *ibid* 51.

The independence is the minimum requirement for a union to be classified as genuine. In a recent study, Benson (1995) found considerable variation in the degree of union independence in Japanese manufacturing firms and concluded that both independent and incorporated unions existed. Some unions had implemented strategies to distance themselves from management, whereas others did not see the need for these strategies.

The same study also revealed that unions had a number of ways they could achieve independence from management. Union independence can be broken into structural and functional independence. Structural independence refers to aspects of union organization that enhance member participation and thereby restrict managerial influence. Functional independence relates to the level of operational autonomy from management, and involves the rejection of management's sponsorship of the day-to-day activities of the union. While both approaches contribute to the degree of union independence, they are vastly different strategies. Moreover, for many union officers there is little relationship between these forms of independence. This was made clear during interviews with union leaders in 1993. While some unions had structures for membership involvement, their officers saw few problems in accepting management payment of their wages or union expenses. Other officers felt strongly that their union should not accept any support from management, but had done little to encourage active membership participation. Using these two dimensions of independence, a four-fold typology of ideal union types was constructed.

The first union type is the 'company union'. Some writers have referred to all Japanese enterprise unions as company unions. In this study, the term is reserved for those who have not developed the structures that allow for membership participation, and which rely on management sponsorship of their day-to-day activities. These unions support management in achieving their goals, but membership support for the union and its strategies is questionable.

The second type is the 'enterprise union'. Although this name could be confused with its generic usage, it does accurately describe this kind of union. Enterprise unions are the property of all enterprise participants. Workers who are union members have the opportunity to participate in union governance, while management maintains influence by sponsoring union activities and inculcating attitudes that support the firm's goals. This combination of influences on the union will result in members' support for union policies, which in turn will endorse management initiatives and strategies.

The third type of union is the 'oligarchic union'. These unions keep a distance from management by rejecting sponsorship of union activities, but do not act as representative bodies as their leaders have not implemented structures to ensure collective rule and membership participation. They are leader-driven in the development of policies and in their responses to managerial initiatives, and so it is difficult to predict the issues these unions feel strongly about, or the policies they want implemented.

The final union type is the 'independent union'. These unions rely on collective leadership and membership involvement. They reject management sponsorship and do not accept the notion that firm performance must dictate the outcomes of enterprise industrial relations. This type of union resembles the form of unionism claimed to exist in Western societies.

Need for the formation of Labour Unions

The reasons for needing to form the union were due to dissatisfaction with the working conditions as well as the industrial democratization, represented by the term "need for talks with the management on an equal footing", and awareness of their right for a "union based on workers' rights".

Secondly it is necessary to form unions among the members who belonged to union within a company that already had a voice-type employee organization present. It was also confirmed from existing studies that voice-type employee organizations gave

negative effects in terms of the awareness of the need to form a union. However, the relatively larger proportion of union members in companies where employees' organizations were present, feel that they needed unions "because they cannot expect employees' organizations to serve as defenders of employee interests". This indicates that employees doubted whether the employees' organization had an alternative function to a labor union.

Thirdly to know whether the unions were useful or not, the newly formed unions were concerned. Most of the union members feel that the improvement was not especially useful in the fields of business management and working conditions. However, that the formation of a union benefited business management including the provision of managerial information, the hearing of employees' opinions, and, in the area of working conditions, the operational transparency of wage systems and the ease with which holiday leave and days-off could be taken. They also felt that forming a union affected the ease with which they could express their dissatisfaction with personnel management and working conditions, and gain access to managerial information.

Fourthly members of the newly formed unions had been generally formation of labor unions. But the positive effects of formation depended upon the members' perception of the relationship between the labor union and management. Among those union members who recognized that unions were too much under the control of the management or that unions and management were very confrontational, the proportion of members who gave positive evaluation to the formation of unions was relatively small. Union members sought a relationship between the labor union and management, a relationship that allowed the union to make clear demands on management. Depending on the relationship between a union and management, union members might become disappointed and leave the union.¹²

¹² Tsuru, T. (1995). "Trade Unions in Contemporary Japan and Apathy of Union Members." In *Employment and Labour Markets in Japan*, ed. T. Inoki and Y. Higuchi, 123-39. Tokyo:

The Japanese labour movement has been both the object of high praise and severe criticism. Many economists in Japan and elsewhere praise the pattern of Japanese labour-management relations, which is characterized by enterprise unionism, seniority and permanent employment, as being one of the major factors responsible for the nation's rapid economic growth in the 1960s and the nation's relatively quick recovery from the 1973 oil crisis. Other economists however criticize Japanese labour unions for being too eager to do the bidding of management and not caring enough for the needs of their own members. Some even blame Japan's huge surplus in the balance of payments and the yen's soaring exchange rate as well as such domestic ills such as insufficient housing and inadequate public works on labor's failure to influence policy decisions concerning the national economy.¹³

Trends in Unionization

a) Decline in Unionization Rates of Labor Unions

As is generally known, declining unionization rates of Japanese labor unions is not a recent phenomenon. The estimated unionization rate fluctuated slightly between 32-36 percent from the mid-1950s to the mid-1970s. In the late 1970s, however, it started an onward trend. In 1983, it declined to approximately 30 percent (29.7%). In 1991, it declined to 24.5 percent, covering less than one-quarter of employees. In 2001, it declined to just over 20 percent (20.7%) which further declined to 19.2% in the year 2004.¹⁴

Unionization rates declined from the late 1970s to the early 1990s because the increase in the number of union members could not keep up with that of employees.¹⁵ The number of union members, which was approximately 12.59 million in 1975, slightly changed to about 12.42 million in 1985, 12.27 million in 1990, and 12.61 million in 1995. During these periods, the number of union members did not show a significant downward trend.

¹³ Koshihiro kazutoshi, (1983) "*Japan's Labour Unions: The Meeting of White and Blue Collar*", Politics and Economics in Contemporary Japan, pp-143-144.

¹⁴ See *Appendix 1*, pp-72

¹⁵ Freeman, R., and M. Rebick. (1989). "Crumbling Pillar? Declining Union Density in Japan." *Journal of the Japanese and International Economies* 3 (4): 578-605.

In the late 1990s, the number of union members began to decrease. In 1999, it dropped below 12 million, then to about 11.21 million in 2001.

One of the main factors contributing to the overall decline in unionization rates is that the rate at which new labor unions are forming has declined. In fact, unionization rates of new unions (the number of members of newly-established labor unions divided by the total number of employees) fell from 0.69 percent in 1970 to 0.23 percent in 1980, 0.17 percent in 1985, 0.17 percent in 1990, 0.20 percent in 1995 and 0.12 percent in 2000, which lead to the decline of unionization rates as a whole. In particular, the reason why unionization rates have declined is because unionization rates of increased part-time workers and managers did not keep pace with the growth of employees. Another factor concerning declining unionization rates is that since the recession in the 1990s, there has been an increase in workforce restructuring by employers as well as establishment closures and bankruptcies, thus leading to the reduction or dismissal of union members in such companies and establishments. Those union members that have been reduced or dismissed have contributed to the loss of union membership accordingly.¹⁶

In spite of significant changes in the economic environment, labour/management relations in Japan have not changed to any significant extent from the previous two decades. The basic characteristics of the company-based union, the seniority-based wage profile, the spring labour offensive that features annual wage talks early in the year, long-term employment and workforce adjustments organized primarily within the internal labour market all continue to this day. Any increase in labour disputes typical of a low-growth economy has not yet been observed. It can be said the Japanese trade union movement has made few changes in its traditional style and practice. One reason could be the fact that divisions in the post-war labour movement, which persisted for years, have at last been overcome and most unions have been consolidated into the 8-million strong

¹⁶ Tsuyoshi, Tsuru, (1993), "Decisive Factors of Declining Unionization Rate of Labor Unions in Japan: Prospects", edited by the Japan Institute of Labor, *Decisive Factors of Declining Unionization Rate of Labor Unions*, (Research Report No. 43), Japan Institute of Labor, pp. 12-43.

Rengo. For the first time, trade unions have shaped themselves into a stable social force.¹⁷

b) Politicization of Trade Unions

Socio-economic conditions in the late 1990s seemed very unfavorable for the Japanese trade union movement. Until the mid-1990s, the labour movement was in an extremely favourable situation. From the second half of the 1980s through the first half of the 1990s, the Japanese public was well aware that their living standards, including working hours and the environment, lagged behind the economic success enjoyed by Japanese industry. It was generally believed that improvements should be facilitated as the utmost priority.

Throughout most of the post-war period, Japanese trade unions were divided between several national centers; they were finally united in November 1989. Although its organized ratio of trade unions remained at 24 per cent or so, Rengo was established with some 8 million members representing the majority of organized workers, mostly in manufacturing. Rengo received nationwide worker support for improvements in living standards. Rengo's slogan in its earliest days was "Leisure, prosperity and social justice", representing a protest against long working hours and demonstrating a will to improve the conditions of employment generally. Trade union demands for reduced working hours and better living conditions were gradually accepted by the public, since the business establishment moved away from its former opposition to such improvements.

During the first half of the 1990s, for the first time in post-war history, economic and industrial development as a national priority was increasingly eroded by the importance attached to improving living standards for the working public, and both the government and opposition parties showed their acceptance of this way of thinking. Concurrently, a significant change took place in the political scene: the single party dominance of the conservative Liberal Democratic Party over most of the post-war period collapsed in

¹⁷Sadahiko Inoue,(1999) "*Japanese Trade unions and Their Future: Opportunities and Challenges in an Era of Globalization*" Rengo Institute for Advancement of Living Standards, Tokyo Labour and Society Programme, DP/106/1999.

1993, and a non-LDP coalition government was inaugurated. In 1994 the non-LDP government was succeeded by an LDP-Socialist Party coalition that stayed in power until the middle of 1998.

From the late 1980s through the 1990s, some progress was made in reducing working hours: net annual hours in manufacturing for male production workers amounted to 2,189 hours in 1988, longer than any country in Europe or the United States. In 1995, seven years later, this was reduced to 1,975 hours, comparable to the United Kingdom and the United States.

During the economic setback, the policy of improving living standards continued, and in 1992 the Government's medium-term economic plan was published under the title "Five-Year Plan toward a Major Economic Power with Advanced Living and Welfare Standards". The plan introduced policy changes directed to the supply side. In December 1994, the Government announced the "New Gold Plan", a seven-year programme aimed at strengthening improvements in the social security system by addressing problems arising from the declining birth rate and the ageing population. Health care for elderly people and childcare services were introduced to complement the existing public pension and health insurance schemes. Until the 1980s, the policy on public welfare programmes was to restrict these services to the very poor, while the Council for Social Welfare Systems, responsible for determining the basic direction of government social welfare policies, proposed "universalism in social welfare" in its third "recommendation" since the war. A law to provide nursing care for the aged has been enacted, and comes into effect in April 2000. The concept of equal opportunity in employment has gradually been accepted by the public, and preparation for the "U.N. Women's Action Plan" is in progress.

In retrospect, the changes that took place during the 1990s were not limited to a shift in policy. Other changes occurred which ought to be seen in a broader historical context. The new orientation amounted to an extensive review of the national identity and its social system. Since the Meiji Restoration (1868) when Japan began to steer a course towards a modern state, the nation has retained more or less "development-oriented"

policies. Institutional distortions and other anomalies inevitably accompany such policies when a country tries to catch up quickly on the economic levels of advanced nations.¹⁸ The ongoing review is an effort to correct the effects of these development-oriented policies and related institutional distortions. Specifically, long-term structural reforms have been initiated, which represent efforts to transform relations between market and state, between central government and local governments and municipalities, and between regulatory agencies and industry, making them more modern, fair and transparent. This process requires a sweeping review of the financial reforms imposed by budgetary constraints arising from lower economic growth, and also regulatory reform and deregulation.

These developments have led to the establishment of various means to promote reform and deregulation, the creation of new systems and institutions to facilitate decentralization, and the enactment of laws on regulatory procedures, product liability, consumer contract, environmental protection and environmental impact assessment, as well as information disclosure.

c) Trade Unions and Institutional Changes.

Institutional changes in industrial relations remain minimal as a result of two factors. First, partnership and confidence between labour and management, which have developed steadily over many years, remains firm in the 1990s. This is the base of the Japanese corporate system, which forms a quasi-community for employees. Here, the accepted idea is that lay-offs only occur in marginal enterprises suffering persistent poor performance. Lay-offs, which are common practice in the United States, basically do not occur in Japanese companies.¹⁹ Second, Japanese employment and wage systems are not rigid by any means, contrary to what many observers erroneously report. The internal labour market of a Japanese corporation, and the quasi-internal labour market including its affiliates, provide for employment adjustment based on moving workers to different

¹⁸ Bonoli, G. (2004). 'Modernising Post-War Welfare States. Explaining Diversity in Patterns of Adaptation to New Social Risks'. *2nd ESPA Net Annual Conference*, Oxford.

¹⁹ Hartog, J. and J. Theeuwes (1993). *Labour Market Contracts and Institutions. A Cross-National Comparison*. Amsterdam, North Holland.

jobs, training/relocation, and restraints on recruitment.²⁰ Therefore, the mobility of the workforces is considerable. The pay system featuring seniority, which is not directly related to job type, serves to facilitate the mobility of labour within the corporation. This makes it unnecessary for corporate management to resort to lay-off, so that normal practice is to retain employees.

The social consensus and information sharing leading to wage determination through the spring labour offensive helped the Japanese economy recover from rampant inflation in the aftermath of the oil crises in the 1970s, because of its wage moderation effect²¹. In the current serious recession and the deflationary pressures on the Japanese economy, the spring labour offensive serves to slow the deflationary spiral caused by the worsening employment situation and the decline in wage levels. The approach helps adapt wage levels to fluctuations in the economy and to inflation or deflation, and acts as a built-in stabilizer.

d) Against the Market Doctrine

In the context of continuing economic problems, there is a tendency to favour public policies and corporate management practices based on the new market doctrine.²² There is also a school of thought that relates the causes of Japan's economic stagnation to the traditional practice of retaining workers and using a largely equitable pay system. Advocates of market principles argue for enhancing flexibility by making lay-offs much easier, and by attaching more importance to the external labour market. Since 1997, there have been moves towards expanding temporary staffing schemes and promoting job-placement agencies in the private sector. Recent revisions of the Labour Standards Law allow more scope for fixed-term employment contracts. Trade unions have launched campaigns against these moves, which have resulted in some restrictions on implementing the revised provisions.

²⁰ Moira Nelson, (2005) ' *Trade Unions and Active Labor Market Policies:Insiders, Outsiders, and Institutional Change* ' Prepared for the ESPAnet Young Researcher Workshop Organised Labour and the Welfare State : New Perspectives on an Old Couple Paris, 30th June to 2nd July

²¹ Inagami, Takeshi. (1988). Industrial Relations Series, No. 14 *Japanese Workplace Industrial Relations*. Tokyo: The Japan Institute of Labour.

²² Fujimura, H. (1997). "New Unionism: Beyond Enterprise Unionism?" In *Japanese Labour and Management in Transition*, ed. S. Mari and H. Sato, 296–314. London:Routledge.

Under the tightening budgetary constraints, initiatives to reduce social welfare, pensions and health care benefits have become highly controversial issues.²³ Holding companies, previously very restricted by anti-trust considerations, are generally permitted to divest operations into separate corporate entities, or reorganize themselves and their affiliates into industry groups. These developments have caused some concern that the effectiveness of collective bargaining at company level might decrease with the globalization of corporate management. On the supply side of labour, too, several factors have emerged to facilitate these changes. The employment of women and older people is increasing and since these workers show a strong tendency to opt for part-time jobs, they help diversify employment forms and working conditions. They also help develop changes in the traditional wage structure based on full-time workers and thus reduce wage discrepancies.²⁴

No social force is overtly hostile to trade unions in Japan. However, the market approach seems to be gaining influence, even though unemployment is rising and widening wage discrepancies are observed in some sectors. Also, for corporate management, a tendency towards short-termism is observed. This approach looks for short-term returns on investment and respects fast decisions on business options, rather than attaching importance to long-term, stable employment and business success.

Rengo and Unionism

1) Long-term Stable Employment and Equitable Short-term Employment

Rengo defends long-term employment and stable wages. It also attaches importance to expanding individual union members' options in their working style, increasing union involvement in human resources development, and fair positioning of staff. Rengo has drawn up guidelines for the growing new workforce with its higher mobility and part-time workers. The guidelines propose assuring workers' right to subscribe to social

²³ Hicks, A. and D. Swank (1992). "Politics, Institutions, and Welfare Spending in Industrialized Democracies, 1960-82." *American Political Science Review* 86(3): 658-674.

²⁴ Fukuyama, F. (1996). *Trust: The Social Virtues and the Creation of Prosperity*. London:Penguin.

insurance schemes, and the right to fair treatment. These efforts are in line with Rengo's policy of increasing trade union representation at workshops.

A joint study between Rengo and DGB (German Trade Union) on the future of work, published in September 1997, touched upon this point.²⁵ The study states: in the working and employment systems, long-term, stable employment for regular workers must be placed in their core. Long-term, stable employment of regular workers can assure a labour system that combines contemporary technological innovations with human skills.²⁶ Namely, it can help provide effective future-oriented training schemes that enable to supply high performance labour, or required skills. High performance labour cannot be materialized under short-term, unstable employment. Also, for short-term employment, fair wages and working conditions must be assured. A campaign against the doctrine claiming market principles are best is expressly stated as the basis of Rengo's policy for 1997 to 1999. This position is geared to Rengo's social strategy of a sustainable welfare society built in the long-term interest of people living on their salaries.

2) A Better Socioeconomic Model

Rengo Rials has presented its concept of future society. The research institute has provided two social models, in which Rials affirms that society in the 21st century will have to choose between two options: one is individualism or the almighty market, and the other is respect for individuals and social solidarity.²⁷ The second model is presented as the basic concept of the welfare socio-economic model which is a sustainable system.²⁸ This concept looks at inter-dependence between the social system and the market system, and aims to achieve the optimal balance between economic success and social welfare. This is a kind of macro-socioeconomic model that makes the best use of market forces

²⁵ Rengo/DGB: *Future of Work, Future of Social Welfare State, Future of Trade Unions*, 25 September 1997, Tokyo.

²⁶ Takao Kato And Motohiro Morishima, (2001) '*The Productivity Effects Of Participatory Employment Practices: Evidence From New Japanese Panel Data*', October 5,.

²⁷ RIALS: *Future Tense of Happiness*, Rengo Research Institute Report No. 6, 1996. RIALS: *Towards a Welfare Society, Market and Social Solidarity in 21st Century Japan*, Rengo Research Institute Report No. 7, 1998.

²⁸ RIALS: *Towards a Welfare Society, Market and Social Solidarity in 21st Century Japan*, Rengo Research Institute Report No. 7, 1998

within a framework of the development of human abilities and welfare as a social foundation, participatory democracy and guidance in macroeconomic policies.

3) Higher Competitiveness and the Corporate Model

Rengo Rials has also examined competitiveness for business enterprises facing fierce international competition, and it proposes a competitiveness model compatible with social progress. This model is set against the behaviour of corporations, which seek to exploit low-wage workers employed on short-term contracts. Such companies readily dismiss employees and transfer their operations from one place to another, seeking the least expensive location. This is the low-road approach leading to lower wages and lower productivity. This direction emphasizes shareholders' interests, looks at return on equity as the sole criterion for successful management, and disregards job security and the social aspects of corporate activities. Managers often try to undermine the effectiveness of government policy, evade public responsibilities, or deny trade unions. This can be described as the competitiveness for shareholders model. Against this, Rengo Rials has proposed the competitiveness for stakeholders' model.²⁹ This is based on long-term employment, better use of innovations in corporate organization and technology, highly skilled workers and the benefits of industrial democracy, including labour/management consultation. All these elements provide flexibility for an industry or business enterprise. This model is based on the traditional Japanese employment system, which was established as a sustainable social compromise arising from the fierce industrial conflicts of the early post-war labour movement in Japan. It can be described as a Japanese version of the high-road approach, reflecting a belief in high skills/high reliability/high quality/high productivity. This model was an important theme in an international symposium held in December 1997 in commemoration of the tenth anniversary of Rengo Rials.³⁰ Japan sees many discussions on corporate governance. In the business world, some argue for new regulations on company management and corporate structure in order to further promote shareholders' capitalism: Rengo criticizes these efforts. Rengo is

²⁹Inoue, S.; Suzuki, F.: (1998) *The High Road Approach in the Japanese Context: The Stakeholders' Agenda for the Coming Century*, Rengo Research Institute Report No. 7.

³⁰ Inoue, S.: (1998) *Meanings and main points of the International Symposium by Rials*, Rengo Research Institute Report No. 8.

preparing its campaign strategy for the 21st century, aiming at a realistic and desirable model of social and economic progress.

Adjusting to the Post-Bubble Recession, 1991-2005

Japan's overheated Bubble Economy burst in 1991. Confronted with a financial system in disarray, a stagnant economy, and with the yen rapidly appreciating, by the mid-1990's Japanese firms were under great pressure to cut costs in order to remain solvent. These same years coincided with the appearance of renewed political momentum on the part of the neoliberal reform movement originally associated with Rincho. Deregulation and administrative reform were propelled to the forefront of the public agenda amid strong international pressures and a seemingly unceasing flood of corruption scandals involving government bureaucrats. Several concrete proposals for a drastic overhaul of Japan's economic regulatory structure were released that portended even more intense cost pressures. In the meantime, unemployment had risen to unprecedented levels, primarily as a consequence of cutbacks in the secondary work force and drastic cuts in new hiring, with the conventional means of adjusting corporate workforces during downturns. Exhausted, a number of prominent business spokespersons began during the mid-1990's to talk openly about the need for even more "flexibility" in their use of the labor force. The deteriorating economic circumstances and the political and administrative instability induced Rengo to assess the implications of these circumstances and to consider what an appropriate response on its part might be. A number of major public statements and policy documents were released during the 1994-96 period in which the national center presented its reading of the situation and outlined what it saw as the appropriate short-term, medium-term and long-term directions for the Japanese labor movement in light of these developments.

Among the most immediately useful for the purpose of gauging the impact of this rethinking on Rengo's attitude toward the social contract on employment is a November 1994 report entitled "The Direction of Employment and Labor Countermeasures during the Period of Transition."³¹ The discussion therein is premised on the assumption that the

³¹ RENGO. (1994), www.jtuc-rengo.or.jp.

strains faced by large corporations were not merely cyclical but rather the symptoms of a major structural problem. The report sets out medium- and long-term strategies by which to manage the required structural adjustments. In doing so the report clearly reveals a desire to work within the parameters stipulated in the employment social contract. It points out that although "lifetime employment" applies to only the 20 to 30 percent of the workforce employed in large corporations and the government and public sector, it also serves as a model for labor management relations in small and medium-sized enterprises. The report argues that lifetime employment contributes to effective corporate operations by encouraging employee identification with the firm and associates it with a heightened work incentive. Given this, it asserts the importance of maintaining the employment system and argues that therefore the labor movement's responses should center on promoting employment policies geared toward preventing increases in unemployment that might destabilize that system. At the same time, the document also makes it clear that preserving employment does not mean resisting structural changes. On the contrary, structural change is presented as the vehicle for solving employment problems.

After observing that "'deregulation' is bringing about an alteration of the industrial structure," it asserts that "the loosening of economic regulations contains within it the prospect of working as a positive force for future economic growth and the expansion of employment opportunities through improved service, declining price levels, and the appearance of new industries." It admits that deregulation can give rise to the negative side effect of employment loss, but it need not do so if addressed properly. If appropriate pro-competitive "social regulations" are instituted in a balanced way in tandem with deregulation, then unemployment should not be a concern. Rengo then makes it clear that primary responsibility for such "social regulation" rests with the firm: Changes in industrial structure are accompanied over the medium-term by the movement of labor from business segments that are shrinking to business segments that are growing. For this reason, the first thing that needs to be done is to shift currently employed workers to new jobs. In the event that a reduction in the firm's size is unavoidable, it is the firm's responsibility to arrange a job transfer and to guarantee opportunities to obtain appropriate job training.

Rengo conceded, however, that the magnitude of the required structural transformation was such that conventional adjustments within the confines of the firm-level effort alone were unlikely to be sufficient in absorbing the excess labor that the transition would generate. The upshot of this was the delineation of a massive "employment creation plan" that provided a unified solution to the tasks of securing new jobs for currently employed workers, of creating new jobs for the unemployed and of raising real living standards for Japanese workers. Under this plan, tripartite industry- and national-level state-labor-management consultation committees would facilitate investment in new technologies and business fields. Five specific sectors were targeted: telecommunications, housing and transportation infrastructure, cultural industries (including leisure and education), health care, and the environmental/energy sectors. The choice of these particular sectors was deliberate, in that they were all viewed as sectors that would contribute to improvements in the living standards of Japanese workers.

As detailed in the preceding section, another key aspect of the early 1980s social contract was the labor movement's support, in alliance with business, of the neoliberal economic reform agenda championed since the heyday of Rincho. During the mid-1990s, Rengo continued to back this line on institutional change as is illustrated by Rengo's 200-page compilation of policy and institutional demands for the 1994-95 period. In this report, Rengo declared its commitment to the goal of establishing a "free, fair and transparent system in which the market mechanism will function in a positive way." Increased competition was characterized as being in the worker's interest because it would lower consumer prices and thereby raise worker incomes in real terms. In keeping with earlier reports, tax cuts were pushed as a means for increasing worker incomes and as a way for stimulating the consumer spending needed to lift the economy out of recession. It was also presented as a way to correct the longstanding overemphasis in Japan on investments in firm capital over investments in public and private assets used to support private and public consumption.

The way in which these various tendencies fit together into an overall strategy is exemplified in the annual Shunto strategy report for 1996. Rengo once again presents economic growth as the solution to economic decline. It establishes a 3 percent growth

rate as a target to be attained through coordinated labor-state-management efforts "Government, labor and management will strive for economic recovery and improvements and living standards and must move real growth to a 3 percent not accompanied by employment insecurity."³² In the division of labor that it outlines government is assigned the task of implementing a "bold" fiscal stimulus package, policies to stabilize the exchange rate, and policies to facilitate a "reform of the economic and industrial structure." Labor and management, in the meantime, are to work together in the development of new industries that would help to "create employment" while improving working conditions. Neoliberal market reforms, to be pressed for through Rengo's institutional and policy struggles for the fiscal year, are presented as a means of eliminating employment pressures.

Despite the substantial weight given to these institutional and policy demands, however, pushing up wages was clearly the central concern in the 1996 Shunto strategy. Rengo called on its constituent units to "engage in efforts to raise the [Shunto] market" and negotiate industry-level wage hikes that would "increase their synergetic effect" using the conventional mechanisms for conducting Shunto campaigns over the preceding four decades. The methodology put forward for formulating wage demands was very much in keeping with the incremental, social contract-oriented practices adopted since 1975. Wage demands were to consist of three components: a regular wage hike component, a component tied to inflation, and a living standards improvement component. The first component corresponded to the regular seniority- and merit-based salary increases that corporations had presumably already incorporated into their labor costs and would not therefore have a major impact on the overall corporate bottom line. The inflation component, of course, was consistent with the principle of calibrating wage hikes to larger macroeconomic trends. The remaining living standards improvement component, too, was ultimately justified as being consistent with trends in the overall economy. Rengo argued that an increase was necessary to compensate for declining interest income caused by dropping interest rates and, of course, as a means of generating the consumer demand needed to get the economy growing again. That the spirit of 1975 was very much

³² RENGO. 1996, www.jtuc-rengo.or.jp.

alive was perhaps nowhere better exemplified than in the following longwinded headline of an article in a special section of Rengo's official monthly devoted to the 1996 Shunto: "It is important to get back on a re-expansion track by aiming for an increase in consumption through aggressive wage hikes without extinguishing the fire in the engine of plant and equipment investment."

Thus, the key documents produced by Rengo during the mid-1990s support the conclusion that the mainstream of the Japanese labor movement sought solutions to the challenges of the period within the parameters of the post-1980 social contract. This strategy positioned the labor movement in a stance supportive of the Neoliberal institutional reform agenda that was being promoted-albeit ultimately with mixed success-by a coalition of big business and reformist elements in government and politics. It did so because it continued to conceive of the labor movement's interests as being served by the Japanese employment system and because it considered Japanese management to be willing to abide by the terms of the social contract and to work with the labor movement in promoting solutions that were in the mutual interest of both parties. During the latter part of the decade, and in particular after 1997, it became increasingly apparent that the terms of the debate over employment and structural reform in Japan were changing rapidly.

Despite massive fiscal stimulus packages aimed at jumpstarting a recovery, Japan experienced negative economic growth rates of -0.4 in 1997 and -1.9 percent in 1998. The steady rise in the number of unemployed, which had continued unabated since the burst of the bubble, picked up steam and eventually broke through the psychologically significant rate of 5 percent in 1999. The new hiring of permanent employees appeared to be a dying practice, while corporate restructurings accompanied by major work force reductions were occurring with alarming frequency. Some of Japan's largest corporations were included in this group. Perhaps the most symbolically significant of these was that which was occurring at the auto giant Nissan, a company that had a reputation for having a powerful enterprise union. In 1999 the company announced a plan to reduce its work force by 14 percent or some 21,000 employees and the number of suppliers that it dealt with by half. The latter action sounded the probable death knell for the small and

medium-sized manufacturers involved and the jobs of their workers. What made the Nissan case all the more harsh, however, was that all of this was occurring under the watch of Carlos Ghosn, a Frenchman. What this seemed to imply was that "Western"-style labor force reduction had now gained a firm foothold in Japan.

The effect of the economic deterioration was to pull the rug out from under the increasingly strained consensus on employment and neoliberal reform that had provided the foundation for the accommodation between the state, business community and the labor movement. To proponents of neoliberal economic reforms and for many Japanese corporate executives, the employment-preserving practices of the Japanese employment system were no longer sustainable and a new approach to employment was required. During 1999, it became clear that the earlier taboo on open discussion of abandoning the Japanese employment system could no longer be enforced.

In February the prestigious and influential Economic Strategy Council called for the creation of "a healthy and creative competitive society." In conjunction with this proposal it recommended that employment policy move away from its existing approach of encouraging firms to retain employees to one that stressed raising the employability of individual workers in the external labor market. In July another prestigious government council articulated a similar vision in which it recommended employment policies focused on actively encouraging labor mobility. And finally the government's 1999 Economic White paper cited employment along with capacity and debt as one of the "three excesses"³³ that Japan needed to trim and, for the first time in the 45-year history of such white papers, carried an estimate of the total excess employees in the country. In October 1999 Keidanren weighed in with a militant-sounding policy statement of its own in which it asserted, "There is a need to correct the problem of labor policies decided in commissions becoming compromises between labor and management." Like the earlier governmental commissions, it called for employment policies that, rather than encouraging long-term employment, would instead facilitate labor mobility. What these various statements implied was that there was an increasing willingness in the Japanese policymaking establishment to abandon the Japanese employment system based on the

³³ Rengo Economic and Security Council, *White Paper*, 1999.

notion of long term employment favor of a highly individualized, highly fluid, "flexible" model of employment.

The willingness on the part of prominent management and government spokespersons to state publicly that they were willing to abandon the employment social contract prompted Rengo officials to reconsider their position. One of the earliest indications that a major rethinking was under way was made evident at Rengo's biennial convention held in October of 1999. There, "employers who were not making an effort to live up to their social responsibility" were roundly chastised. The Economic Security Council's "leave-everything-to-the-market thesis" was also raised as a specific target of severe criticism. Strong objections were voiced against the notion that Japanese corporations had an "excess" of employees. The situation was instead characterized as one in which cutbacks in hiring and the reduction in the number of secondary workers was forcing regular employees to work an excessive number of hours. The practice of "service overtime" (unpaid overtime work) was singled out for criticism. In the ensuing months, a number of ideas and concepts-some of them new and others presented earlier but not emphasized-were pushed to the forefront of Rengo's public discourse.

Perhaps the broadest, and for that reason most fundamental, was the idea of a "labor-entered welfare society." As the discussion in preceding sections indicates, the "welfare society" concept was not a new one and was in fact central to the post-1980 employment social contract. However, during 1999-2000 its content underwent a transformation. Where earlier Rengo had thought in terms of workers realizing their welfare needs collectively through the firm via a more or less autonomously administered employment system, it now downgraded the role played by the firm in favor of an approach in which the workers as individuals would seek to maintain their welfare through "society."

Rengo's ideal is a society in which an individual's independence and freedom are guaranteed on the base of a secure and stable foundation in which one can have confidence about what is ahead. A secure and stable foundation for a working person is first and foremost stability of employment. If an individual is to sustain an independent lifestyle and if there is to be an expansion of the range of choices available in choosing

one's modality of work there must be a foundation of stable, long-term employment. The long-term employment practices that have been established in Japan must be considered a social safety net whose significance extends beyond a firm's internal employment policy. In addition, with the decrease in the number of work hours, increases in holidays, and a lengthening of life spans, the time available outside of work hours and one's productive years will expand and increase in importance. The workers must focus on the local community and seek a welfare society system whose boundaries extend beyond the firm as they move in the direction of shifting from enterprise-centered welfare to social welfare, and at the same time labor unions themselves must become the primary overseer of the welfare society.)³⁴

The conceptual shift away from the firm as the primary vehicle for attaining worker welfare opened the way for considering new modalities for managing an employee's relationship with the firm. In place of the informal guarantees of employment that were the hallmark of the Japanese employment system, Rengo proposed a "labor contract law" and a "law for the protection of workers on the occasion of enterprise reorganization" that would legally codify the terms under which dismissals can occur and make worker rights explicit. Rengo also began to champion the concept of "work sharing," a key component of which was the elimination of unpaid overtime ("service overtime") for the sake of expanding employment opportunities. An outside study estimated that doing so would create work for 900,000 employees. If paid overtime were eliminated as well this figure would increase to 2.3 million.

This shift away from the firm to an increased emphasis on state welfare provisions, in turn, precipitated an alteration in its stance toward the neoliberal administrative reform movement. In its "2001-2003 Policy and Institutional Demands Summary," stressed that marketization is but a means to an end and not an end in and of itself and pointed to the need for firewalls that would prevent liberal reforms from resulting in a ravaging of employment and work conditions: "At present, with globalization as a motivating factor, the 'market-as-cure-all thesis' and "market fundamentalism" have taken the day. Policies that attempt to leave everything to the market will expand social inequities and will sap

³⁴ RENGO 2000, (*The White Book*), Tokyo.

economic vitality over the long run. The market cannot operate effectively in the absence of clear cut rules and safety nets."³⁵ It insisted that "'administrative reform' should not simply aim for 'small government,' but for 'government that is effective and efficient' and can appropriately respond to society's needs." The issue is not so much the size of government or even the expansion of the scope of the market mechanism but making the political economy-that is, market and state together-as responsive as possible to the livelihood and welfare needs of workers. Rengo envisioned a fairly radical transformation in order to bring this about: "We believe that the national government should conduct affairs related to the existence of the state in international society and be responsible for measures that are national in scope while local governments engage in a wide range administration that is close to their resident populations, and that government administration should restrict the activities of the private sector as little as possible."³⁶ It then went on to demand a thoroughgoing devolution of power from the national to local governments on the justification that local governments are much more sensitive and responsive to the needs of the citizenry. This, in turn, encouraged a more solidarity orientation in the way that Rengo defined its primary constituency. Whereas earlier there was a tendency to focus its efforts on the needs of the regular employees of large corporations that constituted the unionized segment of the Japanese work force, Rengo began to more energetically champion the cause of part-time workers, temporary workers, and female employees.

As with our preceding discussion of Rengo's stance in the mid-1990s, the Shunto strategy document (the Rengo "white paper") provides a useful illustration of the way in which these various elements fit together. Where the earlier version saw a coordinated labor government- management strategy as the solution to Japan's economic woes, the 2003 Shunto white paper conveys a profound loss of faith in labor's ostensible social partners. Rather than providing a solution to the problem, management and government are presented as the cause of the problem. Thus, regarding management, the document noted that "employers have intensified their efforts to secure short-term profits by cutting personnel expenditures, by suppressing wage increases and making employment

³⁵ RENGO, 2001

³⁶ *ibid*

adjustments [i.e., dismissing employees]. This business behavior had generated a vicious macro spiral: workers' anxiety about jobs and living suppresses private consumption, which reduces demand and makes the market sluggish, in turn undermining corporate performance." Its assessment of government is equally harsh: "The Government has not even made efforts to take effective policies to dispel workers' anxieties about jobs, such as proper unemployment countermeasure[s] or an expansion of safety nets. On the contrary, the government is unilaterally imposing the 'pains' of its structural reforms on working people, by shifting onto them the additional unemployment insurance and health insurance burdens and by carrying out deregulation in a reckless way. Moreover, the government has accelerated the process of bad loan settlement, adding to the already strong deflationary pressure."³⁷

Looked at through the lens of the social contract model, what these statements suggest is that in Rengo's view both employers and the government are not living up to the terms of the employment contract.³⁸ This perceived breakdown in the socio-contractual relationship between the labor movement, on the one hand, and employers and government, on the other, is presented in the Rengo 2003 Shunto white paper as cause for a reorientation of Rengo's strategy or, to use Rengo's language, "reconstruction of the Spring Struggle." Shunto's reconstruction is characterized as an eminently political task—that of establishing a new "social consensus" behind the goal of establishing a "welfare society centered on work." Wage increases receive extremely little mention. Instead, policy and institutional demands predominate.³⁹ And where in the earlier conceived of policy demands and industrial relations concerns as independent arenas, in the 2003 Shunto white paper institutional measures were identified as the lever for precipitating institutional change in the industrial relations arena. And rather than tacitly accepting differential treatment between the unionized labor elite and the non-unionized secondary

³⁷ Cabinet Office. (2004). *Economic and Fiscal Policy* (18 February). www.cao.go.jp.

³⁸ Truss, C. (1999). "Soft and Hard Models of Human Resource Management." In *Strategic Human Resource Management*, ed. L. Gratton, V. Hope Hailey, P. Stiles, and C. Truss, 40–58. Oxford: Oxford University Press.

³⁹ Tachibanaki, T., and T. Noda. 2000. *The Economic Effects of Trade Unions in Japan*. London: Macmillan.

labor force, the 2003 Shunto places assistance to the bottom of the ladder in a central place.

Concluding Comments

The current chapter reviewed, in broad strokes, the way in which the Japanese labor movement's attitude and stance evolved over time as both the movement and the Japanese adjusted to the development of an industrial and post-industrial capitalist political economy, as well as the more recent extended downturn in economic growth. Institutional change was central to this process. It was also maintained that looking at this process in terms of a "social contract" provides a fruitful means of understanding the distinctive configuration of institutions, attitudes and behavior patterns that surround the so-called Japanese employment system and shape the larger dynamics of the polity and economy in that country. It is said that the labor movement began as a movement that was fundamentally hostile to the institutional status quo and devoted to altering the institutions of the Japanese political economy in a substantial way. The emergence of a "productivity bargain" at the firm level, the institutionalization of the Shunto wage bargaining system, and the employment security provided to the bulk of the unionized work force through the Japanese employment system combined to moderate the stance and then to alter the thrust of the Japanese movement. In the late 1970s, this gave birth to a de facto social contract that brought the mainstream of the Japanese labor movement into the establishment as a "social partner," albeit one whose position and role therein was characterized by a number of important limitations. This brought the movement to a stance in which it was generally supportive of the institutional status quo in the industrial relations arena. However, outside of the industrial relations arena the labor movement, together with big business, emerged as a force pushing for neoliberal change, albeit through means that were largely intra-systemic. Finally, the recent developments suggest that the labor movement sees the social contract as having lost its validity due to the actions of the other principals to the contract—business and government. This, in turn, appears to be precipitating a break with business on the neoliberal reform agenda and an attempt to forge an alternative vision of Japanese society that moves away from the firm-centered collectivism of the Japanese employment system to one in which the state

intervenes more directly in the assuring the welfare of the individual even as the movement clings to the notion of a welfare society rather over that of a welfare state.

As to what impact this current rethinking of labor's interest will have on the future direction of institutional issues in Japan, there are a number of possible directions in which things might go but it is too early to say with any degree of confidence which one it will be. A renewal of the social contract and a reinforcement of current institutional arrangements are not inconceivable, although this would appear to be unlikely unless there is a rapid turnaround in Japan's economy. The bigger determining factor would appear to be that of the power and influence of the labor movement's vision in Japanese politics. On the one hand, it would appear that Rengo's emerging vision does effectively articulate the general interest of the average salary man and the employed population that is now the dominant part of the Japanese electorate. On the other, however, the kind of market liberalization that is such an important component of the welfare society vision would fundamentally endanger other "social contracts" governing relations between the state, the dominant LDP, and politically powerful interest groups like farmers and small businessmen. Furthermore, in an archetypal not-in-my-back-yard response individual unions and union industrial federations are also prone to oppose liberalization when their own industries are involved. Rengo has for years been attempting to forge a "new political force" in the form of a new political party that would represent the interests of the employee and which could rest control of the government from the grip of entrenched interests that now block the path to a neoliberal/social welfarist institutional restructuring.

However, here too Rengo has been perennially frustrated. In the absence of an effective political force of this type, Rengo will no doubt continue to press for this vision while confronting opposition from a big business community bent on establishing more "flexibility" in its control over labor as it tries to individualize labor guarantees and entrenched vested interests (including its own member organizations) as it tries to liberalize the market.

As stated earlier, until the mid-1990s, organized labour enjoyed considerable latitude in union activities, partly because of the social position acquired by trade unions, and partly

because their practices were based on corporatism. However, since mid-1997 the situation has begun to change. One reason for the change is the deepening recession with negative economic growth for two or three consecutive years. Besides this, the LDP is reviving as the single government party, and a tendency towards supply side policies is gaining momentum. The pendulum is swinging away from policies emphasizing the advancement of living standards. The Congress on Economic Strategy, an advisory body to the Prime Minister, has published its view of Japan's medium- and long-term challenges. The Congress argues: "the Japanese-specific social system that attaches too much importance to equality and fairness must be revised" and that "Japan must seek to structure a competitive society". Rengo is rebutting these moves, and it is unlikely that such a way of thinking could prevail in Japan. However, as the recession continues, conflicting views on the direction for structuring Japanese society will undoubtedly be expressed more fiercely.

CHAPTER III

LABOUR GRIEVANCES AND REDRESSAL MECHANISMS

Introduction

“Trade unions have always had two faces, sword of justice and vested interest.”¹The balance between these two features can change over time, however. It seems clear that in many countries, unions have lately come to be widely perceived as conservative institutions, primarily concerned to defend the relative advantages of a minority of the working population. One of the challenges that confront trade unionism in the twenty-first century is therefore to revive, and to redefine, the role as sword of justice.

With the shift toward a more individualized employment system, unions will now have to respond to individual grievances that arise from the outcomes of performance-pay systems and the individualization of personnel appraisal.² Japanese unions are, however, ill equipped to cope with such individual problems because their mechanisms to deal with grievances have been designed for collective negotiations where communal solidarity is high. The power of the enterprise unions is largely conditional on cooperative action between management and workers. They received information from management because companies had recognized the logic of the local bargaining process and the need for collective employee representation. Weaker unions, coupled with the shift toward more individualized employment rules, are likely to induce lower levels of trust, less employee obligation, and subsequently less workplace cooperation.³

Japanese enterprise unions affiliated with Rengo have largely recognized the changes in the business context and have attempted to accommodate the new environment. For

¹ Richard Hyman, (1999) ‘An Emerging Agenda for Trade Unions?’ *Labour and Society Programme, International Institute for Labour Studies, Geneva.*

² Debroux, P. (1997), “Adjustment of Human Resource Policies in Japanese Companies”, *Journal of General Management*, Vol. 23 No. 1, pp. 23-38.

³ Ishida, H. (1999), *Japanese Human Resource Management: International Perspectives, Organization Research Series No. 3*, Keio University Sangyo Kenkyujo, Tokyo.

instance, a shift away from collective bargaining toward joint consultation has occurred and most employment-related issues are now settled at this level before reaching the collective-bargaining stage. Moreover, there are no signs of departure from a multiple stakeholders' corporate-governance system where unions play an important role as an internal control mechanism. Extending this participation to active participation in corporate governance is, however, unlikely at the present time, due to the inexperience and lack of continuity of the union leadership. Nevertheless, enterprise unions may well be the last resort to providing a check on managerial policymaking.

The Relationship between IR Institutions and Union Strategies

While previous studies of union revitalization stress the importance of labor unions as strategic actors, they also point out that the importance of IR institutions as the contexts in which labor unions interact with management. The labor union movements in many industrialized countries suffer from a decline in union density⁴. Whether a decline in union density has direct or indirect impact on union strength depends on the extent to which labor unions are embedded in IR institutions. Previous studies point out two types of institutional arrangements where a decline in union density does not necessarily lead to a decline in union strength. The first type is the existence of social partnership at the level of industry or region between labor unions and employers' associations based on which the two sides sign encompassing labor contracts. The second type is the existence of legal partnership at the level of company, region, nation, which is legitimized by the labour acts.⁵

IR institutions, however, may vary from one economic sector to another within one country. In the case of Japan, the extent to which labor unions are embedded in IR institutions differs between large private-sector enterprises and small- and medium-sized enterprises (SMEs), and that such differences form the background for organizing strategies of labor unions whose membership are mainly based on the two respective

⁴ Fairbrother, Peter and Charlotte A. B. Yates. (2003). "Unions in Crisis, Unions in Renewal?" In Peter Fairbrother and Charlotte A. B. Yates, eds., *Trade Unions in Renewal: A Comparative Study*. London: Continuum.

⁵ Baccaro, Lucio, Kerstin Hamann and Lowell Turner. (2003). "The Politics of Labor Movement Revitalization: The Need for a Revitalized Perspective." *European Journal of Industrial Relations*. Vol.9 Number 1: 119-133.

sectors. That is, enterprise unions of large private-sector enterprises are more embedded in IR institutions than those in SMEs.

Since Japanese industrial relations are characterized by their decentralized structure and by the relative absence of regulation of industrial relations by the government or IR actors at the industry or regional level, IR institutions in the Japanese context mainly refer to those based in enterprises. Such enterprise-based IR institutions include the system of labor-management consultation (joint consultation committee) through which representatives of enterprise unions and management exchange opinions on issues related not only to wages and working conditions but also to broader corporate policies.

Differences in the “embedded” nature of enterprise unions between large private-sector enterprises and SMEs are indicated by how widespread these IR institutions are in the two economic sectors.⁶ According to a survey of enterprise unions (in the private sector) affiliated with industry-level federations of Rengo in 2000, the larger the size of enterprises where the surveyed unions are organized, the system of labor-management consultation is more likely to be established. The rate of enterprises with labor-management consultation is 91.4% for those with 5,000 or more employees, while this rate goes down to 65.5% for those with less than 300 employees. Concerning exchanges of information on corporate policies on daily basis between union leaders and managers (regardless of the establishment of labor-management consultation), the larger the size of enterprises where enterprise unions are organized, the more frequent such exchanges take place. The rate of unions that frequently exchange information with management is 46.0% for enterprises with 5,000 or more employees, while the rate goes down to 18.9% for those with less than 300 employees.⁷

Grievances Associated With the Post-WWII Industrial Relations Practices

Japanese industrial relations practices also have certain weaknesses. Those interested in electively adopting Japanese business practices need to be aware of these weaknesses.

⁶ Sugeno, Kazuo and Yasuo Suwa. (1997). “Labour Law Issues in a Changing Labour Market: In Search of a New Support System.” In *Japanese Labour and Management in Transition: Diversity, Flexibility and Participation*. ed., Mari Sako and Hiroki Sato. London: Routledge.

⁷ JTUC-RIALS (2001), 63, 81-82.

The weaknesses are interesting as well because they define areas of potential opportunity for foreign firms' subsidiary operations in Japan.⁸

a) **Thin secondary labour markets.** Because of their industrial relations practices, personnel development in Japanese firms is carried out primarily through internal labour market policies. Managers and workers cooperate to develop employee skills through job rotations, on-the-job training, and formal employer-supplied training. This is the case not only for production (blue-collar) workers but also for office (white-collar) workers. It is customary for most Japanese firms to hire workers at the time when they graduate from school. The proportions of male workers changing their jobs are far smaller for Japan than for Canada or the United States. Because of this, secondary labour markets in Japan are relatively thin compared with the primary labour markets for new graduates. An obvious implication of the thin secondary labour markets in Japan is that it is difficult, if not impossible, for workers to adjust their employment to changes in their own tastes, preferences, qualifications, and personal life cycle planning without substantial wage losses. Also, training that is not provided or encouraged by the employer may not be rewarded within a firm's internal labour market.⁹ Another serious implication of a thin labour market for mid-career workers is that the reallocation of workers from declining firms and industries to emerging ones does not take place in a timely manner. The firm which wants to change the skill composition of its workforce to better match its product market needs cannot do it because it can't hire workers with necessary skills in the market and, because of government regulations and social pressure, can't layoff workers whose skills have become obsolete. This has been the main cause of the slowness with which Japanese industry was able to restructure its workforce. Few major Japanese firms have been able to adjust the levels of their workforce by layoffs and new mid-career hires enough for meeting the global competition in terms of new technology skills needed.

⁸ Koike, K. (1988), *Understanding Industrial Relations in Modern Japan*, Macmillan, London.

⁹ Masao Nakamura, "The Japanese Business and Economic System: Globalization and Evolutionary Change" University of British Columbia.

b) Female workers. The lack of an adequate secondary labour market is a particularly serious problem for Japanese women who drop out of regular career positions to have children. These women have great difficulty locating new jobs with pay and responsibilities commensurate with their qualifications. Moreover, female graduates seeking their first jobs undoubtedly face statistical discrimination: that is, they have less good job opportunities than otherwise similar male graduates simply because of the life cycle labour supply patterns viewed as typical of women in general.¹⁰ Compared with North America, there has been little improvement over time in Japan in the workplace situation of women.¹¹ In response to the Japanese Equal Employment Opportunity Law enacted in 1986, some large Japanese firms did open their general managerial career paths to female university graduates. Prior to 1986, with rare exceptions, these career paths were only open to men. As of yet, however, few women have chosen to exercise this new option. They continue to choose career paths that do not require geographic relocations and that lead to positions as lower-rank managers or specialists. If this current trend continues, most of the upper level managerial positions in Japanese firms will continue to be occupied by men and the gap between male and female wages will not shrink, contrary to what was hoped for in enacting the Equal Employment Opportunity Law. This law has no enforcement provisions. In implementing major hiring cutbacks in 1992 and 1993, firms openly chose to offer a reduced proportion of the available positions to women, in comparison with previous years. The cutbacks for women were particularly severe for general managerial career paths.¹² Many view this as evidence of the continuing marginal position of women in the Japanese workforce. The policy concern at the national level that the Japanese economic growth will begin to suffer from the expected declining population (and its aging) has so far not changed labor policy towards female workers at many Japanese corporations. The roots of this impasse are that the existing Japanese industrial relations system makes it particularly costly for employers to accommodate periods of absence or reduced work effort for child bearing

¹⁰ Nakamura, A., and Nakamura, M., (1989) "Predicting the Effects of Comparable Worth Programs of Female Labor Supply," *Journal of Social Issues* 45, 191-208.

¹¹ Tsurumi, E.P. (1990), *Factory Girls*, Princeton University Press, Princeton, NJ.

¹² Lam, Alice Cheung-Ling (1992) *Women and Japanese Management: Discrimination and Reform*, London and New York: Routledge.

and rearing, and many Japanese couples would like to have children. For foreign firms that may have more experience in dealing with women's issues, this problem area for Japanese firms and society is a potential window of opportunity.

c) Non-regular Workers Japan's industrial structure has been undergoing a fundamental shift in orientation, moving away from secondary industries (mainly manufacturing) and toward tertiary industries (e.g., services). Behind this shift to a service economy lies a broader diversification of the employment structure, as demonstrated by the increase of part-time workers, dispatched workers (workers supplied by temporary employment agencies), and others working outside the category of permanent employee. According to the "Survey of the Diversification of Employment Status" issued by the Ministry of Labour in 1999, non-regular workers, mainly women and employees of small and medium-sized companies, comprised 27.5% of all workers. The largest group of these non-regular workers were part-time workers (20.3%), followed by temporary workers and casual workers (1.8%), and dispatched workers (1.1%). In 2004 the number of non-regular workers comprised a total of 15.64%, including part-time workers and others.¹³

d) Part-time Workers

Not all part-time workers—who comprise the vast majority of non-regular workers—are the same. The survey uses two definitions for part-time workers: "official" part-time workers and "other" part-time workers. Part-time workers, as defined by the Management and Coordination Agency's Labor Force Survey, numbered 4.71 million in 1985, increasing thereafter to 11.39 million in 2000.

Characteristics of Part-time Workers in Japan

Most part-time workers are housewives, but they are not evenly distributed among all occupational fields. Part-time workers are primarily used in three main industrial fields: wholesale, retail and food and beverage, services, and manufacturing. Furthermore, in terms of the different types of workplace, shops are the most prevalent followed by factories. We could therefore conjecture that most part-time workers are employed at

¹³ See *Appendix 1*, pp-33

wholesale, retail or food and beverage shops, but that is not so; part-time workers are also heavily employed at factories in manufacturing industries. This is said to characterize part-time employment in Japan. Employers make use of part-time workers for two reasons: (1) lower personnel costs and (2) the ability to meet changing business demands on a daily or weekly basis. Part-time workers largely report as reasons for choosing this form of employment that (1) they prefer work schedules that suit their convenience, and that (2) they wish to earn money to help meet house-hold or educational expenses.

e) Dispatched Workers

Dispatched workers are defined by the Manpower Dispatching Business Law, enacted in 1986, as “workers under contract to a dispatching agency, who are entrusted with specific duties by the companies to which they are assigned.” At first, dispatched workers could only be used to perform duties that required a high degree of specialization.¹⁴ However, a revision made to the law in 1999 allows dispatched workers to perform any type of work, except: (1) long shoring, (2) construction work, (3) security service, and (4) work determined by orders based on opinions submitted by the Central Employment Security Council. According to the “Report on Temporary Employment Agencies” issued by the Ministry of Labour, there were 144,000 dispatched workers in 1986, increasing to 1,386,000 in FY2000. Workplaces report that their main reason for using dispatched workers is “to economize on personnel expenses”.in the year 2003, the number of registered dispatched workers comprised of 1,986,974.¹⁵

Future Challenges for Non-regular Workers

It is clear that the number of both part-time and dispatched workers is increasing. Looking at companies’ policies for the future, there is a strong movement to combine the use of permanent and non-regular workers to lower personnel costs and handle specialized tasks more efficiently; therefore, these increases will most likely continue from now on. But, as this trend becomes the norm, the need will arise for employers to offer more social security benefits and education and training opportunities to these

¹⁴ Araki, Takashi. (1999) “1999 Revisions of Employment Security Law and Worker Dispatching Law: Drastic Reforms of Japanese Labor Market Regulations”, 38(9) *Japan Labor Bulletin* 5.

¹⁵ See *Appendix 1*, pp-37.

workers. Regulations specifying their job descriptions and clarification of working conditions will also be necessary.

Labour Disputes And Unionism

Japan's industrial relations are basically cooperative, but labor disputes do occur occasionally. 12.8% of labor unions "have had labor disputes" and 8.0% "have had acts of labor dispute" in the last three years. In the year 2003, the number of labour disputes reported were 872.¹⁶ There have been no labor dispute actions in large unions with 1,000 members or more, but a relatively larger percentage of small unions (30–99 members) have seen acts of labor dispute. In industrial trade unions, more labor disputes have occurred in the service industry than in other industries. Most labor disputes and labor dispute actions take place in enterprise unions. The enterprise unions are most familiar to their members and play the most immediate role in maintaining and improving their quality of life. Furthermore, enterprise unions serve as the foundation for relations with industrial unions and national centers. For example, staff and financial resources move from individual enterprise unions to industrial unions in the form of dispatches and financial contributions, and then flow further from industrial unions to national centers. Accordingly, most board members of industrial trade unions and national centers are dispatched from enterprise unions, and hold positions at those enterprises. Moreover, union dues of major enterprise unions often exceed those of their affiliated industrial trade unions. Labor disputes occur almost exclusively at the enterprise level. However, there are also cases in which there is a reverse flow of information and policies from national centers, through industrial trade unions, to the individual enterprise unions.¹⁷

Effects of Labor Unions' Voices

It is said that not only does the labor unions' exclusive power over labor supply have an effect on raising the relative wages of union members, but also that the voice of the labor

¹⁶ See *Appendix 1*, pp-77

¹⁷ Noriaki, Kojima, (1999), "Settlement Approach of Individual Labor-Management Disputes from Result of the Survey", Labor-Management Relations Standing Committee, Japan Productivity Center For Socio-Economic Development, *Rebuilding Labor-Management Relations in the Workplace and Company – Toward a New Collaboration between Individuals and Groups*, Productivity Center for Labor Information, pp. 69-92

unions helps improve productivity.¹⁸ However, it is not clearly acknowledged that labor unions have an effect on raising wages, even though they have had certain effects on reducing working hours and increasing days of paid leave as well as retirement allowances, while the result is dependent on the subjects surveyed.

Development of Individual Labor-Management Relations,

The function of labor unions as mentioned above is limited to the employees' collective interests. The development of individual labor-management relations, such as recent individual personal treatment, has promoted the individualization of employee's interests.¹⁹ According to the 1997 survey for companies with more than 1,000 employees, approximately 97 percent of the responding companies attempted to strengthen the personnel management based on the achievement and performance of individuals.²⁰ The new evaluative approach in a company reduced the weight of the length of service and seniority factors, and enhanced that of a performance factor when determining wages.

In this case, wage differentials significantly expanded in the 37-41 and 45-55 age groups. Individual labor disputes have increased, partly as a result of the development of individual personnel treatment. In many cases, superiors dealt with personal grievances. However, as managers became busier, their capability of handling grievances and their leadership skills declined. Also, companies where labor unions exist established grievance settlement organs more often than those having no union, even though few people presented their personal grievances to such a grievance settlement organ. The labor unions should enforce the grievance settlement function in order to cope with employees' individual grievances. It is vital to ensure justice in the decision-making process in order to avoid problems such as personal grievances and labor disputes resulting from the development of industrial relations and prevention of the decline of morale in the workplace, so individual labor-management relations such as individual personnel treatment have been developed.

¹⁸ Minjin, Lee, (2000), "Results of Japan's Labor Unions' Participation in Management", *Nihon Rodo Kenkyu Zasshi (Monthly Journal of The Japan Institute of Labour)*, No.485, pp. 49-60.

¹⁹ Haku Su, Oh, (2000), "Formation of Labor Unions and Industrial Relations, Corporate Management", *Nihon Rodo Kenkyu Zasshi (Monthly Journal of The Japan Institute of Labour)*, No. 485, pp. 38-48.

²⁰ FUJI Research Institute Corporation, (1997), p. 152.

Wage Determination And Unionism

In the wage bargaining process, the "spring labour offensive" has played an important role since 1955.²¹ Typically, unions and employers conduct negotiations in the spring every year, setting strategic schedules. For labour, the objective of the spring offensive is twofold: to help raise the general level of wage hikes by referring to the leading "market price" of labour in prosperous industries in order to influence talks in other industries; and to narrow wage discrepancies between large and smaller businesses by holding talks at smaller enterprises after the completion of negotiations with big corporations.

In the spring offensive, labour/management negotiations are conducted primarily between individual companies and their company-based unions, and talks between industrial unions and employers' organizations are limited to a few exceptional cases. In this sense, wage talks in Japan are "decentralized" negotiations, but almost the same level of wage hikes is agreed in a particular industry, and similar rates are achieved in almost all industries. The process can be regarded as "centralized" in that intensive adjustment functions are working: a "centralized" result is brought about in spite of "decentralized" talks. This is explained by a kind of information dissemination mechanism.²² The labour side collects information on company-level talks and makes adjustments, if necessary, at industry level, based on the average rate of increase demanded, counter-offers from employers and wage hikes agreed. The target wage increase set by the national centre is reflected in the standard level of wage demand filed by any industrial union. An intensive coordinating function works on the employer side, too. Major companies in the same industry coordinate their responses and hold informal labour/management negotiations at many levels before the spring labour offensive begins. In the electrical machinery industry, for example, between the late 1980s and the early 1990s, discrepancies in wage increases were narrowed in spite of the widening gap in business performance between individual companies. This demonstrated the continuous working of the adjustment mechanism.

²¹ Akira, Ono, (1973), *Wage Determination in Post-War Japan*, Toyo Keizai Inc.

²² Gordon, Andrew (1998). *The Wages of Affluence: Labor and Management in Postwar Japan*. Cambridge, Mass., and London: Harvard University Press.

Some Notable Changes In The 1990s

In the spring labour offensive, now led by Rengo, some emphasis is given to reducing working hours rather than increasing wages. Attention is also given to harmonizing worker demands with labour initiatives for a new policy orientation and institutional change.²³ Other changes include the introduction of a multiple-year labour contract by the Japan Federation of Steel Workers Unions in 1998. Under a business slump and continuing zero growth, labour and management in the steel industry agreed on new wage levels for two years starting from 1998 through a single round of wage talks. Finally, in 1997 major private railways discontinued the central labour/management collective bargaining process, which had lasted over 30 years because of widening discrepancies in business performance between individual railway companies. It is not clear whether these changes have been caused by the recession, or if they represent a structural change in industrial relations.

Wage increases during the 1990s

Between 1990 and 1998 the highest average wage increase granted by major corporations was 5.94 per cent in 1990. The rate then declined year after year to 2.66 per cent in 1998. The wage increase rate ranged between 3.56 per cent and 7.68 per cent in the 1980s, and slowed significantly in the 1990s. The decline in real economic growth and the slower increase in general price levels in the 1990s were reflected in the lower wage increases during the decade.

In Japan, the "Automatic Annual Pay Raise" system is widely adopted. Wages rise according to years of service, which serve as an indicator for skills. The wage increase includes this regular component, and the average regular pay raise was over 2 per cent in the 1980s and 2 per cent or slightly less in the 1990s. On the other hand, consumer prices rose slightly faster in 1980 and 1981 in the wake of the second oil crisis, while they rose by only 0.1 per cent to 2.8 per cent through the rest of the 1980s, and at -0.1 per cent to

²³ Shibata, Hiromichi, (2000), "The Transformation of the Wage and Performance Appraisal System in a Japanese Firm," *The International Journal of Human Resource Management* 11(2), pp.294-313.

+3.3 per cent in the 1990s.²⁴ Since 1994 consumer prices have stabilized partly because of the serious recession. Wholesale prices have fallen during the decade, so it can be said that Japan has entered into a deflationary period after the inflationary trend in earlier decades.

In terms of real wages, unions have gained marginal improvements during the 1990s.²⁵ However in 1998, as consumer prices increased marginally (0.7 per cent over the previous year) due to the higher consumption tax, real wages declined slightly. The wage position in 1998 for regular workers was severe indeed: actual take-home pay declined for the first time from the preceding year. This is attributed to the fact that the wage increase negotiated in 1998 remained at almost the same level as in 1997, but bonuses and payments other than the regular wage decreased in the midst of the severest recession of the 1990s. In addition, some full-time workers were replaced by part-timers who received a relatively lower wage. These developments reflected the extremely tough situation in the labour market. Generally speaking, during the inflationary period of the 1980s wage increases served to restrict inflation, while in the 1990s when deflationary pressure built up, the spring wage increase helped to mitigate deflation.

Wage structure: Earnings inequality and wage disparity

Earnings inequalities over all employed workers are smaller in Japan than in other major economies. Over the past 20 years, inequalities have been less significant than in the United States and other major countries.²⁶

On the other hand, there is greater wage disparity between big corporations and smaller businesses. In an attempt to correct this, Rengo has explicitly included the same amount of wage increase, in addition to the same rate of wage increase in its national standards for wage demands. Since 1997, in order to correct discrepancies between individual workers, Rengo has emphasized "individual wage levels". The national centre has

²⁴ See *Appendix 1*, pp-46

²⁵ Toshiaki, Tachibanaki and Tomohiko, Noda, (1993), "Wages, Working Conditions and Labor Unions", Toshiaki, Tachibanaki, edited by RENGO-RIALS, *Economics of Labor Unions – Expectations and Reality*, Toyo Keizai Inc, pp. 185-216.

²⁶ (OECD, *Employment Outlook*, 1996, pp. 64-65.)

determined wage levels for workers at age 18, 30 and 35, in addition to the wage increase demanded.

However, a business slump, changing industrial structure and widening discrepancies in performance between industries or individual companies have all contributed to widening wage discrepancies between business corporations of different sizes. As the recent recession has hit small enterprises much harder in financing and other operations, discrepancies in the rate of wage increases between big corporations and smaller ones have begun to expand though slightly. In 1998, under the financial crisis, variations in wage increases at major corporations were smaller than those in the second half of the 1980s, while for all enterprises, including small and non-unionized companies, variations reached a record high.

For wage discrepancies between industries, in terms of take-home pay for the regular workforce including part-time workers, the best paid industries were electricity/gas/thermal energy supply, water supply and finance/insurance, while the low-wage sectors included wholesale and retail businesses, catering and various services. This wage discrepancy between industries corresponds to the discrepancy between big corporations and smaller businesses, where industries made up of big companies show the higher wage level, while those made up of many smaller businesses show the lower wage level.

The wage discrepancy between men and women is wider. This can be explained by the differences in type of job, educational level, age, seniority and ratio of part-time workers to total workforce, availability of the family allowance paid to the head of household (mostly men), and restrictions on late night shift for women workers. For regular workers except part-timers, earnings for female employees compared to men (= 100) stood at 59 in 1980, narrowing slightly to 60 in 1990 and 63 in 1997. The narrowing discrepancy is primarily attributed to the rising educational level of female workers, and to the Equal Employment Opportunity Law enacted in 1986.

Japanese wage system: Change and continuity

The system whereby workers' pay increases, as they grow older exists among white-collar workers in the United States and Europe, while in Japan this seniority-oriented wage profile also applies to blue-collar workers up to the age of 40.

The wage profile generally has been showing a steeper gradient due to rising educational levels, the increasing proportion of white-collar workers in the labour force and the extended years of service. The wage profile for male white-collar workers in manufacturing showed a slightly steeper gradient in the 1980s, and flattened out in the 1990s. This may be attributed to the soaring wage level of younger workers, including entry level pay, due to a tight labour market in the economic bubble period, and to the fact that "baby boomers" reached the top of the wage profile in their forties. On the other hand, the wage profile of the standard workforce (the newly employed) rose more slowly in the 1990s, and the components of the wage increase which reflect age and seniority have been getting smaller. But their wage profile gradient is by no means gentle, probably because of reduced job mobility due to low economic growth, and because of the longer years of service due to the raised retirement age²⁷.

One recent development is the introduction of annual salary structures and other wage schemes based on performance-oriented pay. Such an individualized approach is limited, at least at present, to managerial staff. Nevertheless, some blue-collar workers are subject to performance-based corrections in their pay schemes. The unions no longer totally refuse this practice, and some unions have begun to accept performance-based corrections on condition that transparency in the system is assured.

On the other hand, wage discrepancies within the same age groups have changed little through the 1980s and 1990s. These and other revisions in the Japanese wage system have not taken place suddenly: they have been in progress since the 1960s, although the tempo of change accelerated slightly in the 1990s. Nevertheless, the basic format of the

²⁷ Mitsuru Yamashita, (2005) "Japanese Labor-management Relations in an Era of Diversification of Employment Types: Diversifying Workers and the Role of Labor Unions", *Japan Labour Report*.

system which is characterized by: 1) the seniority-oriented wage profile 2) the institutionalized lump-sum payment scheme (seasonal bonus) and 3) huge lump-sum payments for retiring workers (retirement allowance) has not been changing as rapidly as some analysts claim.

Reduction in working hours

Reductions in working hours showed significant progress from 1955 through the first half of the 1970s. But, during the next 15 years or so little progress was made due to the deteriorating economic conditions, including the two oil crises. Efforts to reduce long working hours then showed remarkable progress from the late 1980s, when Rengo was formed, through the middle of the 1990s.²⁸ The improvement was brought about not only by the efforts of organized labour, but also because of criticism from overseas in the 1980s. Competing economies perceived the long working hours in Japan as a threat to the equilibrium of international trade among major trading partners, and the Japanese Government changed its trade policy in response to such criticism. The Government showed a positive attitude towards reducing working hours. For example, in a report entitled "Workshop on Economic Structural Adjustment for International Cooperation (Maekawa Report)" published in 1986, and in the "Five-Year Plan for a Major Nation Respecting Advanced National Life" (from 1992 to 1996), the Government specified a target of 1,800 hours annually by fiscal year 2000.

Rengo presented a tripartite demand consisting of wage hikes, reductions in working hours and adoption of policies favouring labour; specifically, Rengo sought the introduction of a five-day week. In 1993 Rengo adopted the policy delineated in the "New Medium-Term Working Hour Reduction Plan" with the target of fiscal year 1996, and in 1997 it initiated fresh activities to achieve an annual total of 1,800 working hours by fiscal year 2000, the new target. Rengo's effort in this area continues.

²⁸ Ogura, K (1996), The Problem of Working Hours in Japan Today, *Studies of the Japan Institute of Labour* (No 11: March) pp 45-57.

With amendments to the Labour Standards Law in 1987, effective April 1988, mandatory working hours were reduced to 40 hours per week from the previous 48 hours.²⁹ However, actual working hours were reduced in phases by government decrees, which resulted in the full implementation of the 40-hour week in April 1997.³⁰

The annual total working hours of a regular employee in an enterprise employing 30 workers or more was reduced slightly to 2,052 hours in 1990.³¹ Then, through amendments to government decrees, working hours were reduced at an accelerated tempo between 1991 and 1994, when the economic bubbles collapsed. Partly because of reductions in overtime due to the prolonged recession, total working hours were later reduced to 1,800 hours with 1,879 hours in 1998.

Over the ten-year period between 1988, when the Labour Standards Law was amended, and 1998, annual working time was reduced by 232 hours or 11 per cent, and the number of working days was reduced by 24 days or 9.2 per cent. These reductions were achieved primarily through an increase in holidays, including the shift to a five-day week, rather than through shorter working days. Moreover, the increase in the ratio of part-timers during the same period meant a reduction in the average number of working days and working hours per employee.³²

A comparison of annual working hours among selected countries indicates that in 1990 they stood at 2,214 hours in Japan, 1,948 hours in the United States, 1,953 hours in the United Kingdom, 1,598 hours in the former West Germany and 1,683 hours in France: in 1996 they were 1,993 in Japan, 1,986 in the United States, 1,929 in the United Kingdom, 1,517 in the former West Germany and 1,679 in France. In 1996, therefore, annual working hours in Japan were at a comparable level to the United States.

²⁹ See Appendix-1, pp-55

³⁰ See Appendix-1, pp-56

³¹ JLB (1997), *Flexible Working Hours System and Conditions for its Active Utilization* (vol 36, no 12:December) pp.4-8

³² Kazuaki Tezuka(2005) *Foreign Workers in Japan: Reality and Challenges*, JIL, Tokyo.

The 11 per cent reduction in hours achieved between 1988 and 1998 had the potential to create 11 per cent more new jobs through the work-sharing effect. This would amount to some 4.4 million jobs or it would lower the unemployment rate by as much as 6.5 per cent in 1998.

In the years ahead, there will be many obstacles to further reductions in working hours. One of these obstacles is the perception among employers that they have reached a deadlock. Hence, the trade union role has become critical. Unions must aim at 1,800 working hours per annum in all industries, and prevent any possible increase in hours, which might result from the expanded use of atypical forms of employment.

Job security during recession

During the 1990s Japan has experienced a prolonged recession and stagnant employment. Enterprises have been fighting desperately to restructure their operations and adjust their workforce. Nonetheless, long-term employment practices remain intact, at least at present, although many commentators anticipate the collapse of the traditional system. On the contrary, there is a tacit agreement between labour and management to avoid massive lay-offs as far as possible. This agreement is manifest in employment adjustment practices during the recession in the 1990s.

This section discusses the attempts of company-based unions to save the jobs of their members, employment adjustments during recession, union efforts to counter adjustments, and new policy challenges on employment.

Long-term employment

For Japanese trade unions, safeguarding their members from any threat of unemployment has a special importance.³³ For employees in big corporations, who constitute the core of organized labour, the cost of leaving the internal labour market in which they have participated is prohibitively high. In big corporations the practice is to recruit new

³³ Miller, R. and Amano, M. (1995), "Trade Unions in Japan", *New Zealand Journal of Industrial Relations*, Vol. 20 No. 1.

graduates and train them in the skills required. Pay and promotion offered to workers hired in mid-career are usually much less favourable than for career workers who joined the company when they started work. Workers who have left the internal labour market find it difficult to get jobs in mid-career.

In general, Japanese trade unions do not accept lay-offs. During the 1950s and 1960s there were many protracted labour disputes caused by threatened dismissal. Trade unions lost most of these big disputes, but the losses incurred by the companies were also enormous. The costs for companies included bad labour/management relations, low morale on the shopfloor and damaged public image, in addition to huge financial losses. In other words, the cost to the company of having its workers leave the internal labour market was very high, too. Such experiences led to a tacit understanding between labour and management that it was in the interest of both to avoid lay-offs as far as possible. Thus, company-based unions, which represent the internal labour market, tend to perpetuate this system.

Besides collective bargaining, a joint consultation system is common, i.e. a standing body between labour and management to talk about corporate management, especially employment and working conditions³⁴. The "voice" raised by a trade union at this forum covers very diverse topics, including working conditions and personnel management, and also basic management policy, the introduction of new technologies and plant, and equipment investment projects. Apart from this forum, there are many occasions for informal talks between labour and management, including meetings between senior officials and disclosure of secret management information to top union officials. Through these multiple channels of communication, Japanese trade unions have been able to take the measures necessary to ensure stable employment for their members.

These and other approaches have resulted in the labour/management practice whereby the company retains a newly recruited worker until retirement age, unless the worker commits any grave misconduct. The practice of long-continuing employment was established in this way.

³⁴ Schwartz, Frank. (1998). *Advice and Consent: The Politics of Consultation in Japan*. Cambridge, England and New York: Cambridge University Press.

Employment adjustments during the 1990s

The tacit agreement to avoid lay-offs as far as possible has generally been observed during the 1990s. This adverse situation continues and more enterprises are adjusting their workforce. Nonetheless, the ratio of enterprises resorting to such measures between July and September 1998 remained at 38 per cent, far lower than the 71 per cent recorded after the first oil crisis (April to June 1975), and lower than the 40 per cent during the recession in the wake of the Plaza Accord (October to December 1986).

Before any employment adjustment, protracted negotiations usually take place between the trade union and company management.³⁵ In some cases, union involvement extends to issues, which are usually a management prerogative, including personnel matters. Recent studies indicate that the "voice" raised by trade unions has become more influential since the mid-1980s.

Since the mid-1980s, significant growth has been observed in relocation and loaning, a form of adjustment, which transfers employees to other jobs within the same company or to its subsidiaries or affiliates. In particular, use of the "loaning system" for a certain period of time (typically three years) is on the rise. This means that the internal labour market has been expanding to the quasi-internal labour market, including all the companies of a group. Japanese trade unions adhere to job security, while they are very flexible about relocation. Regarding recent increases in "loaning", unions have accepted this measure provided that the affected workers consent and that their working conditions at the host company are not unfavourable. However, trade union efforts to address employment adjustment remain insufficient. The "Employment Checkup Questionnaire Survey", conducted by Rengo among its company-based unions in June 1995, indicated that nearly 40 per cent of the respondent unions did not have rules on labour/management talks about voluntary retirement and lay-off or job relocation and loaning, and 16.3 per cent of them did not enter collective bargaining or labour/management consultation on

³⁵ Sako, Mari (1997). "Shunto: The Role of Employers and Union Coordination at the Industry and Inter-Sectoral Levels." In Mari Sako and Hiroshi Ito, eds. *Japanese Labour and Management in Transition: Diversity, Flexibility, and Participation*. London and New York: Routledge.

employment adjustment. These figures are regarded as unsatisfactory and Rengo has started a campaign to facilitate labour contracts on employment, and has urged its unions to establish rules on employment adjustment.

The Legislative Framework

The contemporary legislative framework regulating union activities, procedures for the resolution of labour disputes, and labour standards has its roots in the major post-war reforms introduced by the Allied Powers during the occupation period (1945-1952). In those years, the Labour Union Law granted Japanese workers the rights to organize and to engage in collective bargaining, and the Labour Relations Adjustment Law enacted in 1946. Standards concerning the working environment and wages were set by the Labour Standard Law of 1947. The Labour Union Law³⁶ and the Labour Relations Adjustment Law³⁷ have remained almost wholly intact to the present and do constitute the basis of the legal framework dealing with industrial relations in Japan. The Labour Union Law grants virtually all employees in the private sector the right to organize independently, to engage in collective bargaining with employers on an equal footing, and to carry on collective actions, including strikes.³⁸ The Labour Relations Adjustment Law forbids employer practices that limit the workers' exercise of these rights. To administer these laws, tripartite (employer, union and public or neutral members) labour commissions were established at the national level and at the prefectural level. These commissions have the responsibility to mediate and offer solutions in case of labour-management disputes; investigate unfair labour practices and provide remedies for them; and to certify unions as autonomous and democratic organizations. The commissions, with large professional staffs, give special attention to conciliating nascent disputes as well as settling unfair labour practice charges, often on an informal basis. As for the formal procedures, the law provides three possibilities: conciliation, mediation and arbitration. In the case of conciliation and mediation procedures settlement can only be applied if both parties agree, while arbitration results in decisions that are binding for the parties. However,

³⁶*Trade Union Law*, JILPT Report (2004)

³⁷*Labour Relations Adjustment Law* JILPT Report (1999)

³⁸Yasueda, Hidenobu(1998), *Labour Law and Labour Policy*, Tokyo.Yuhikaku.

arbitration too can only commence with the consent of both parties. Compulsory arbitration is not practiced in Japan. In case disputes cannot be resolved through the conciliatory procedures, the parties can always bring the matter to courts, although the notorious length of judiciary proceedings discourages this practice. The Labour Standard Law provides the basis for minimum protection of workers in industry. The law covers a wide range of matters including employment contracts, wages, working hours, rest and holidays, plant safety and hygiene, protection of minors and women, apprentice training, compensation in case of accidents, work regulations, factory facilities and the establishment of supervisory institutions. Over the years, the government has frequently revised the Labour Standard Law with the enactment of special laws and provisions. In particular, in 1959 the approval of the Minimum Wage Law³⁹ established for the first time a procedure for setting minimum wage rates by region, industry or occupation, mainly on the basis of agreements by employers with workers or union representative. Other important revisions concern the regulation of part-time work⁴⁰ and the Law for Equal Employment Opportunities for Men and Women of 1999.⁴¹ Besides the three major labour laws mentioned above, there are laws for the promotion of the employment of disabled and elderly persons,⁴² the law on employment security, and the law regulating the activities of agencies that offer the services of temporary workers. These laws have been approved and enacted in recent years.

Labour Laws

The major characteristic of Japanese labour law is that the basic principles of labour law and the rights of the worker are systemically provided for in the Constitution, the highest national standard. Article 27 of the Constitution states, "All people shall have the right and the obligation to work". It also states, "Standards for wages, hours, rest, and other working conditions shall be fixed by law". In addition, Article 28 states, "The right of workers to organize and to bargain and act collectively is guaranteed." Here, the worker

³⁹*Minimum Wage Law* JILPT Report, (2002).

⁴⁰*Law Concerning the Improvement of Employment Management, Etc. of Part-Time Workers*, JILPT Report (2002)

⁴¹*Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment* JILPT Report (1999)

⁴²JILPT Report (2001)

has roughly the same meaning as worker in labour law. The various provisions in labour law have been made concrete in compliance with the provisions in the Constitution. Also, the principal instruments that determine the status of salaried workers are work rules and collective agreements. Work rules are those rules established by the employer regarding working conditions, service regulations, and other matters. When an employer draws up the work rule, he/she has to ask the opinion of the trade union organized by a majority of workers at the workplace concerned, where such a trade union exists, or of a person representing a majority of workers, where no such trade union exists. The consent of trade union or the person does not have to be obtained, however. When the work rules are established, the labour contract to be inferior to them will become invalid. The provisions of the work rules shall be applied to replace the invalidated portion of the contract. In Japan, since the employer establishes the work rules, the employer has the principal initiative to determine working conditions.

The collective agreement is also important. The collective agreement is a written agreement between the labour union and the employer, or the group of employers. Are salaried workers really protected by law? Is that protection adequate or inadequate? . What are the standards for determining whether protection is adequate? If ILO conventions are used as the standard, the answer would be that in many areas the protection of employed workers is inadequate because Japan has not ratified many of these conventions. Even if the protection of employed workers is insufficient in light of ILO standards, however, the protection is rather generous when compared to self-employed persons and subordinated independent workers with same protection as in those persons at most. Therefore, if the protection provided to subordinate independent workers is inadequate, the degree of inadequacy is greater than that for employed workers. Therefore, I would like to use as much as possible the expressions "Inadequate compared to ILO standards", or "More inadequate compared to the protection of employed workers".

Employment conditions and remuneration

Employment conditions and remuneration are generally provided by law, except for the regulation against dismissal. In light of ILO treaties, however, this protection is inadequate. Also, in many cases, these inadequate legal provisions are in fact not followed. The following is a summary of the primary laws established regarding working conditions and remuneration.⁴³

Labour Standards Law

The Labour Standards Law contains the minimum standards for wages and other primary working conditions. Working conditions that are inferior to such standards are invalid. All salaried workers are subject to the Labour Standards Law, so they are generally protected under Japanese law. Recently, however, worker protection for salaried workers has been rendered insufficient due to the diversification in the forms of employment. There has been a decline in the ratio of regular salaried workers to the total number of employees overall. In contrast, there has been an increase in the number of dispatched workers, part-time workers, and workers employed for limited terms. This trend has been greatly influenced by Nikkeiren (Japan Federation of Employer's Associations) policies.

The Labour Standards Law is also applied to non-regular salaried workers. In some cases, however, employers do not provide workers with their rights. Also, the workers sometimes mistakenly believe that the Labour Standards Law does not apply to them. Therefore, the protection is in fact insufficient. For example, there have been cases in which part-time workers cannot receive annual paid leave or maternity leave. The supervisors from the Labour Standards Inspection Office are provided with the authority for oversight through the penal regulations for illegal acts. The insufficient number of authorities, however, means that they cannot keep up with all the illegal acts.⁴⁴

Laws and regulations regarding the Labour Standards Law

Special measures are not foreseen under the Labour Standards Law to ensure the claims on wages when companies lose the ability to pay wages and retirement benefits due to

⁴³ *Labour and Employment Law in Japan*, Japan Institute of Labour, (2002)

⁴⁴ *Labour Standards Law*, JILPT Report, (2003)

operational difficulties or bankruptcy. The provisions of the Civil Code and the Commercial Code are also inadequate. However, the Law for concerning Security of Wage Payment, established in 1976, provides that the government will pay the unpaid wages in place of the company when the head of the enterprise has declared bankruptcy and it has been determined that the enterprise lacks the ability to pay wages. There are other laws regarding employment conditions and remuneration. These include the Minimum Wage Law, which establishes a minimum wage and the Equal Employment Opportunity Law for Men and Women, which prohibits the discrimination of female workers.

Regulations against dismissal

Workers and employers generally conclude a labour contract with no fixed term. In these cases, both the dismissal by the employer and the resignation of the employee means a termination of labour contract through an expression of intent by one of the parties. Under the Civil Code, the employer has the freedom to dismiss employees and the worker has the freedom to resign. There are regulations in the Labour Standards Law that establish a system for a prior notice to dismissal to protect the worker. The provisions of this law, however, are not applied when the term of the contract expires. Therefore, among salaried workers, they do not apply to workers on a fixed-term contract. The Labour Standards Act contains no provisions regarding the reasons for dismissal. While there are regulations that make it illegal to dismiss an employee for special reasons, in general no regulations require "suitable reasons" for dismissal. Judicial precedents have been established by the courts regarding the reasons an employee is dismissed. This has resulted in the legal doctrine of the Abusive Dismissal when there is no rational reason for dismissal. The dismissal in this case will be declared invalid because of the abusive use of this right. The cases in which the dismissal is considered rational according to this doctrine are rather limited.

The legal doctrine of the Abusive Dismissal is applied when contracts with no fixed terms are cancelled, but are not applied when the term of fixed-term employment has expired. In the case of contracts in which the fixed-term contract is repeatedly renewed--

making it essentially no different from a contract with no fixed term--an objective, rational reason is required for the refusal to renew the contracts, as when an employee is dismissed.⁴⁵

Industrial Safety and Health Law

While there are laws regulating labour health and safety, the standard of protection is inadequate from the perspective of ILO convention standards. The Industrial Safety and Health Law and the industrial safety and health regulations based on the law establish standards to prevent dangerous situations and thus prevent labour accidents. These regulations enumerate what the heads of enterprises should do to prevent labour accidents, as well as what they must not do.

In addition to the heads of enterprises, who are the employers, this law takes into consideration the increase of joint ventures and the development of the leasing industry and requires that certain measures be taken for people not covered by labour contracts. These include the parties ordering subcontracted work, wholesalers, the manufacturers of machinery or raw materials, importers, lessors, and others. Those subject to protection, however, are limited to the workers in the Labour Standards Law. Self-employed workers are not protected at all.⁴⁶

Social Security

There is appropriate protection in the law that corresponds with ILO convention standards, but many of the provisions are inadequate.⁴⁷ Protection is therefore inadequate in fact. The rights of workers to social security are obtained by their participation in social insurance.

Workers' Accident Compensation Insurance Law

The Labour Standards Law provides that employers must assume absolute liability if workers suffer injury, illness, or death through on-the-job accidents. Substitution of the employer's liability for compensation is actually made by the provision of Workers'

⁴⁵ *Employment Security Law* JILPT Report (2000)

⁴⁶ *Industrial Safety and Health Law*, JILPT Report (2000)

⁴⁷ Araki, Takashi. (1994) "Promotion and Regulation of Job Creation Opportunities, National Report: Japan", in International Society of Labour Law and Social Security, Promotion and Regulation of Job Creation Opportunities (Proceedings of XIV World Congress of Labour Law and Social Security, Theme I, 385.

Accident Compensation Insurance Law to insure for worker injury, illness, disability, or death through job-related accidents. When an accident involving a worker occurs, the workers or their surviving family will receive a fixed amount of insurance benefits. When these benefits are paid, the employer is absolved of the liability for compensation under the Labour Standards Law. It is compulsory that all enterprises be subject to this law. Insurance benefits will be paid when the worker working at that establishment is injured in a work-related accident. In that event, the worker corresponds to the worker of Article 9 of the Labour Standards Law.

Though insurance benefits paid to the worker in a work-related accident are in some respects insufficient, protection is generally provided. Insurance premiums under the Workers' Accident Compensation Insurance Law are paid only by the employers.⁴⁸ These premiums are calculated by multiplying the total wages by the worker's compensation insurance rate. The insurance rate is different for each type of business, but for businesses of a certain size or larger, the insurance premium rate will rise or fall up to 40% in accordance with the amount of insurance benefits paid for work-related accidents during the previous three years. Therefore, the insurance premium rate will be reduced if the rate of accidents is reduced. This is an incentive for the employer to work to prevent accidents. On the other hand, this is also a factor encouraging companies to conceal accidents when they occur without demanding workers' compensation. In fact, more than a few workers have received medical treatment through health insurance as if their injuries were incurred outside the work environment, without receiving workers' compensation benefits, because their companies would not perform the procedures. Thus, protection is in fact inadequate.

Medical Insurance

The persons employed at all corporate places of business or in the places of business of individuals with at least five employees are insured persons under the Health Insurance Law, which provides for health insurance for employees. The employer is liable to pay for half of the premiums. Medical insurance benefits to the employee are in some aspects still insufficient, but protection is generally provided. In contrast, persons who are not

⁴⁸*Workers' Accident Compensation Insurance Law, JILPT Report (2001)*

employees (including the self-employed) and employees at the places of business of companies with fewer than five employees are insured under the National Health Insurance Law. These persons are wholly responsible for the premiums (because there is no liability by the employer). The liability of the insured person for medical care expenses is a high 30%, and they do not receive illness allowances or maternity allowances if they take time off from work. Some employees are even not subject to employee insurance. Protection for them is thoroughly inadequate when compared to other employees.⁴⁹

Pension Insurance

The persons employed at all corporate places of business or in the places of business of individuals with at least five employees are insured persons under the Employees' Pension Insurance Law, which provides for annuity insurance for employees. The head of the enterprise is liable for half of the premiums. The annuity provided is paid in addition to the national annuity (the basic annuity), which the self-employed receive. In contrast, persons who are not employees and employees at the places of business of companies with fewer than five employees are insured under the National Pension Law.⁵⁰ These persons are wholly responsible for the premiums, and the only annuity benefits they receive are those from the basic annuity. As with health insurance, some employees are not eligible to receive annuities. They will receive only the basic annuity in the future.

Unemployment Insurance

The persons employed at all places of business are insured under the Unemployment Insurance Law.⁵¹ Payment of the premiums is divided equally between the employee and the employer. The employee receives the basic allowance when unemployed. The Unemployment Insurance Law, however, has conditions that the employee must fulfill. They are: (1) at least 20 hours worked per week, (2) the prospects for continued employment for at least one year, and (3) the prospects for annual revenue of at least

⁴⁹ *Law Concerning the Welfare of Workers*, JILPT Report (2001)

⁵⁰ *Defined Contribution Pension Law*, JILPT Report (2001)

⁵¹ Araki, Takashi (2002): *Labor and Employment Law in Japan*. Japan Institute of Labor.

900,000 yen. Those who do not fulfill these conditions are not qualified to receive the insurance benefit.

The Freedom of Association (The right to organize); Collective bargaining: Other than public employees, the right of association and the right of collective bargaining of the workers at private sector companies is generally protected by law. The workers at private sector companies may freely establish labour unions without authorization or notification. The act of employers that infringe on the organization of the workers is prohibited as an "unfair labour practice". Remedies may be sought by a Labour Commission, an administrative organization. Labour unions must have fulfilled the conditions for qualification to receive an order for remedy of unfair labour practice by a Labour Commission, however. These conditions are that the union is democratic and independent. Labour unions have the right of collective bargaining between themselves and the employer. The denial of the right of collective bargaining without just reason is prohibited as an unfair labour practice. Public employees who are clerical workers, however, may form employee organizations, but the negotiating scope of these employee organizations is limited. Management and operations are outside the scope of negotiations. Also, they have no right to conclude collective agreements. Dispute acts are prohibited for these public employees, and there are insufficient guarantees for their right to organize and their right to collective bargaining.⁵²

Administrative, judicial, and agreement measures to resolve disputes Other than individual disputes, the measures for resolving disputes are generally legal. In actual practice, however, the prolonged system of relief is subject to criticism, and protection must therefore be deemed inadequate.

Administrative measures. For collective disputes between labour unions and employers, the Labour Commission has two administrative measures for resolving disputes. First, they may reconcile labour disputes through conciliation, mediation, or arbitration. Second, they may judge and provide remedy for unfair labour practices. The judgment of

⁵²*Law on Promoting the Resolution of Individual Labour Disputes, JILPT Report(2001)*

the Labour Commission requires two steps--from the regional Labour Commission to the Central Labour Commission. In actual practice, this procedure is rather prolonged. Thus, there is little expediency in providing administrative relief. For individual disputes between workers and employers, there is a management system through the Labour Standards Inspection Office. Also, for gender discrimination, advice and guidance is provided by the head of the office responsible for the employment of women and young people in each prefecture. There are also mediation procedures by the Equal Opportunity Mediation Committee. Further, the revision of the Labour Standards Law in 1998 gave the heads of the prefectural Labour Standards Inspection Bureaus the authority to provide the required advice and guidance for disputes regarding labour conditions when sought by the parties to the dispute.

Judicial Measures

The resolution of both collective disputes and individual disputes by judicial means is the ultimate recourse for dispute resolution. Is there certain presumption that is an indicator of an employment relationship? What are those presumptions? The approach taken in a 1985 report by the Labour Standards Law Research Association shows the defined standards regarding the existence of employment relationships. It considers the relationship between workers, who are the subject of various labour laws, and employers. In this instance, the concept of workers in the Trade Union Law is more broadly interpreted than that of workers in the Labour Standards Law. Therefore, the concept of workers that applies, particularly during controversy, is that of the Labour Standards Law. Formerly, the interpretation by the government tended to emphasize the form of the contract. The association's 1985 report presented standards for determining employment dependency. The first standard is whether a person is working under another's direction and supervision (the standard of direction and supervision). For limited cases in which it is not possible to make a judgment on this standard alone, judgment is made by the standard of determined what characteristics the worker has as an independent worker (an independent worker standard).

Enterprise Unions And Corporate Democracy

The community-like characteristic of Japanese corporate society and the long-term employment system upon which it leans, and the management policy characterized as being employee-friendly did not emerge because of the compassion of managers.⁵³ They are historical products of an intense battle between labor rights and management rights that was fought from the early postwar years to the end of the 1950s. The first four years after the war was the period of joint management councils when labor rights, supported by the burgeoning radical movement, sometimes overshadowed management rights. It was not rare for joint management councils to play all three functions of collective bargaining, complaints resolution, and production committee, and the influence of labor unions on management and personnel rights was relatively far-reaching. Joint management councils aggressively pursued democratization of companies, including elimination of status distinctions, and made social structures within companies more egalitarian. The first half of the 1950s saw an intensification of the confrontation between labor and management, the latter of which insisted on the supremacy of management in decision-making, and very large dismissal disputes frequently broke out. Even though unions were unable to claim victory in most of these disputes, management also suffered considerable losses such as damaged labor management relations and a decline in workplace morale.⁵⁴ Based on these experiences, management and labor gradually came to form an implicit consensus that it was beneficial, and hence rational, for both to avoid dismissals to the extent possible. Moreover, the labor-management consultation system recommended by the Japan Productivity Center when it opened in 1955 gradually spread and took root during the era of high economic growth in the 1960s, laying the foundation for today's labor-management relations based on mutual trust. Enterprise unions developed out of this process and constituted the mechanism of corporate democracy,

⁵³ McNamara, Dennis. (1996). "Corporatism and Cooperation Among Japanese Labor." *Comparative Politics*. Pp. 379-397.

⁵⁴Pempel, T. J. and Keiichi Tsunekawa (1979). "Corporatism Without Labor? The Japanese Anomaly." *Schmitter, Philippe C. Lehbruch, Gerhard Trends Toward Corporatist Intermediation*, London and Beverly Hills: Sage.

which is embedded in corporate society.⁵⁵ In the same way a company functions as a basic social unit, enterprise unions, which are not self-contained, isolated organizations, constitutes a basic unit of labor organization. The system of industrial democracy in postwar Japan reached its present shape by following a peculiar trajectory: its basic units, labor unions, have been organized into federations at industry, regional, and national levels and are connected to each other through alliances, and industry-specific unions, regional organizations and national centers, each playing various roles outside the company through centralized, multi-layered networks. This shows the potential for the system of corporate democracy to develop openness toward the outside. Fulfilling this potential is what is needed at this present moment.

‘Corporate Society’ and Corporate Restructuring

The 1990s is often succinctly referred to as “The Lost Decade.” In terms of business cycle, however, the decade can be divided into three periods: the slump in the first half of the decade (1992-1994), recovery in 1995-1996, and the slump in the second half (the second quarter of 1997- 1999). The second slump, triggered by the Hashimoto Cabinet’s policy failure accompanied by the outbreak of the financial crisis in the fall of 1997 and the escalation of deflation, was far more serious than the one in the first half of the decade. As the business environment continued to deteriorate, large companies that once had been regarded absolutely secure went bankrupt, and drastic employment adjustment measures, such as workforce reductions through voluntary retirement and dismissals, were implemented at a growing number of workplaces. At the same time, major corporate reorganizations including integrations and the closure of businesses and company divisions and the transfers of business occurred. Corporate reorganization is not a new phenomenon. The repeated changes in the industrial structure in postwar Japan amount to — at least in respect to the corporate side of the story — a history of corporate

⁵⁵Carlile, Lonny (2003). “The Japanese Labour Movement's Road to the Millennium.” In David W. Edgington, ed., *Japan at the Dawn of the New Millennium*. University of British Columbia Press. Pp.49-66.

reorganization.⁵⁶ However, the corporate reorganization that is currently unfolding is quite different in that it is taking place in the context of efforts to adapt to a “difficult time,” an unprecedented period of external challenges as international competition intensifies and the contraction of the domestic market amidst prolonged economic stagnation. In particular, the current corporate reorganization is affecting employment not due to readjustment resulting from business expansion but rather as a minus-sum game of business contraction.⁵⁷ A survey by RENGO-RIALS (RENGO Research Institute for Advancement of Living Standard) asked RENGO-affiliated branch leaders at the workplace level about recent changes in their workplace and work. The results present a picture in which employee morale is increasingly deteriorating: workplaces are undermanned, and work is becoming more grueling; workers’ satisfaction with wages and promotions is diminishing while their trust in their companies is on the decline.⁵⁸ The decline of trust in leading and large companies, which have been providing relatively “good employment opportunities” and hence contributing to the formation of the social norm of mutual trust between companies and employees, can be seen as a symbol of the upheaval of Japanese “corporate society.”

Labour politics

Originally, with the birth of Rengo a change in Japanese labor politics was expected. Rengo's Political Committee released an interim report on political policy which included attempts changing the traditional relationship between unions and political parties, upholding a basic policy of forming a political force worthy of being entrusted with power. Rengo, concretely, launched the Rengo In-house Dietmen Round Table Conference, which mustered dietmen supported by affiliated unions, and the Rengo Political Forum, which was designed to confer with dietmen who supported Rengo's policies. This was done for the purpose of establishing a cooperative relationship with legislators, to a broader range apart from the conventional cooperative relationship with specific political parties. Furthermore, Rengo intended to promote functional separation

⁵⁶Araki, Takashi. (2003) “Corporate Restructuring and Employment Protection: Japan's New Experiment”, in Roger Blanpain and Manfred Weiss (eds.), *Changing Industrial Relations and Modernisation of Labour Law - Liber Amicorum in Honour of Professor Marco Biagi*, 27, Kluwer Law International, 2003.

⁵⁷ Shinoda, Toru. (1997). “Rengo and Policy Participation: Japanese-Style Neo-Corporatism?” In Mari Sako and Hiroshi Ito, eds. *Japanese Labour and Management in Transition: Diversity, Flexibility, and Participation*. London and New York: Routledge.

⁵⁸ RENGO-RIALS (2003).

of the union from political parties and to form voluntary support relations between parties and politicians and union members, replacing the traditional ones based on support for a specific party determined by a union⁵⁹. However, many affiliated unions seemed not to take these trials seriously, while Rengo continued to adopt measures for a transitional period and the actual proceedings of the Conference and the Forum have been suspended. But, the political experiences during this period didn't necessarily leave anything to unions. For one thing it became possible for unions to cooperate openly with conservative parties including LDP, and for another, unions understood the significance of being the party in power. These changes may bring transition from the "party orientation" to the "policy orientation" in Japanese labor politics.⁶⁰ In any case, Rengo and the affiliated unions may repeat more trial and error until that trend becomes concrete.

Rengo continued to criticize indecisiveness of successive cabinets regarding deregulation and administrative reform during the period, while it was the actual condition that Rengo didn't reach a consensus on the matters internally. The conflict of interests within Rengo on the matters rose not only between public and private sector unions but also among processing, material and energetic industry unions within private sector. Among them, unions in the export processing industry such as automobiles and electronics, whose center is the JC (Japan Council of Metalworkers' Unions), became irritated with the situation and began to form a common front with Nikkeiren (Japan Federation of Employers' Associations) which took a strong stance of promoting deregulation. For example, when president Nagano of Nikkeiren criticized the government about an increase in public utility charges in 1994, JC cheered on him. And on the discussion of reexamining Shunto, "self-determination of industrial federation of unions in the fight for wage increases" appears as the key word. JC uses this as a way to criticize low productivity industry unions taking a free ride on wages decided by the high productivity industry unions such as JC. At the same time, employers in the export industries put the blame for low wage increases on delayed deregulation. Furthermore, JC and Nikkeiren

⁵⁹ Carlile, Lonny (1994). "Party Politics and the Japanese Labor Movement: Rengo's New Political Force." *Asian Survey* 24-7 (July 1994). Pp. 301-316.

⁶⁰ Kume Ikuo (1998). *Disparaged Success: Labor Politics in Postwar Japan*. Ithaca and London: Cornell University Press.

recently co-published the "big ten proposals of labor and management toward correcting the high yen rate and stopping deindustrialization" which clearly suggests deregulation, opening of markets and improving the low productivity sectors.

On the other hand, Rengo made a great contribution to the extension of social welfare, particularly under the difficult situation of business recession and curtailed budget after the 1990s. Almost all results which DPCIR of Rengo has obtained during this period includes establishment or revision of laws and policies regarding following issues: child care leave, nursing leave, reduction in working hours, part-time worker, employment for persons of advanced age, nurse securing, the handicapped medium and small sized enterprises support, insurance for the aged, public employee wage, reduction of income tax, 10-year plan for the aged welfare, 5-year plan for child care, and so on.

There was some background besides "social democratic turn" at the birth of Rengo mentioned above. First, governments sent out a lot of policies related to social welfare in rapid succession during this period. Rengo had to undertake all these policies as union's domain and the way of grappling with them tended to be a bargaining style and additional oriented because its activities such as DPCIR requested visible results. Second, Rengo's participation in the party in power since Hosokawa cabinet spurred this trend. The realization of the five trillion yen reduction of tax cut as Rengo's long-cherished desire from the Hosokawa cabinet and gaining concessions from the government on pension institutional reform of the Murayama cabinet were good examples. Third, there was backing-up of public sector unions. Needless to say, the extension of social welfare for an aging society bring on expansion of the public sector. Jichiro (All Japan Prefectural and Municipal Workers' Union) organized by local government employees, who were expected to be providers of social welfare services for the aging society under the condition that decentralization of power was making progress, played a key role in realizing Rengo's demands particularly by making full use of the pipeline with JSP, LDP and related ministries. Incidentally, we can understand the recent historic reconciliation of Nikkyoso (Japan Teachers Union), the LDP and the Ministry of Education, Science and Culture, as a scheme for the expansion of educational budgets in the similar contexts.

Thus Rengo's Janus-faced dealing with the structural adjustment issue accounts for the sector clash situation and political divergence within Rengo. And recently, affiliated unions, particularly private unions, which have complaints about the actual situation, put the blame on Rengo's weak leadership and ask the reason for Rengo's existence.

Challenges for the future

Under the pressure of changes in the economic environment caused by globalization and innovations in information technology, Japanese business corporations are forced to adapt to the new situation. Companies faced with fierce international competition have implemented survival measures such as reorganizing management and restructuring the corporation. To cut labour costs many corporate managers press for changes in personnel administration to further enhance flexibility; they select/weed out individual workers according to their capabilities and performance.

Rengo points out that in order to promote the development of capable staff and stable employment, corporate management should not sacrifice lifetime employment to a flexible labour market. Rengo also insists that in evaluating individual workers' capabilities and performance, the fairness of evaluation criteria should be ensured and workers' consent should be given. At the same time Rengo proposes that wage schemes should incorporate both a fair price for labour and the assurance of a stable cost of living. Furthermore, at the industrial union level, specific wage policy initiatives have been proposed, taking into account the situation of the individual industries, in an effort to match the revitalization of industries with improvements in employment and living conditions. Furthermore, at the level of the individual company-based union, the need for effective ways of promoting counter-proposals to management plans is an important task.

In this picture of strained industrial relations, a strategic choice will have to be made. In order to revitalize industry, with stable employment and improved conditions of work, trade unions are expected to exercise the power of organized labour and exert their intellectual and ethical capabilities.

CHAPTER IV

INDUSTRIAL RELATIONS IN JAPANESE OVERSEAS SUBSIDIARIES

Introduction

During the 1980s and 1990s, as Japanese FDI proliferated around the world and relocation of industries in developing Asian countries due to hallowing out, Japanese management personnel and practices also entered into the system of production overseas. Japanese development experience especially of the last 25-30yrs has emulation value for many developing countries world over and in particular to Asian developing countries. It is of global significance as a model of learning and innovation.¹ There is extensive documentation of the distinctive, deeply embedded features of Japanese industrialisation. There is particular recognition of the uniqueness of Japan's social divisions of labour, inter-firm relations (especially the co-development of principles of competition and co-operation), human relation practices within firms and factories, and the organisation of research and development (R&D) in relation to manufacturing. If the world is a classroom, the Japanese have been remarkably diligent and ultimately imaginative students, transforming lessons elsewhere into distinct Japanese practices. If economic geographers think geography matters, then the Japanese model continues to deserve serious attention. Above all, Japan is the (non-western) model of industrial learning, one that has unusual significance for Asia.²

When multinational firms open overseas subsidiaries, they are often faced with major decisions regarding which human resource management (HRM), practices will bring maximum benefit for effective operations. Well-chosen HRM is critical for achieving competitive advantage in various industry and cultural settings. For example, in China,

¹ Dunning, J. H. (1993a). *The Globalisation of Business*, London: Routledge.

² Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-related Values*, Sage, Beverly Hills, CA.

effective HRM policies were reported to be a key to the success of foreign multinationals.³

The choice of HRM practices in foreign subsidiaries is often shaped by the external economic, political and social realities of the global and local environments that they face, in the context of the need for companies to increase their internal efficiency.⁴ In addition, MNC global strategy is closely linked to HRM practice, as only the people in the organization can implement it.

The control and co-ordination of overseas subsidiaries is a permanent task that all multinational companies (MNCs) face regardless of whether they are from Japan, Europe, the US or elsewhere. Defined as a means to achieve common organizational goals, international management control (IMC) relates directly to the general global-local dilemma of internationally active companies.

Over the last 20 years there has been increasing interest by Western companies in Japanese management practices (JMPs). Interest in these methods has grown as a result of the large performance gaps that apparently exist between Japanese manufacturers and their Western counterparts, in terms of both productivity and quality. Looks at a number of studies in an effort to determine whether Japanese practices can be successfully transferred abroad or whether they are culturally bound. This is followed by a look at the conditions under which Japanese management practices have been successfully utilised by Western companies. It is argued that Western managers must avoid just blindly copying Japanese practices and should be encouraged to become aware of why certain Japanese approaches have been successful. Finally, consideration needs to be given to the underlying factors of that success, which are necessary and appropriate to their own company's advancement.

³Edgington, D.W. . (1993), The Globalization of Japanese Manufacturing Corporations. *Growth and Change* 24, pp. 87-106.

⁴Shenkar, O. and Y. Zeira (1987). 'Human Resource Management in International Joint Ventures: Directions for Research', *Academy of Management Review*, 12, 546-557.

This chapter addresses the issue of exportability of the Japanese model of labor relations consisting of lifetime employment, length-of-service wage and promotion, and enterprise unionism, which together are sometimes called three divine treasures. A quick examination of the model's applicability in Japan itself reveals that it is fast vanishing. A survey of literature on the practices of Japanese-owned companies in Southeast Asia and North America indicates that there is a wide variation of employment practices and that the divine-treasures model is seldom followed in its entirety.⁵ Even if there is partial adoption of the model, it is difficult to determine if those seemingly Japanese features are actually imported from Japan or home grown. It is concluded, therefore, that Japanese companies are pragmatists in adapting to local conditions and that globalization of business tends to bring about convergence of different models into one that is most suitable under dynamically changing conditions.

Industrial harmony and workforce flexibility are associated with labor-management relations in present-day Japan. It is widely believed that Japan's industrial relations system provides competitive advantages for Japanese business enterprises, which the enterprises attempt to utilize when they go abroad.⁶ More and more, as Japan steps up its foreign direct investment, the question is raised whether Japanese-owned companies in other countries do indeed succeed in transplanting these allegedly advantageous labor relations practices from home.

What is it that is supposed to be transplanted? To respond to this first requires a description of what Japanese labor relations are and what they are not. Expert Japanese analysts have disagreed among themselves over the key characteristics of the labor relations system in Japan.

The most popular depiction of Japanese labor relations highlights three or four special features, or divine treasures. These are the well-known lifetime employment, length-of-service wages and promotion, and enterprise unionism all within a single company. A fourth

⁵ Adler, N. J. (1990). *International Dimensions of Organizational Behavior*, 2nd edn. Kent Publishing, Boston, MA.

⁶Dodwell Marketing Consultants (1974), *Japanese Companies' Overseas Investments*. Tokyo: Dodwell Marketing Consultants.

company welfare benefits often is added. From these are alleged to flow such personnel practices as recruitment directly upon school graduation, training and work as a team member, task and job rotation, and early retirement with money benefits. Accordingly, those who follow this pattern become permanent employees, never in fear of layoff or dismissal. As a result, they develop close identification with their company, and with their enterprise union, which usually includes only the permanent employees and practices wage restraint, ever mindful of the need to protect the company's competitive position.⁷ Management and union share a great deal of vital information, frequently consulting with one another, especially in implementing technological change and transferring and training the permanent members. Disagreements and grievances are amicably settled, helping to account for Japan's current low rate of work stoppages and workdays lost in strikes. With the special emphasis on employment security and steady advancement of workers in pay and skills, Japanese corporate management has earned the reputation of being employee centered to an unusual degree, often at the sacrifice of its own and shareholder interests.⁸

In other words, the divine-treasures syndrome is shorthand for a complex set of employment practices used to characterize Japanese industry. The treasures constitute an idealized model, which, if transplanted abroad, could challenge established labor relations institutions in many host countries.

There are two parts to the transplant problem. One deals with the question of whether the model accurately depicts labor relations in Japan itself. The other is, regardless of the accuracy, the matter of receptivity of Japanese labor relations practices by host countries. Companies that establish subsidiaries or joint ventures abroad often do not have a completely free hand in instituting labor relations practices, especially if the host country is already well advanced industrially. The foreign company must contend with long-standing expectations and demands, as well as laws and rules, of the host country's government, workers, unions, and other employers, which are likely to be at variance with home-country institutions.

⁷ Fruin, M.W. (1992), *The Japanese Enterprise System*. Oxford: Clarendon Press

⁸ Mcmillan, C.J. (1985), *The Japanese Industrial System*. New York: Walter de Gruyter.

Industrial relations analysts have long recognized the complexities of labor relations. They involve large numbers of interrelated rules and customs placed into effect, often after protracted negotiations, by employers, workers and their unions, and government bodies under the influence of dynamically changing economic, technological, political, and social constraints.⁹ It is not likely that a practice plucked out of context from one country will readily fit in another. The likelihood is even less when the practice is shorthand for a whole set of interrelated behaviors.

Yet, it can also be said that all labor relations systems share commonalities, or are convergent, because of the universality of industrial processes—the door to transplanting is not necessarily closed. The assumption of convergence, for example, underlies International Labor Organization (ILO) conventions and resolutions in urging the same minimum standards for employment in all nations.

Despite their alleged success in postwar Japan, few Japanese openly advocate that other countries adopt the divine treasures. Not many see them in as favorable light as ILO conventions. Some complain of the rigidities of lifetime employment and length-of-service rewards and of the narrow perspective and dependence of enterprise unionism. Critics complain that the divine treasures may benefit individual companies but are achieved at the expense of lower-paid and less secure workers in the sectors comprising small and medium-size enterprises. One does not see teams of Japanese management and labor union officials on lecture tours in foreign countries, as one once did in the American case in the 1950s, urging host countries to adopt the divine treasures.¹⁰ The famous labor-management consensus of Japan does not seem to extend that far.

Control of Japanese Multinationals in East Asia

In the research on Japanese multinationals in East Asia there are two key but contradictory approaches to arguing that the transfer of Japanese management techniques is more easily

⁹ Patchell, J. (1993a), From Production Systems to Learning Systems: Lessons from Japan. *Environment and Planning A* 25, pp. 797-815

¹⁰ Ozawa, T. (1974), *Japan's Technological Challenge to the West, 1950—1974: Motivation and Accomplishment*. Cambridge, Mass: MIT Press

and fully achieved in East Asia than in the ambiguously referred to 'West'. On the one hand there is an essentially cultural argument that Japanese practices are transferable to Asia because workers behave in ways similar to those in Japan. On the other hand there is an unsubstantiated claim that Japanese investment in Asia is less strategically significant for Japanese firms than such investment in the West, thus making the need to transfer 'sophisticated' management practices to Asia unnecessary.

Most dominant in the management literature is a supposed close cultural similarity between Japan and other East Asian countries, which facilitates successful transfer of Japanese management practices to neighbouring countries¹¹. Another approach has been to see East Asian neighbours as having either small consumer markets or lower levels of economic and management development as compared to Western countries, and in consequence as less able or willing to shape Japanese practices. This provides greater freedom of control in East Asia than in the West.

A consistent argument in the literature is that Japanese cultural similarity with Asian neighbours makes transfer of Japanese management practices to these countries easier than to the West.¹² The argument follows on from the fact, in which East Asia is seen to have fewer host-country impediments to successful transfer. Indeed, this is a common thought among many Japanese executives and academics.

The nature of people in East Asian countries, in general, has many features in common (but not entirely the same) to Japanese in terms of group orientated-ness (less individualism), flexibility (less demarcation), and skill with their hands, so that the local application of Japanese management is much easier than in western countries.¹³

¹¹ Dobson, W. . (1993), *Japan in East Asia: Trading and Investment Strategies*. Singapore: Institute of Southeast Asia Studies

¹² Hofstede, G. (1983) 'The Cultural Relativity of Organizational Practices and Theories', *Journal of International Business Studies*, 14(2): 75—89.

¹³ Graham, J. L. (1985). 'The Influence of Culture on the Process of Business Negotiations: An Exploratory Study', *Journal of International Business Studies*, 16, 81-96.

Firms have Japanized their operations in South East Asia to a greater extent than in Europe or the USA. Writing about industrial relations, Chinese workers would prefer Japanese work methods to those of the West.

There is now a burgeoning literature on many aspects of Japanese foreign direct investment (FDI) in western countries, especially in the USA and the UK. However, there is still relatively little written about Japanese investment in East Asia. This is despite a longer history of such investment and, since 1989, a greater interest in such investment among Japanese multinationals. This lack of careful analysis has encouraged the Japanization debate to simplistically demarcate west from East. The West is often seen as being made in the image of, or conflated with, the USA, and the East is characterized as being unproblematically shaped by the role-model of Japan.

Japanese prefer to enter joint-venture arrangements especially when the firms are unfamiliar with host-country practices, and the degree of 'cultural distance' is high. By bringing this, together with claimed cultural (or socio-historical) similarity between East Asia and Japan it would appear that Japanese firms should have little need of forming joint ventures in China, and no need to invest as minority shareholders.

In addition to the cultural arguments, there are theoretical underpinnings to the assertion that it is easier to control and 'Japanize' operations in East Asia. The lower strategic importance of Japanese investments in Asia *vis-à-vis* such investments in the USA means there is less need to be sensitive to local entrepreneurial needs to be successful. In essence this means that, because they are not producing advanced products in the public eye of a major market, their activities are more insulated from the need to respond to local wishes.¹⁴ At the same time, because these Asian localities are less economically developed than (but also potential long-term rivals to) Japan, there is an incentive to retain control and management among the Japanese themselves.¹⁵

¹⁴Bartlett, C and Ghoshal, C . (1989). *Managing Across Borders: The Transitional Solution*. Boston, MA: Harvard Business School Press

¹⁵Dunphy, D. (1987). 'Convergence/Divergence: A Temporal Review of the Japanese Enterprise and Its Management', *Academy of Management Review*, 12, 445-459.

Industrial Relations in Japanese Subsidiaries in China

China has attracted a large amount of foreign direct investment in recent years. For example, in the first ten months of year 2002, it absorbed \$46.4 billion in investment, becoming the largest recipient of foreign capital. Of the Fortune 500 firms, some 400 were reported to have established representative offices, subsidiaries and manufacturing facilities in Shanghai and Beijing.

The increasing presence of foreign investment and subsidiaries in China has resulted in the hiring of tens of thousands of local Chinese employees and managers. Designing and developing effective HRM policies to manage this local work force poses several questions.

The exclusive focus on Japanese operations in China has been chosen for several reasons. First, China confronts Japanese MNCs with a unique business environment. It is characterized by both high uncertainty and instability (typical for many developing countries) and a huge domestic market potential and a sophisticated industrial structure in certain sectors and areas¹⁶.

Current Characteristics of the Business Environment in China

At present, China presents foreign investors with an environment characterized by high complexity and rapid development. Whether we look at the political, legal, economic or social-cultural sphere, all areas display both crude and effective complexity. Crude complexity describes the number of elements in a system and the number of connections among them.¹⁷ Effective complexity is the function of the irregularity and unpredictability of a system. By both measures, China exhibits one of the most complex business environments with its large numbers of different actors

¹⁶ Redding, S. G. and D. S. Pugh (1986). 'The Formal and the Informal: Japanese and Chinese Organization Structures'. In: S. R. Clegg, D. C. Dunphy and S. G. Redding (Eds), *The Enterprise and Management in East Asia*. Centre for Asian Studies, University of Hong Kong

¹⁷ Gell-Mann, M. (1995) *The Quark and The Jaguar: Adventures in the Simplex and the Complex*. London: Abacus

at the various layers of business and politics. This is combined with huge regional differences and a general instability of the environment.¹⁸

At the same time, China has made rapid progress towards clearly defined goals throughout the 1980s and 1990s. Economically, China has displayed impressive growth rates and upgraded the level of technology used by workers in various industries. Politically, the situation has stabilized and transparency has increased. In part, this can be attributed to a legal environment that, in anticipation of the introduction of WTO regulations in the near future, promises greater transparency and stability for business. Finally, there have been substantial changes in the social-cultural sphere. One can see the departure from the 'iron rice-bowl' regime to a more individualistic market-based society, at least in the coastal regions.¹⁹

These trends mean that China will continue to rise in strategic importance for foreign companies. This holds true despite the problems that result from the highly complex and unstable business environment. On the one hand, China obviously presents a huge market potential - at least in some industries and in some regions. On the other hand, China will become more important as a link in the global production networks of more and more MNCs. Continuous improvements in technology will allow MNCs to use China both as an inexpensive site for simple production processes and as a site for higher value-added activities, including research and development (R&D), that can be increasingly integrated on a regional and global scale. Examples can already be found in areas like electronics and information technologies but are sure to show up in rising numbers in other industries in the future as well.

This combination of an unstable business environment and the rapidly developing economy with its promise of a huge future market sets China not only apart from the developed markets in North America and Europe but also from smaller developing economies such as Thailand, Poland or Brazil. In regard to international management control, this setting presents a special challenge to foreign MNCs. They have to

¹⁸ Napier, N.K. and Vu, V.T. (1998) 'International Human Resource Management in Developing and Transitional Economy Countries: A Breed Apart?', *Human Resource Management Review*, 8(1): 39-77

¹⁹ Warner, M. (1995) *The Management of Human Resources in Chinese Industry*. London: St Martin's Press

exhibit a high level of local flexibility in the rapidly changing business environment. At the same time, the cross-border integration of their Chinese operations is becoming increasingly important. Ultimately, they must achieve both the ability for a flexible market response and organizational learning and innovation on a global scale.

International Management Control of Japanese MNCs in China: Current State and Problems

Japanese Expatriate Use and Control in China

Since the early 1990s Japanese firms have strongly increased their investment in China and stepped up their local presence remarkably. As a result, by 1999 the number of locally registered corporations with a Japanese share of capital of at least 10 percent had risen to 2,477.²⁰ Chinese statistics even show that 18,769 FDI projects from Japan with a contractual value of more than US\$ 35 billion had been approved by 1999 (MOFTEC, 2000).²¹ Regardless of the exact total number of Japanese affiliates in China, the number continues to increase, with some of the larger multinational companies (MNCs), like Itochu, Matsushita or Fujitsu, having more than thirty local affiliates that come either as wholly owned subsidiaries or as equity joint ventures. The control and co-ordination of these foreign affiliates is a permanent task for Japanese MNCs that seem to rely on expatriates in China in similar ways as in other parts of the world.

The numbers of Japanese managers in Chinese joint ventures and wholly owned subsidiaries alone confirm the well-known picture of extensive expatriate use. Larger MNCs, like NEC, Mitsubishi Electric, Fujitsu or Matsushita, for example, employ between 100 and 250 expatriates on a permanent basis in China. Data show that expatriates account on average for between 1.5 and 3 per cent of the total workforce

²⁰Tung, R.L. (1982) 'Selection and Training Procedures of U.S., European, and Japanese Multinationals', *California Management Review*, 25(1): 57—71

²¹ . MOFTEC (Ministry of Foreign Trade and Economic Cooperation) (2000) *99 Statistics on FDI in China*. Beijing:

in Chinese subsidiaries of Japanese manufacturers, a figure clearly above that for their Western counterparts, especially US and UK firms.²²

A large number of these Japanese expatriates are engaged exclusively in technological transfer and the supervision of production techniques and processes.²³ Yet a majority remains in charge of control and co-ordination of the subsidiary's relations with headquarters. Hence, the IMC model employed by most Japanese MNCs in China follows the general Japanese model described above.

Problems of Japanese Expatriate Control in China

The strong reliance on expatriates in China offers Japanese MNCs the same advantages and disadvantages in co-ordinating and controlling their subsidiaries as it does in other parts of the world. This IMC model is especially well suited for the large number of Japanese manufacturers that are heavily engaged in export-processing trade. Their plants in China not only export most of their output under strict control by Japanese headquarters but also are highly dependent on their headquarters in areas such as inputs, financing or production technology. In these cases, the typical transplant type of business, the Japanese IMC model provides an efficient way for many Japanese MNCs to control and co-ordinate their China operations. One indicator for the organizational fit of the Japanese IMC model in export-intensive sectors comes with comparisons of profitability. According to a large survey by the Japan-China Investment Promotion Organization, only 15 per cent of Japanese manufacturing affiliates in China suffered in 1999, while most worked profitably, with about 30 per cent enjoying operating profit ratios of 9 per cent or higher.²⁴

By contrast, 40 per cent of the local market-oriented companies covered by the same survey suffered from operating losses. Particularly within the context of a shift in focus towards the Chinese domestic market and improvements in production activities

²²Gregerson, H. B. and J. S. Black (1990). 'A Multifaceted Approach to Expatriate Retention in International Assignments', *Group and Organization Studies*, 15, 461-485.

²³ Taylor, B. (1999) 'Patterns of Control within Japanese Manufacturing Plants in China: Doubts about Japanization in Asia', *Journal of Management Studies*, 36(6): 853—73.

²⁴ Japan China Investment Promotion C, 2000

in China, the strong reliance on expatriate control increasingly seems to result in a number of problems for Japanese MNCs.²⁵

Two Main Problems for Japanese IMC Systems in China:

1 Qualified local workers become frustrated and leave the company because of insufficient participation in decision making, limited career opportunities and a non merit-based appraisal system;

2 Firms suffer decreased ability to be flexible in their response to the market because of limited information flows from the bottom. This is due to a missing layer of middle management and a subsequent lack of joint decision making by expatriates and local employees.

Problems in Securing Qualified Workers

The Japanese firms as employers are unpopular among Chinese workers as compared to their US and European competitors.²⁶ This preference for Western firms is not only based on the higher wages usually paid by them but also comes as a reflection of differences in the general systems of appraisal and performance assessment of Western and Japanese companies most of the Chinese workers complain about not being involved in the decision-making process and are generally pessimistic about their career opportunities.²⁷ A special problem is the widespread dissatisfaction of Chinese employees with assessments of their performance by their Japanese superiors.²⁸ Interviews with Japanese managers in China even suggest that, at times, personnel appraisals become assessments of language ability, rather than

²⁵ Leung, K. *et al.* (1997) 'Job Satisfaction in Joint Venture Hotels in China: An Organizational Analysis'. In Beamish, P.W. and Killing, P. (eds) *Cooperative Strategies: Asian Pacific Perspectives*. San Francisco: The New Lexington Press, pp. 226

²⁶ Ma, C. (1998) 'Foreign-Funded Enterprises in China: The Difficult Task of Talent-Keeping and its Impact on the Wage Structure', *JETRO China Newsletter*, 132: 2-9. March,

²⁷ Nakamura, A. (2000) 'Understanding the Relationships between Japanese Managers and Chinese Employees in Japanese Wholly-Owned Ventures in and around Shenzhen', paper presented at Thirteenth Annual Conference of the Association of Japanese Business Studies, Oiso, 9—11 June.

²⁸ Zeira, Y. and M. Banai (1981). 'Attitudes of Host Country Organizations Towards MNC's Staffing Policies: Cross-country and Cross-industry Analysis', *Management International Review*, 21(2), 3847.

evaluations of work performance²⁹ Employees working with Japanese expatriates are far less satisfied than those who were working with expatriates from the West. Those working with the Japanese perceived that they were rewarded less fairly in relation to their performance and in comparison to other employees in hotels under Chinese or Western management. Finally, the heavy reliance on expatriates also meant limited career opportunities for Chinese managers, constituting the infamous '**rice-paper ceiling**' of Japanese companies.³⁰ In Japanese MNCs, cases of non-Japanese heading a joint venture in China are very rare. A recent survey by JETRO found that only about 10 per cent of Japanese joint ventures were headed by a non-Japanese.³¹ This contrasts sharply with many US firms and even some German companies (though German firms are also well-known for their high reliance on expatriates). In 1999, for example, out of the heads of nine joint ventures involving the German chemical firm BASF only three were Germans. Managers from Norway, China, Korea, Indonesia and Malaysia held the post of general manager at the other six.

Taken together, these factors keep Japanese MNCs in China from attracting or keeping the most qualified personnel. Labour turnover is directly related to job satisfaction and opportunities. Fisher and Yuan (1998) confirm this view with their study on employee motivation in China. They show that most Chinese managers prefer salaries and promotions based on individual performance. This requires measurable goals (output control) rather than subjective, personal assessments by expatriates. Older Chinese workers, by contrast, tend to prefer job security and thus do not show a preference for Western over Japanese employers. Interestingly, many Japanese stressed this fact, hence suggesting an eventual superiority of the Japanese employment system in the long run.

²⁹ Hu, Xinxin (2000) 'Japanese Firms in China: What Problems and Difficulties Are They Facing?', paper presented at the Workshop on the Chinese-Japanese Relationship organized by the European Institute of Japanese Studies and the Swedish Institute for International Affairs, Stockholm, 17-19 August

³⁰ Kopp, R. (1999) 'The Rice-Paper Ceiling in Japanese Companies: Why It Exists and Persists'. In Beechler, S.L. and Bird, A. (eds) *Japanese Multinationals Abroad: Individual and Organizational Learning*. New York and Oxford: Oxford University Press, pp. 107—28.

³¹ JETRO (2000) 'Results of a survey conducted for the Sanwa Research Institute', internal paper

Such a view, however, does not help Japanese firms in the current situation in which they compete with other MNCs for young and qualified managers and engineers. The seriousness of this problem becomes clear from the results of the January 2000 JETRO survey of 674 Japanese firms in China. While 55 per cent of the respondents cite 'securing of qualified workers' as the most important success factor for business in China, 35 per cent report problems related to labour and human resources. A causal relationship between the Japanese expatriate-based IMC system and labour problems becomes even more probable when we look at the numbers for wholly owned subsidiaries where Japanese MNCs are freely left to implement their own systems of labour management. Among those wholly owned subsidiaries, the share of respondents citing human resource-related problems even rises to 40 per cent, making human resource problems the second largest headache for Japanese MNCs in China after 'tax and legal problems' .³²

Problems in a Flexible Market Response

In addition to the problem of securing qualified workers, the second major problem of Japanese affiliates in China is their inability to respond flexibly to the market.. By dominating decision making, Japanese managers do more than frustrate Chinese employees. They also hinder a free and constant flow of information from the shopfloor to the top management. A study by Taylor of thirty-one Japanese wholly owned and joint venture manufacturing plants in China highlights this problem. On the one hand, he finds that some Japanese MNCs have deliberately ceded control of certain organizational functions to Chinese employees, especially in the area of human resource management. On the other hand, however, he detects a 'tendency to dichotomize between either Chinese or Japanese control, with little attempt to make joint decisions'.³³ This reflects language and cultural barriers between Japanese and Chinese managers but also another fact. Most Japanese expatriates are sent to China to do a specific job based on their area of expertise. Hence, most focus on their specific jobs rather than seeking to cross-fertilize management knowledge and

³² JETRO, 2000: 88-9

³³ Taylor, B. (1999) 'Patterns of Control within Japanese Manufacturing Plants in China: Doubts about Japanization in Asia', *Journal of Management Studies*, 36(6): 864.

practice. This results in a striking lack of shared decision-making between locals and expatriates. As a result of the missing middle layer of management, there is also no proper system for monitoring the output of local personnel and channelling their market and customer knowledge to the Japanese members of top management who formulate business strategies.

Exactly the same problem is faced by Japanese subsidiaries in Taiwan, Hong Kong, Singapore and the Philippines.³⁴ A very negative impact of the Japanese IMC model on the ability of their Asian affiliates to react to rapid and unpredictable changes, such as were characteristic for these countries in 1997/8 during the Asian crisis. Observations in these four countries also confirm the findings regarding the negative effect of frustrated local employees described earlier. Japanese subsidiaries in East Asia display a strict top-down structure dominated by senior Japanese management and headquarters. This allows for an organizational structure that is totally goal-oriented and that has a clear and effective chain of command. In this, it is well suited to a stable environment. Even so, these firms give their local staff little autonomy and opportunity to channel information to their superiors, making a flexible market response under rapidly changing conditions (for example, the crisis years 1997 and 1998) difficult. In China, Japanese operations face exactly the same problem. The complexity of the environment and the speed of changes there are even faster and more unpredictable than in the rest of Asia. Hence, the disadvantages of the Japanese expatriate-based IMC system in terms of market response ability count even more strongly in China than they do in Taiwan or Singapore.

Problems in Efficiently Linking Chinese into Regional/Global Operations

In addition to problems that arise from Japanese approaches to IMC within the borders of China, one must also look at the international level and the need for organizational learning on the corporate level. The rising importance of China as both a growing domestic market and an emerging link in the global production networks of

³⁴ Kawashima, I. and Konomoto, S. (1999) 'Time for More Autonomy: Problems of Japanese Companies in East and Southeast Asia', *NRI Quarterly*, Autumn: 18-31

MNCs was stressed above. This situation requires that the correct type of information flow quickly from the Japanese subsidiary to the headquarters in Japan. At the same time, information must also flow between single subsidiaries in China and to and from other subsidiaries in Asia as well as worldwide. Delays and mistakes in generating correct information in China - resulting from the absence of local hires in middle management that can connect the top level to the factory or shopfloor - are an important problem for operations in China. An eventually even more serious problem, however, lies in the inability of Japanese MNCs to generate a continuous, international exchange of information, with the Japanese IMC system failing to provide the necessary structure.³⁵

By stressing expatriate control over other means, especially control by socialization and networks, Japanese MNCs restrict the international exchange of information nearly exclusively to Japanese employees and thus limit opportunities for fast organizational learning.³⁶ To summarise, in China, as globally, the Japanese expatriate-based IMC system denies opportunities for additional and valuable inputs by non-Japanese workers. However, these inputs are more and more needed by an increasing number of Japanese firms that are becoming active in China in a way that goes beyond mere export-oriented transplant production.

Obstacles to Overcoming Current Management Problems in China

The obvious counter-measure to the IMC problems described in China is a reduction of the strong reliance on expatriates and an increase of alternative control mechanisms, i.e. formal bureaucratic control, output control and control by socialization and networks. But such a shift faces several obstacles in Japan and China. The current focus is debate on corporate governance in Japan and to an eventual shift from the strong personal focus in the Japanese business system towards a more formal and

³⁵ Chen, J.A. (1992). Japanese firms with direct investments in China and their local management.' In Tokunaga, S. (Ed.), *Japan's Foreign Investment and Asian Economic Interdependence: Production, Trade, and Financial Systems*. Tokyo: University of Tokyo Press, 257-7

³⁶ Graham, J. L. (1985). 'The Influence of Culture on the Process of Business Negotiations: An Exploratory Study', *Journal of International Business Studies*, 16, 81-96.

output-based system³⁷ Resulting changes in the domestic business system will undoubtedly have important repercussions on international business practices and hence IMC systems.

Among alternatives to reliance on expatriates in China, a stronger emphasis on formal, bureaucratic control might appeal the most to Japanese MNCs. This is the control mechanism, generally well suited to complement personal, centralized control, which is already in place in most Japanese subsidiaries. Complexity and instability in the Chinese business environment, however, restrict the effective use of this mechanism to limited areas. By over-reliance on formal control measures, Japanese MNCs, like other companies, risk losing flexibility in their response to the market.

The alternative is an increase in the use of output control combined with more control by socialization and networks. The combination of these two mechanisms is preferred in situations with high environmental instability and thus seem well suited to the current business environment in China. Within such a combination, there are controls on output target areas where outputs are measurable. Control by socialization and networks, on the other hand, targets behaviours that do not lend themselves to measurement. Hence, an isolated increase of output control does not make much sense in a complex environment like China because there are currently still too many areas that resist any meaningful measuring of numerical goals. This makes control by socialization and networks an important key to the successful coordination of business activities in China. But exactly herein lies the biggest weakness of Japanese MNCs.

Obstacle of a Missing Socialization and Network Control

Control by socialization and networks largely takes place through three means: (1) the creation of shared values and goals; (2) informal, horizontal communication between executives; and (3) temporarily formalized cross-section relations like task forces or cross-functional teams. Based on conventional wisdom and numerous studies

³⁷ Raupach-Sumiya, J. (2000) 'Reforming Japan's Corporate Governance System: Will the Markets Gain Control?', *DIJ Working Paper 00/2*, Deutsches Institut für Japanstudien, Tokyo

on Japanese companies operating at home, we might expect Japanese firms to make strong use of socialization and networks for an efficient overall co-ordination of their business activities abroad³⁸. The low overall significance of control by socialization and networks, however suggests otherwise. And obviously Japanese expatriates are not able to make up for this deficiency. This can be explained by the following factors.

A high level of shared values and informal communication can be aimed at by expatriate presence but in general is better achieved through international training programmes and formal international networks of executives³⁹. Such international programmes and networks, however, are very rare in Japanese MNCs. If they do exist, participation is almost exclusively Japanese. The same applies to board meetings dealing with global or Asia-Pacific matters and strategies. They usually take place at the Japanese headquarters, not somewhere in the region like China. The fact that foreigners are generally missing on the board of directors at Japanese headquarters adds to this picture.⁴⁰

As a result, opportunities for socialization and learning between Japanese and non-Japanese employees at the managerial level are fairly restricted. In any case, they are limited to hierarchical, bilateral exchanges between Japanese and, for example, Chinese without also promoting the exchange between Chinese and other Asians. They do not allow for a cross-border flow of information between subsidiaries of two different countries that bypass Japanese headquarters. The same holds true for international task forces and cross-functional teams. They rarely take place in Japanese MNCs involving managers from more than one foreign country. From an organizational point of view, the lack of strong regional headquarters for most

³⁸Fukuda, K.J. (1993). *Japanese Management in East Asia and Beyond*. Hong Kong: The Chinese University Press

³⁹Harzing, A.W. (1999) *Managing the Multinationals: An International Study of Control Mechanisms*. Cheltenham: Edward Elgar. pp-139

⁴⁰Padmanabhan, P and Cho, K.R. (1996). 'Ownership strategy for a foreign affiliate: an empirical investigation of Japanese firms'. *Management International Review*, 36, 45—65.

Japanese MNCs is both expression of and explanation for the missing regional links.⁴¹

The Language Obstacle

The major obstacle to overcoming these barriers is, of course, the problem of language. English is the international business language and is a prerequisite for all kinds of international networking at the formal and informal level. Since the beginning of international operations, lack of proficiency in English has put Japanese MNCs in a disadvantageous position versus firms from other industrialized countries. It will continue to do so until the average proficiency level of the international managers at Japanese MNCs improves enough to allow for a smooth international exchange of ideas at the working level.

The Obstacle of an Insider-Outsider Mentality

Another more abstract, though ultimately larger obstacle to the introduction of effective socialization and networking at the international level lies in the persistence of ethnocentric elements in Japan, or, in other words, an insider-outsider mentality.⁴² Such ethnocentric elements can be found at the specific company level but also within Japanese society itself. Examples of the former include the preference for Japanese-only boards as described earlier. Examples of the latter are more difficult to find but eventually more important. One such example comes with the increased employment of Chinese nationals by Japanese companies in Japan.

For more than twenty years, Japanese MNCs have used training in Japan to upgrade the technological and managerial knowledge of their Chinese and other Asian employees. In the early/mid-1990s, larger firms have also started to employ Chinese workers in Japan in larger numbers on a permanent basis, offering them regular careers within the mother company. This has increased knowledge about foreign countries and

⁴¹ Legewie, J. (1999) 'Manufacturing Strategies for Southeast Asia after the Crisis: European, US and Japanese Firms', *Business Strategy Review*, 10(4): 55—64

⁴² Hu, Xinxin (2000) 'Japanese Firms in China: What Problems and Difficulties Are They Facing?', paper presented at the Workshop on the Chinese-Japanese Relationship organized by the European Institute of Japanese Studies and the Swedish Institute for International Affairs, Stockholm, 17-19 August.

markets in the head offices of the Japanese MNCs. It has also created a pool of 'loyal' Chinese employees that can be sent to overseas postings to reduce the problem of over-reliance on Japanese expatriates. At first sight, this trend seems to constitute a clear indicator of a shift from ethnocentrism to polycentrism.

As such, an indirect form of ethnocentrism or insider-outsider mentality that persists in Japanese society stands in the way of building up truly international operations in Japanese firms and strongly hinders Japanese MNCs in their current drive to globalize and implement new IMC systems. However, by examining the case of Japanese investment in China, management control over plant operations is often ceded to or shared with local Chinese managers in important ways. In this process, it is not being proposed that there is a hybrid management system being formed, but that there are various patterns of management practices occurring in different firms, contingent on a range of factors.

Conclusion

The most significant finding is that Japanese companies do not universally control their plants to anything like the high degree claimed by much previous research. Japanese firms were found to be willing to enter joint ventures as minority stakeholders, to cede control over specific practices in some cases and to choose to invest in locations in which the power relations with government and local (elite) labour were not wholly in their favour.

The strategic decision to locate in China takes place in the full realization that the Japanese must cede significant levels of control to local managers, and/or adopt local practices in preference to Japanese ones. If one accepts the argument, that these Japanese investments are not peripheral, and are not reluctant or forced investments in order to assure market access, then Japanese control is clearly not seen as necessary to assure business success. The assumption that Japanese business prosperity has been due to Japanese managerial control or a unique management style is consequently undermined at

a general level. This is confirmed by Yamashita,⁴³ whose research team found that Japanese interviewees claimed overseas plants (in Asia) had the advantage of not having to incur the high-cost practices, such as lifetime employment or seniority-based pay. It follows that in certain circumstances, Chinese management practices may be seen as preferable to Japanese, such as more respect for technical competence as well as seniority, control of workers' unions and less gender-segregation in managerial appointments.

Finally, concerning the low numbers of expatriates employed in the investments in China, the plants were found generally to have few expatriate managers, and there was no correlation between numbers and patterns of control. This means that the Japanese do not use greater numbers of Japanese in positions of control in order to ensure the transfer of Japanese management style, but, instead, where transfer takes place it is often through local managers. This signifies that either enthusiastic locals or tight, formalized mechanisms of control are introducing Japanese management techniques.

Moreover, these expatriates have a high degree of autonomy from their Japanese headquarters, as long as they meet numerical targets set in Japan (market share, production, cost etc.). Where localization is considered important, such as in personnel matters, power is formally ceded to Chinese managers as such localization is a strategic advantage, not a forced compromise. Nevertheless, this is not to argue that managers are free to decide what they like; to an important degree the characteristics of the local labour markets affect this power. As such, the Japanese firms' competitive advantage is different between locations and industries, with the major determining factor being share ownership. Japanese control is dependent upon share ownership power. Where they are the minority shareholders, Japanization is less, not because of unwillingness to transfer but because of lack of need to transfer; the corollary being that where the need to transfer is felt to be high, power will be assured through investing as a larger shareholder. The fact that Japanese firms willingly invest as minority or joint shareholders

⁴³Yamashita, S. (1991). 'Economic development of the ASIAN countries and the role of Japanese direct investment'. In Yamashita, S. (Ed.), *Transfer of Japanese Technology and Management to the ASEAN Countries*. Tokyo: University of Tokyo Press

is evidence of their flexibility to accept foreign management or labour practices, and work with them. One can go further and argue that Japanese multinationals choose to share power in order to gain access to this more appropriate form of management and/or labour practice. Otherwise, they would choose to locate elsewhere. This argument may or may not extend to Japanese investments in countries that have put up import barriers (in North America and Europe), 'forcing' Japanese firms to localize production. However, even in those investments, there may be too much academic acceptance of Japanese rhetoric of the need for Japanization for plants to operate profitably. For certain products and certain practices at given points in time and location, it is strategically advantageous for the Japanese multinationals to be dependent on a local management class.

The systematic evidence available show that only in a few cases has there been any wholesale transplanting of Japanese labor relations even with the rapid step-up of foreign direct investment from Japan. Far more cases report either adaptation to host-country practices or, at most, selective transfer of practices that are not necessarily Japanese alone. In foreign settings whether Southeast Asia or North America one has difficulty recognizing the divine treasures or other allegedly distinctive Japanese characteristics.

A major reason for the lack of a distinctive Japanese approach to labor relations abroad is that much of the system in Japan already has become similar to practices found elsewhere. The diverse experience in Southeast Asia and in Canada resembles conditions in the sector of small and medium-size enterprises of Japan. Even the celebrated cases in the United States, like Honda, and Nissan, appear to be hybrids of Japanese and American practices—perhaps because industrial relations in both countries have been converging toward one another in any event. Perhaps it has been too short a period for the Japanese features to assert themselves abroad, and they will eventually emerge. Dynamic forces of industrial change are continually modifying labor relationships both in home and host countries, however. Under such conditions, transplanting is not likely to take hold in any exact sense.

Industrial Relations in Japanese Subsidiaries in India

Currently, India is seeing a boom in FDI as never before since the country became independent from British rule in 1947 and last year the rating firm A. T. Kearney placed India as third most attractive country in its 'FDI Confidence Index.' This year FDI worth close to seven billion U.S dollars has already been Channelled, with a third of this coming from Japanese companies led by Mitsubishi, which has just invested 500 million dollars in communist- ruled West Bengal state.in the last ten years japan continuously retained either 4th or 5th rank as foreign direct investor in India, with about 250 companies in the country, having invested about \$2 billion in equity.

A World Bank study entitled 'Doing Business,' released earlier this year, rated India as among countries with the most rigid labour laws with a score of 48, while China had only 30 and Singapore zero. India's labour dispute record has shown considerable improvement in recent years. According to the latest ministry of labour data, the number of strikes declined from 808 in 1994, to 257 in 2004. After a peak of close to 12 million man-days lost to strikes in 2000, only 4.2 million man-days were lost due to strikes in 2004.

When host country i.e. Indian labour laws depict its socio-cultural influences, how the Japanese industrial relation system is trying to respond to the challenges, is a big question. According to Mr. Yoshihiko Saeki, President of JETRO (Japan External Trade Organisation).⁴⁴ for Japanese businessmen, especially those engaged in small and medium-sized enterprises (SMEs), India still remains a country where doing business is difficult. A decade into liberalisation, Japanese investors still fear that far from making profits in Indian operations, they may lose money. This impression was formed before liberalisation and has stuck, says Mr. Saeki. While the Japanese SMEs are aware of India's huge market potential, especially in IT and IT-related areas, the differences in business practices, environment and culture remain the inhibiting factors. It was to break the ice that Mr. Saeki was in India, heading a 60-member SME delegation to the capital

⁴⁴ Foreign investment 'Depends on Indian Industrial Policy', *The Hindu Business Line*, Wednesday,24, 2001.

and IT centers in Bangalore and Chennai, to help Japanese businessmen see for themselves the changes in the Indian business environment.

More and more Japanese businessmen are now getting interested in the Indian economy. After the recent liberalisation policies, they expect sound growth in an economy that has considerable market potential with more than one billion people. They are also paying more attention to the IT industries and human resources in India. So they are now expecting more business opportunities in India.

Earlier the Japanese Government sent an economic mission to India, consisting mainly of large companies.⁴⁵ But in any country, the large companies' operations are supported by small- and medium-sized enterprises (SMEs). So, JETRO thought it would be worthwhile to get the SMEs and businessmen acquainted with the Indian market. However, at the same time, Japanese businessmen are concerned about doing business with India. The major reason is that Japanese businessmen are not well versed with Indian culture, society and business practices. So Jetro offered them the opportunity to get acquainted with the Indian market and businessmen and learn how to run their business in India.

Mostly, the large companies have had the experience of business in India before 1991. Even after 1991, they experienced failure. They lost money and still retain an unfavourable image of Indian business. Since then, the Indian conditions have been changing, and if we get to know India better, he thinks it will be easily solved. The main points are the bad image of the past performance of the Japanese companies and the lack of experience and knowledge about India.

The general image of India, formed many years ago, is that it is difficult to do business with Indians. At that time there were many restrictions in India and so the image has been mixed with some administrative matters and legal. But they experienced such difficulties

⁴⁵ 'Foreign Investment Depends on Indian Industrial Policy' -- Mr Yoshihiko Saeki, President of JETRO, *Financial Daily*, Wednesday, January 24, 2001

and that is, in many cases, due to the differences in culture and business practices. Japanese businessmen do business on the basis of reliance without depicting contracts in details. While the Indian businessmen depend on agreements in detail. So misunderstandings on this count lead to problems when things do not go well.

Maruti-Suzuki

Question on Suzuki's, labour problem where management agreement led to dispute, he said, do not take Maruti-Suzuki as an example. It has a special status. Business with India is not only joint venture. Japanese businessmen think the most important thing is to run companies well. That is the cultural difference. You take it as a right to nominate. But Suzuki thinks that for the Government nominee, it is critical to have the right person and the right management in place. It is not something personal. Governments do not really know about business and that is the kind of thing that creates misunderstandings.

However, difficulties do lie in some part, first in the Indian business, and business conditions, and second in the lack of understanding of business practices and cultural and psychological distance. So, first, we call the attention of Japanese businessman to the current situation, and second, we let them get acquainted with Indian businessmen and the business environment.

Another problem is that the companies are now competing globally. So, business conditions in India, for example in infrastructure, where there are high tariff and taxation systems, are disadvantageous to Japanese businessmen. They may lose money. For example, now that the quantitative restrictions have been removed, cheap Chinese products are coming in. While Chinese products will be allowed to come in such disadvantageous conditions, they (the Japanese) may be afraid to invest money.

In the case of Japanese companies, they set up a factory if they invest their money. It is a lot easier to set up an IT company, as it does not require so much capital. But for a factory, they must invest a considerable amount, which takes time to recover. So they are worried about these conditions also.

In the case of South-East Asia, Japanese investors think that is the best location as they can export their products to the US, Europe and Japan. In the case of export-oriented products, the location must be competitive compared to the other parts of the world. In the case of India, if they invest here, it is because the Indian market is attractive. As restrictions and trade rules are liberalised, they can be really competitive in India. So, they are going to think, well, if the Indian Government thinks it is necessary for the industry to be competitive against such imports, there must be policies in that direction. Or if they want to develop the assembly industry, the taxes on components and other raw materials must be lowered. So it all depends on what kind of industrial policy the Indian Government wants to follow.

In India, many Japanese companies complained of the high tariffs and taxation. And compared to other South-East Asian countries, the infrastructure is bad. So, in that sense, India has lagged behind. There are other complaints about red tape in administrative matters and procedures, which are often not transparent. These remain problems, although they have admitted that things are improving.

About the general perception that Japanese businessmen are extra cautious and decision-making takes a lot of time because of the consensus approach? How far has that changed? He replied, by asking us to consider that in the case of the US, many Indians are there, they are Indian Americans. They have much acquaintance, information and knowledge about India. In the case of Japan, however, it is different. We are less familiar with the Indian environment and the way we conduct business is different. So, we need more careful study before we start business. And, the business philosophy is different between the Japanese and the Americans. The Americans take risks and make large profits. But if they lose money, they run away. So the time taken in decision-making will also be different. Understand and accept the Japanese business behaviour as it is.

In a sense, Japanese businessmen must be quicker in decision-making and this is a problem Japanese companies are facing now. At the same time, Japanese companies are now in a restructuring process. Many of them are straightening their financial positions and are, therefore, very cautious. American companies, if they find their subsidiaries are

not doing well, just withdraw their money. Japanese have long-term perspective and stability in their business philosophy. They can accept small profits and still continue to hold on.

On asking about failure of the Japanese employment strategy of family loyalty and the adoption of the US style of hiring and firing, the Japanese business leaders feel that they are responsible for their employees, whereas the American businessmen feel responsible for their industries and shareholders. But, under the rapidly changing world conditions and more competitive environment, this (Japanese) philosophy cannot continue any longer. But it does not mean that the Japanese business leaders abandon their employees immediately. They still feel responsible. So they try to minimise the number of employees through retirement. We cannot go to extremes, and this is partly because of the differences in social systems.

In the US, job can be sought any time, anywhere, but not in Japan. The job market is not so abundant and if you are fired, it is very difficult to find a new job. There is a social safety net but it does not guarantee the current living standard. However, it does not mean that they starve to die, but they cannot maintain the current standard of living.

Toyota Unrest

The strike and lockout is the second major industrial unrest in the Indian unit of a Japanese auto company.

Toyota Kirloskar has invested nearly 15 billion rupees (\$339 million) in its Bidadi plant, in the state of Karnataka, which started production in December 1999 and has a capacity of 60,000 units annually. Toyota makes the Corolla car and the Innova in the plant, and sold more than 42,000 vehicles in India in 2005.⁴⁶

Toyota Kirloskar Motor Ltd is the joint venture between Toyota Motors with 89 per cent control and the Kirloskar group, which holds the remaining 11 per cent. The management control is with the Japanese auto giant. The company has a five per cent market share of

⁴⁶ www.domain-b.com, January 20, 2006.

country's passenger car segment and makes the multi-utility vehicle Innova (42,000 units of which rolled out from this plant in 2005) and the luxury segment Corolla. It also imports the Camry sedan and sports utility vehicle Prado market and planning to enter the small car segment. Toyota started its Indian operations in 1997 with an investment of Rs700 crore, which has grown to Rs1,500 crore on developing a production capacity of 60,000 units annually.⁴⁷

Honda Unrest in Gurgaon

Recent violent clashes between the workers of Honda Motorcycle and Scooter India and the local police in Gurgaon, has led to a larger fallout with the industry asking for more flexibility in labour laws and warning of a negative effect on FDI inflow into the country. India Inc, though guarded in its response to any major impact the incident could have on the investment climate, advocated easing of labour norms and streamlining the legislative framework.

"Such incidents underline the imperative need to bring about effective legislative changes in labour laws and streamline the Industrial Disputes Act," the PHD Chamber of Commerce and Industry President, Mr. K.N. Memani, said. He said the investment climate gets disturbed as such incidents send negative signals to both domestic and international investors. The ASSOCHAM President, Mr. M.K. Sanghi, too emphasised the need for flexibility in labour laws, particularly in a liberalised economy. He, however, ruled out any adverse impact on overseas investment inflow. The Chairman of the American Chamber of Commerce in India, Mr. Amrit Kiran Singh, also ruled out any negative effect on flow of FDI into the country.⁴⁸

Nilotpal Basu, a member of parliament and leader of the Communist Party of India Marxist (CPI-M) said: "The fact is that India's labour laws reflect international covenants like those of the International Labour Organisation (ILO) and are accepted by most

⁴⁷ Toyota Lifts Lockout at India Plant Shut by Strike, *Asia News*, Friday, January 20, 2005.

⁴⁸ Honda unrest: Industry calls for flexibility in labour laws, *Business Line*, Wednesday, July 27, 2005.

countries." ⁴⁹ "If the MNCs follow the labour laws in their own countries, they should do it in India too," he added. According to Kiyomichi Ito, chief of the joint venture Toyota-Kirloskar Auto Parts, "Indians should understand that the capital investor has varied choices and China still remains an attractive destination.

But another locally well-known Japanese businessman, Naohiko Munakata, former chairman of Mitsubishi Corporation, was more pragmatic and said the incident provided a "good lesson for Japanese management" and that there was a real need to understand cultural differences. "We have to be more careful about local culture and sentiments and Mitsubishi is determined to understand work culture in India better and also conduct more business here," Munakata said.

CPI's D. Raja said: "Please do not forget that this country offers no social security or unemployment insurance to workers and until that happens we will not allow the kind of hire and fire policies that the multi-nationals are demanding in the name of labour reforms."

Future Plans of Japanese Companies Regarding India

The current economic momentum in India is one the prime reasons for companies to have aggressive future plans. Most companies are planning to expand their production capacity, increase product portfolio, target new consumer segments and increase market share in India. Further, companies are also planning to establish India as a global hub for manufacturing thereby leveraging the lower installation and operating cost in India. Companies are also setting up new plants. Hero Honda is planning to increase capacity of its existing production line as well as build a new plant with annual production capacity of 450,000 units.

⁴⁹ India: Japanese Investors Learn Indian Labour Laws the Hard Way, *Crop Watch*, Inter Press Service, August 3, 2005.

Manufacturing Hub

Companies are targeting India as a global hub for manufacturing. This is because of availability of skilled workforce and availability of natural resources. Following are some companies that plan to make India a manufacturing hub:

- Panasonic is planning to make India a global manufacturing hub. The company has decided to source colour television sets from India for its international markets.
- Sakata Inx Corporation is planning to make India its global outsourcing hub for offset printing inks. The company plans to export the offset ink to Sri Lanka, Bangladesh, Middle East, Central Asia, CIS countries and Africa.

Establishing Global Service Centres

Companies are setting up technical support centres in India to meet the growing needs of global customers and strengthen global solution businesses worldwide. Companies are seeking to provide global outsourcing services to their customers along with focus on technical skills, English language proficiency and multinational project management.

- Fujitsu Services has partnered with Zensar Technologies (India) to provide integrated business solutions to Fujitsu's clients in Europe, Middle East and Africa markets through a Global Delivery Centre in Pune.
- Hitachi has recently established a 'Global Service Centre' in Bangalore with an initial staff strength of approximately 100 people. It aims at providing services such as application development, and maintenance and operation support to its facilities worldwide.

Best Management Practices

Japanese companies ensured that their management practices were followed in their Indian operations as well. Special emphasis was made to ensure proper relationship between the Japanese and Indian counterparts. For instance, Suzuki, when it entered India through a joint venture with Maruti, ensured that its best practices such as team work, imparting multiple skills to operators, flat hierarchy, bottom-up innovation, in-line quality assurance processes, etc. were replicated in the Indian operations as well.

Best Practices Adopted by Japanese Companies Entering India: Strategic Alliances and Partnerships

Majority of Japanese companies entered India through a strategic partnership with an Indian company. This assisted them in effectively understanding the Indian market. Following are some of the benefits offered by alliances and partnerships:

Penetrate Indian Market

- Hitachi entered into several strategic alliances and partnered with local distributors. In April 2006, Hitachi Global Storage Technologies entered into a partnership with Redington as its new authorised distributor. This will facilitate Hitachi to enter the B and C-class cities, which the company feels are witnessing the maximum growth.
- Tokio Marine partnered with IFFCO to enter India. This helped the company to leverage a network of 37,500 cooperatives of IFFCO to effectively target its customers.

Ensure Business

- Showa Corporation partnered with Hero Honda to enter India (Munjal Showa). This ensured initial business to the company as products manufactured by Munjal Showa were supplied to Hero Honda.

Establish R&D Centre

Japanese companies have enjoyed the advantage of technical supremacy in the Indian market. Companies, apart from transferring their technical expertise to India, are now establishing their R&D base in India. For instance, Maruti Suzuki is planning to set up a complete automobile design centre in India. The centre will be equipped with complete design capabilities. As part of the plan, Maruti is sending some of its engineers to Japan to get some hands-on experience in car designing at Suzuki Motor Corporation.

Increase Localisation

In order to reduce import cost of components and accessories, companies are planning to localize components sourcing to a greater extent. For instance, Maruti has achieved over 90 per cent localisation for Maruti 800, Zen, and Alto cars.

Expanding Capacity

Companies are expanding their capacity in order to meet the growing demand from Indian market.

Leverage Brand

Since, Japanese brands are perceived as reliable, cost effective and technologically advanced, companies entering India capitalised on this and used their global brand name. Companies such as Sony, Panasonic, Honda, Toyota and Sakata are examples of those who used their brand to drive sales in India.

Robust Dealer Network

Companies have established strong sales and services network in India. This has ensured their penetration of the Indian market. Companies that have Indian partners have leveraged the established distribution network of the Indian counterpart. Some examples of companies having an excellent dealer network:

- Daikin Air-conditioning India has more than 200 dealers all over the country. The company also provides technical training to its dealers that further improve after-sales services.
- A strong dealer network and reliable after-sales service is a key factor that contributes to Honda's success in India. This gives the company massive reach and the ability to better serve its customers. Further, companies have also ensured an efficient supply chain of dealers, ancillaries and vendors. This results in cost savings and thus improves the bottom line.

Japanese SMEs are also investing in India. Japan and India share a common vision for the world. This is aptly illustrated by the fact that there has been an increase in the number of joint declarations, delegation visits and other business events between the two countries. Trade & investment relations between India and Japan are growing stronger. This can be explained by the following facts:

- Japan is a relatively labour-scarce, capital abundant country that complements India's rich spectrum of human capital.
- India's prowess in the software sector lends synergy to Japan's excellence in the hardware sector.
- India's abundance of raw materials and minerals matches well with Japan's capabilities in technology and capital to produce knowledge intensive manufactured goods. This is further substantiated by the fact that Japan is among India's top five trading partners. Total trade between India and Japan was close to US\$ 5 billion during 2004-2005.

CHAPTER V

SUMMARY AND CONCLUSION

THE REALITY OF JAPANESE LABOR RELATIONS

Most Japanese do not consider the divine treasures as anything more than out-of-reach stereotyped ideals. A realistic assessment of labor relations in Japan includes a number of other features and variables that are more typical.

One of the most important is that by far the huge majority probably 75 percent of the 45 million wage and salary earners in present-day Japan are employed in small-scale enterprises that do not often exhibit the divine treasures in any noticeable way. The treasures seem to belong only to the very large companies and to government bureaucracies. Thus there is a second, more prevalent, labor relations model, in which labor turnover is relatively high, wages and salaries and promotion are not graded by length of service, and formal unionism hardly exists. Worker earnings in the small-scale sector average at least 25 percent less than in the large-scale sector. Actually, generalization is quite difficult as there are a number of different types of small firms. For a worker to improve himself or herself, it is often necessary to move from one small company to another in order to raise one's skill level. That is far less necessary in a large firm, which, because of its sheer size and technological diversity, offers opportunities to advance within the company itself.

The divine-treasures model, therefore, makes too much of internal labor market structures in Japan. While they do exist as in most other countries, only a select minority uses them to the fullest. Even in the large-scale enterprises relatively few of those who are recruited presumably for life actually do have careers in one company alone. Perhaps only one out of five or six recruits brought in from school sticks it out to retirement, although those who do rise to the top of the organizational hierarchies. The great bulk drop by the wayside or move to other organizations. Many go into business for themselves. Lifetime employment and

length-of-service wages and promotions indeed are found in Japan, but they should be seen more as exceptions than as the rule. The implication is that, in transplanting Japanese labor relations abroad, those treasures are not necessarily central for undertaking operations in host countries. Japanese employers can easily point to important practices at home both within the small and large companies that do not include those features.

Another major labor relations characteristic in Japan is the employment of sizable numbers of wage earners who are not regular or permanent employees. Many intend to enter self-employment after gaining some experience as industrial workers. Close to 15 percent of the Japanese labor force is self-employed, most without any employees. As Koike has noted, nearly half of the workers in firms that employ 10 or fewer workers each and one-third from the 10- to 20-employee category sooner or later turn to self-employment.

Many companies, even the largest, will usually employ some workers on a temporary basis, that is, with written employment contracts specifying short-term employment such as 90 days or 6 months, in accordance with legal requirements. At least 10 percent of Japan's wage and salary earners fall into this category.

Of growing importance, too, are part-timers and semi-regular workers. By the late 1980s, almost one-fourth of all employees fell into those categories. Sizable proportions are students, but the largest percentage is part-time women workers. Still others are the foreign workers brought into Japan, legally and illegally, in increasing numbers in recent years.

While the growth of nonregular and non-ordinary employees in Japan reflects the emergence of both labor shortages and mismatches in the labor market and the attempt to substitute low-wage labor for high-wage labor, all the categories represent a large departure from the stereotypical commitments implied by the term "lifetime employment." Again, one could realistically expect Japanese employers who go abroad to employ workers on a less than permanent basis. Temporary and part-time workers seldom receive length-of-service wage increases, bonuses, or promotion and are also usually excluded from membership in enterprise unions.

A third important reality in Japanese labor relations is that, while unionism extends to only 26 percent of the wage and salary work force, labor-management collective bargaining has an impact far beyond the borders of the individual enterprise. It is not correct to say that employers in Japan deal only with unions that are confined to their own immediate permanent employers.

Although the density of unionization has been slowly declining over the past 15 years from about 34 percent in 1975 there has been little letup in the constant rounds of collective bargaining at enterprise, industrial, and national levels. Wage negotiations probably occur more frequently in Japan than in most other industrially advanced countries where collective bargaining is an established institution. General bargained wage changes occur for most unionized companies at least twice a year. One is the well-known annual "spring wage struggle" (*shunto*), which has taken place every year in April and May since 1955 for the purpose of determining increases in base wage rates. The other settles the annual wage and salary bonuses, or one-shot payments, granted in early summer and at year's end, just prior to Japan's most important holiday seasons. Usually bonuses are distributed in June and December.

These wage and salary determinations are not automatic, although econometrically they can be closely related to such factors as productivity increases, cost-of-living rise, profitability, and labor supply and demand. After considerable deliberation and maneuvering by the parties, including the employers and their associations the national union center and its industrial union affiliates, and even government representatives, the settlements essentially constitute an informal income policy for the Japanese economy as a whole. A pattern, with some variation, quickly forms both for *shunto* base-ups and for the seasonal bonuses, which themselves usually add at least one-third to the regularly paid wages, and rapidly spreads throughout the nation, affecting almost all sectors, union and nonunion, more or less equally on a percentage basis. While there are differences in the amount gained industry by industry and even company by company within an industry, they tend to be limited and over the long run have narrowed. Gradually, too, as collective bargaining has been extended to issues

other than wages, the nationwide pattern-setting movements have come to embrace working hours, pensions, and other general benefits.

It is too much to expect that the general employment policies be decided solely on the basis of negotiations between a company management and its enterprise union. While it is correct to say that agreements must be formally accepted or ratified at the enterprise level, where the union members have gained the legal rights of representation and collective bargaining, it is an error to think that enterprise managements and unions operate in isolation. Industry-level federations and associations are key transmitters of ideas and information and become the forums for making and coordinating the determinations on macro matters such as the base-wage changes and bonuses. A management or union can hardly be concerned only with the affairs of its own company. Similarly, for major items, government agencies concerned with labor conditions often participate through backdoor maneuvering and jawboning. There is much at stake for government budgets themselves as well as for government economic policy.

Much of the decision-making process is informal. There are joint consultations at various levels. Formal agreements are made at the enterprise only after deliberations and understandings are reached at higher levels. Employers and unions understand this and accept each other's role in the procedure. Enterprise unions, freely chosen by the workers under the law, are assured of their autonomy and independence from company management by coordinating their positions through their own industrial union federations.

A final realistic feature to note is that Japanese labor relations are not conflict free. The number of labor management disputes and work days lost fell precipitously only after 1974. Up to that time, the indexes of industrial conflict had steadily gone up from the late 1950s. Dispute activity stood at European levels, notably most like that of France, and Japanese labor relations did not yet stand out for achieving the long-sought harmony until the late 1970s.

Several reasons explain the rapid decline of disputes during the past 15 years. While undoubtedly the development of employee-centered policies of enterprise management contrib-

uted to the elimination of worker grievances and strikes, a more cogent reason was the steady buildup, beginning in the 1960s, of close, tripartite labor, management, government consultation and deliberation at various levels, which ensued from the institutionalization of collective bargaining under *shunto*-wage rise *and* bonus negotiations. With the first oil crisis, the parties essentially reached a social compact, or consensus, on equal terms, to deal with the sudden economic shocks of recession and inflation that had been generated. In exchange for employer and government policies to maintain or improve employment security, economic stability, social welfare, and control over inflation, the unions pledged wage restraint, acceptance of technological changes and structural shifts, and avoidance of walkouts. This consensus has prevailed ever since. Dispute levels are much lower than experienced up to 1975, although not entirely eliminated. Labor-management peace is as much the product of understandings at the industrial and national levels as it is of enterprise-level relationships.

Still other important features can be cited in a realistic depiction of Japanese labor relations. These include the political process of setting and enforcing labor standards and adopting social security programs under the law, the interplay of public sector labor relations with the private sector, the mediating role of government agencies such as the tripartite labor relations commissions, efforts to achieve the unification of organized labor, and the political action of both employer organizations and the labor movement, to mention only the most prominent. When all these are considered, the divine treasures seem to lose value in depicting the Japanese model. The Japanese system comes to resemble others far more closely.

A major source of objection to the divine treasures is the Japanese labor movement itself, especially the leadership of the Rengo, or Japanese Trade Union Confederation, which, with a membership of 8 million workers, is the noncommunist world's third largest national center for organized labor, after the American Federation of Labor and Congress of Industrial Organization, in the United States, and the British Trades Union Congress. While conceding that enterprise unionism greatly facilitated worker organization in postwar Japan, Rengo spokespersons seek to make the new national center much more like the German Trade Union Federation of West Germany, with its 17 large industrial union components. They also seek to extend unionization to the vast unorganized sector of small and medium-size firms in Japan. Such a restructuring could well mean the end of the divine treasures.

The problem for unions in Japan is that the companies, which were the centres of trade union membership in the 1960s and 1970s are no longer the centres of employment in the Japanese economy. Yet, it is precisely "workers" from these companies that now dominate the trade union leadership of Rengo. Moreover, the companies themselves no longer have an interest in maintaining the corporatist relations of yesteryear, especially in the context of their increasing levels of transnationalisation.

Japanese Overseas Subsidiaries:

'Contingency' model which emphasizes a belief that multinational firms must align their managerial practices to global and local economic, political, social, cultural and other dynamic environmental conditions. When the parent and subsidiary are not facing the same types of contingencies, various forms of internal 'push-pull' influences between the units may become more apparent. In the case of subsidiaries, 'push' effects can be in evidence when headquarters find the need to control global strategic, organizational and financial objectives tightly or when home-country cultural influences are transferred to the subsidiary. 'Pull' effects can be seen when subsidiary operations assume characteristics of their local environment.

The contingency view implies that different environmental conditions, such as economic, political, legal and institutional factors, demographic characteristics such as labor market conditions and organizational features such as a firm's age and size, historical legacy, administrative heritage, global strategies, structure and corporate culture can all be conducive or detrimental to developing successful MNC policies, including HRM practices in foreign subsidiaries.

HRM policies are influenced by two major sets of factors: stakeholder and situation-related. HRM policies must meet stakeholder interests, in conjunction with situational constraints, to achieve long-term effectiveness. Stakeholder interests come from shareholders, management employees, governments and communities, with many actions revolving around economic and profit-motivated concerns. Situational factors refer to forces such as law and societal values, labour market conditions, unions, workforce characteristics, business strategies, management philosophy and so on.

When the parent and subsidiary do not face similar forms of economic, political, social and other contingencies, conflicts between the two in optimal configurations for management practices may occur. The MNC parent company may *push* for adoption of HRM policies that reflect headquarters home-country and corporate culture, social values, strategic imperatives and CEO philosophies in the host country (the so-called '*pushing* effects' for global strategic and efficiency considerations). Host-country political, economic, demographic, legal, social and cultural environments may also impose severe constraints on MNCs' global business strategies. This may force foreign firms to conform to many local management policies and practices (the so-called '*pulling* effects') in order to implement global objectives.

If we consider China's rapid movement toward a market economy through continuing structural reforms, its demands for globally minded local managers and employees with changing social and individual values and the strategic and competitive pressure among leading global MNCs to compete in the Chinese market, MNCs in China are increasingly able to *push* for globally adopted 'best' management practices in terms of corporate culture, employee training, performance evaluation, labour productivity, employee benefits, etc. This may be necessary for MNCs to attract and retain the best and brightest local managers and employees.

Local constraints in China are also likely to have a strong *pull* in a centrally controlled planning environment, which characterized and to some extent still characterizes China. For example, China's 4000-year-long history and tradition, societal and political values, legal institutions and stages of development of economic environments are likely to make the wholesale adoption of successful MNC parent HRM policies overseas difficult, even if strong elements of economic rationality in the parent-firm environment characterize some of these policies. An explicit statement of employment without some job protection in China, for instance, could be dangerous and counterproductive if freely imposed on Chinese employees. The conflicts between those managers educated and raised in China and those who had studied in the US and returned to China is a good case in point of the often-complicated situation in China regarding the adoption of Western management practices in China.

This simplification is not merely reductionist; it also ignores the changing patterns of Japanese investment in Asia, as more Japanese multinationals seek to incorporate Asia into their globalized production strategies. ' China is now second to the USA as the major recipient of Japanese FDI .At the micro level, however, there is little evidence of what has actually been taking place. The Japanese expatriate-based control system in China continues to be characterized by a special kind of ethnocentrism. It is argued that this ethnocentrism will prevent a fast shift to international operations in the 'transnational' sense, though such a shift will become necessary for a rising number of Japanese firms over the next years.

Moreover, Japan is still the only country in Asia, or beyond the realm of the North Atlantic, to reach industrial core status, providing a cultural model impossible for US or European MNCs to duplicate. Japanese imperialism in the first half of the 20th century that threatened Asia, often savagely, also helped nurture notions of independence from European colonists. Consequently, host country attitudes towards Japanese MNCs have varied greatly.

Regarding India, it would need to improve its infrastructure, taxation system and labour laws in order to improve bilateral economic relationship with Japan. Improving the bilateral economic cooperation between the two countries means not only Japanese investments in India. There are other issues, which needs to be addressed. Although Japan was one of the first countries to enter India, its investments and economic activities have increased over the years only marginally. Out of Japan's overall global trade, of which 45 per cent is accounted for by Asia, India's share is just one per cent. "Infrastructure is still lacking and needs to be improved. The taxation system is also an issue, while the labour law reforms are long overdue. India and Japan, despite the sizes of their respective economies, have not had enough economic interaction "to commensurate their size". With Japan starting a re-look at India, more Japanese companies are likely to enter the country in future.

Thus the process of globalization has brought Japanese large corporations, manufacturing complexes and their overseas subsidiaries or even joint ventures to a stage in the post

1990s recession phase on a fast track restructure and financial discipline. Guided by these and related realities the Japanese labour force is also co-operating with the management as cuts in wage, perks and bonuses occur across the board as a rare business culture. The Japanese work culture may specially be appreciated in the light of no major trouble occurring in Japan when unemployment rate hit post war Japan at 5.6% before stabilizing at 5%. It is these labour qualities and culture that many developing and reforming Asian economies are emulating, albeit gradually.

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APPENDIX

5. Total and Economically Active Population (2003)

総人口、経済活動人口 (2003年)

| | Total population | Active population | Activity rates (%) | Number of Unemployed | Unemployment rate (%) |
|------------------------------|------------------|-------------------|--------------------|----------------------|-----------------------|
| | 総人口 | 経済活動人口 | 活動率 | 失業者数 | 失業率 |
| Japan ¹⁾ | 127,580 | 66,660 | 52.2 | 3,500 | 5.3 |
| United States ²⁾ | — | 146,510 | — | 8,774 | 6.0 |
| France ¹⁾ | 59,900 | 27,125 | 45.3 | 2,656 | 9.7 |
| Germany ^{1), 3)} | 82,502 | 40,195 | 48.7 | 4,023 | 10.0 |
| Italy ¹⁾ | 57,478 | 24,229 | 42.2 | 2,096 | 8.7 |
| United Kingdom ⁴⁾ | 58,337 | 29,235 | 50.1 | 1,414 | 4.8 |
| Korea ⁵⁾ | — | 22,916 | — | 777 | 3.4 |
| Singapore ⁶⁾ | — | 2,150 | — | 116 | 5.4 |

Source: ILO, **LABORSTA**

- Notes: 1) Persons aged 15 years and over.
 2) Persons aged 16 years and over. Excluding armed forces.
 3) May of each year.
 4) Economically active populations figures are those excluding persons aged under 16 years. March - May of each year.
 5) Persons aged 15 years and over. Excluding armed forces.
 6) Persons aged 15 years and over. June of each year.

6. Growth of Population

人口の推移

| | 1950 | 1960 | 1970 | 1980 | 1990 | 2001 | 2002 | 2003 | 2004 |
|---|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| Total population (1,000 persons) ^{1), 2)} 人口総数 (千人) | 84,115 | 94,302 | 104,665 | 117,060 | 123,611 | 127,291 | 127,435 | 127,619 | 127,687 |
| Births (per 1,000 persons) ³⁾ 出生率 (人口千対) | 28.1 | 17.2 | 18.8 | 13.6 | 10.0 | 9.3 | 9.2 | 8.9 | 8.8 |
| Deaths (per 1,000 persons) ³⁾ 死亡率 (人口千対) | 10.9 | 7.6 | 6.9 | 6.2 | 6.7 | 7.7 | 7.8 | 8.0 | 8.1 |
| Life expectancy at birth (year) ³⁾ 平均寿命 | | | | | | | | | |
| Male 男 | 59.57 | 65.32 | 69.31 | 73.35 | 75.92 | 78.07 | 78.32 | 78.36 | — |
| Female 女 | 62.97 | 70.19 | 74.66 | 78.76 | 81.90 | 84.93 | 85.23 | 85.33 | — |

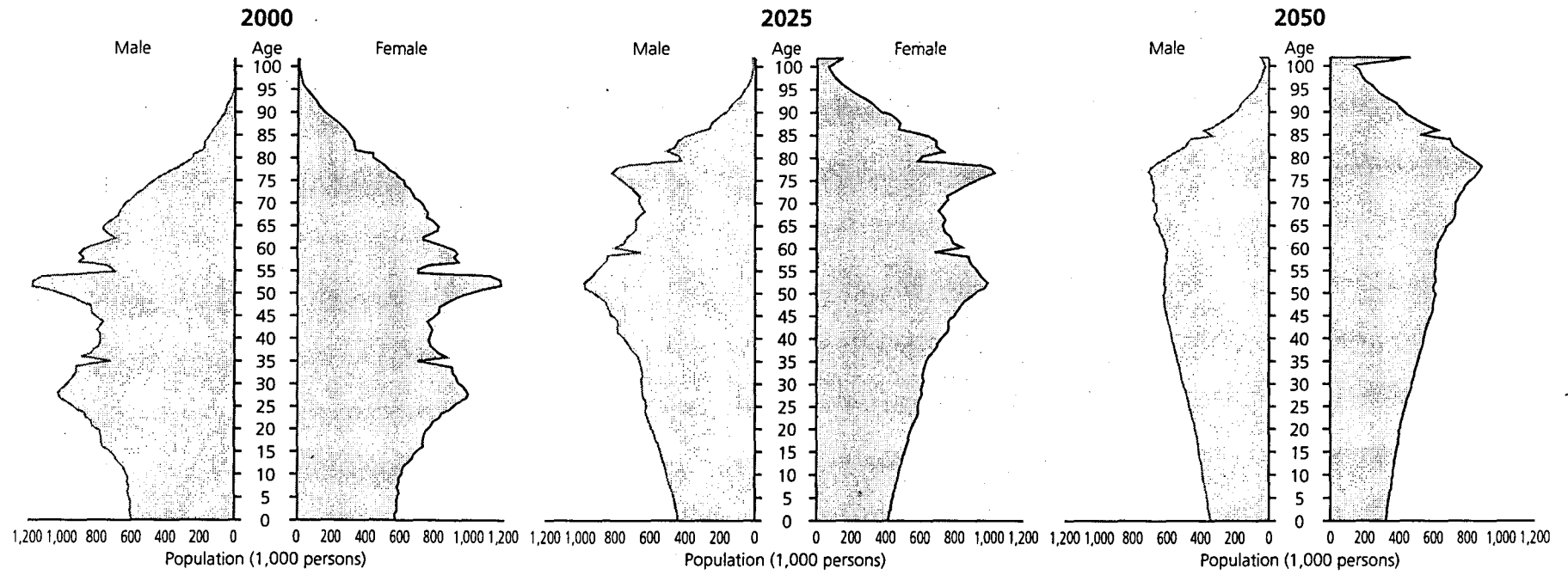
Sources: Ministry of Health, Labour and Welfare, *Overview of Health and Welfare Statistic*. Ministry of Public Management, Home Affairs, Posts and Telecommunications, Statistics Bureau, *Report on the National Census*.

Notes: 1) Population figures from 1950 to 1990 are from national census.

2) Totals for 1980 and after include population of unknown age.

3) This is for Japanese nationals and does not include foreign nationals in Japan. From 1980, Okinawa is also included.

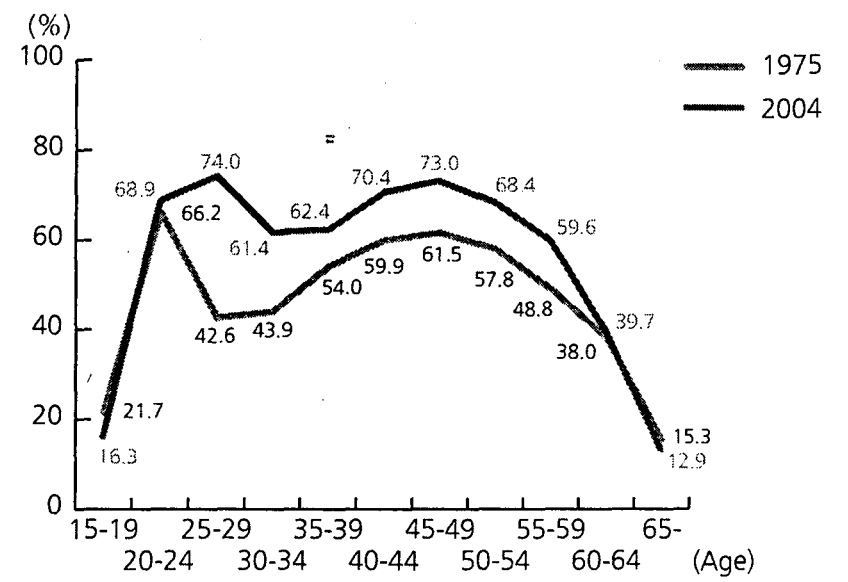
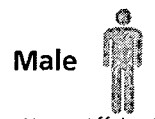
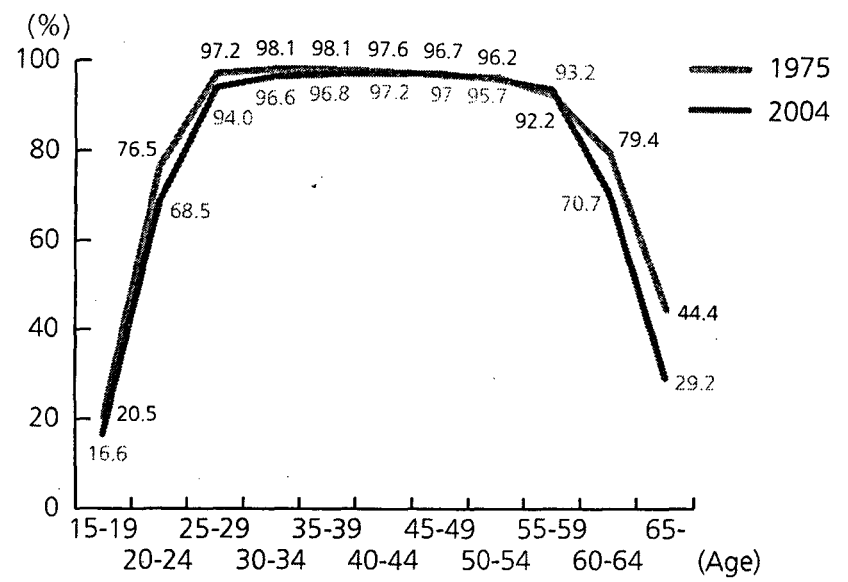
7. **Changes in Population Pyramids: Medium Population Growth**
 人口ピラミッド (中位推計)



Source: National Institute of Population and Social Security Research, January 2002, *Population Projections for Japan*.

8. Labour Force Participation Rate by Sex and Age Group

性・年齢階級別労働力率の推移



Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, Statistics Bureau, *Labour Force Survey*.

9. Ratio and Labour Force Participation Rate of Persons 65 Years Old and Over

高齢者（65歳以上）の割合・労働力率

| | Ratio to Total Population 対全人口比率 | | | | | | | Participation Rate 労働力率 | | (%) |
|----------------|----------------------------------|------|------|------|------|------|------|-------------------------|--------|--------|
| | 1980 | 1990 | 1995 | 2000 | 2010 | 2025 | 2050 | Male | Female | |
| Japan | 9.0 | 12.0 | 14.6 | 17.2 | 22.4 | 29.2 | 36.5 | 31.1 | 13.2 | (2002) |
| United States | 11.2 | 12.2 | 12.3 | 12.3 | 12.8 | 17.8 | 20.0 | 17.8 | 9.9 | (2002) |
| France | 14.0 | 14.0 | 15.1 | 16.0 | 16.5 | 22.0 | 26.4 | 3.3 | 2.5 | (2002) |
| Germany | 15.6 | 15.0 | 15.5 | 16.3 | 20.2 | 23.8 | 28.0 | 4.5 | 1.7 | (2001) |
| Italy | 13.1 | 15.3 | 16.6 | 18.1 | 20.6 | 25.5 | 34.4 | 6.1 | 1.6 | (2001) |
| United Kingdom | 15.1 | 15.9 | 16.0 | 15.9 | 16.4 | 19.6 | 23.3 | 7.8 | 9.3* | (2002) |

Sources: Ministry of Public Management, Home Affairs, Posts and Telecommunications, Director-General's Secretariat, *Annual Report on the labour Survey*.
UN, *World Population Prospects : The 2002 Revision*.

Notes: Ratio of elderly to population was calculated by dividing population 65 years old and over by the total population.

* Figures include persons aged 60 and over.

10.

Employment Service (Excluding New Graduates)

一般職業紹介状況（新規学卒を除く）

| | | 1965 | 1970 | 1980 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|---------|------|------|------|------|------|------|------|------|
| New opening rate (A) | 新規求人倍率 | 0.88 | 1.61 | 1.07 | 1.61 | 1.20 | 1.08 | 1.06 | 1.19 |
| Active opening rate (B) | 有効求人倍率 | 0.64 | 1.41 | 0.75 | 1.08 | 0.76 | 0.64 | 0.63 | 0.70 |
| Proportion of placements to applications (C) | 就職率 (%) | 11.8 | 14.8 | 7.9 | 7.6 | 6.7 | 6.5 | 6.5 | 6.5 |
| Job orders filling rate (D) | 充足率 (%) | 18.6 | 10.5 | 10.5 | 7.0 | 8.8 | 10.2 | 10.3 | 9.2 |
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| New opening rate (A) | 新規求人倍率 | 1.20 | 0.92 | 0.87 | 1.05 | 1.01 | 0.93 | 1.07 | 1.29 |
| Active opening rate (B) | 有効求人倍率 | 0.72 | 0.53 | 0.48 | 0.59 | 0.59 | 0.54 | 0.64 | 0.83 |
| Proportion of placements to applications (C) | 就職率 (%) | 6.4 | 5.7 | 5.7 | 6.2 | 6.1 | 6.1 | 6.8 | 7.5 |
| Job orders filling rate (D) | 充足率 (%) | 8.9 | 10.9 | 11.9 | 10.6 | 10.2 | 11.3 | 10.5 | 9.1 |

Source: Employment Security Bureau, Ministry of Health, Labour and Welfare, Report on Employment Service.

Notes: 1) Monthly average.

$$2) \quad A = \frac{\text{New openings}}{\text{New applications}} \quad C = \frac{\text{Placements}}{\text{Active applications}} \times 100$$

$$B = \frac{\text{Active openings}}{\text{Active applications}} \quad D = \frac{\text{Placements}}{\text{Active openings}} \times 100$$

11 Labour Force Status 労働力状態

| Male and Female | 男女計 | (10,000 persons) | | | | | | | | | | |
|-------------------------------------|-------|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 1965 | 1970 | 1980 | 1990 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Total employed | 就業者計 | 4,730 | 5,094 | 5,536 | 6,249 | 6,514 | 6,462 | 6,446 | 6,412 | 6,330 | 6,316 | 6,329 |
| Self-employed workers | 自営業主 | 939 | 977 | 951 | 878 | 761 | 754 | 731 | 693 | 670 | 660 | 656 |
| Family workers | 家族従業者 | 915 | 805 | 603 | 517 | 367 | 356 | 340 | 325 | 305 | 296 | 290 |
| Employees | 雇用者 | 2,876 | 3,306 | 3,971 | 4,835 | 5,368 | 5,331 | 5,356 | 5,369 | 5,331 | 5,335 | 5,355 |
| Unemployed | 完全失業者 | 57 | 59 | 114 | 134 | 279 | 317 | 320 | 340 | 359 | 350 | 313 |
| Labour Force participation rate (%) | 労働力率 | 65.7 | 65.4 | 63.3 | 63.3 | 63.3 | 62.9 | 62.4 | 62.0 | 61.2 | 60.8 | 60.4 |
| Unemployment rate (%) | 完全失業率 | 1.2 | 1.1 | 2.0 | 2.1 | 4.1 | 4.7 | 4.7 | 5.0 | 5.4 | 5.3 | 4.7 |

| Male | 男性 | 1965 | 1970 | 1980 | 1990 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total employed | 就業者計 | 2,852 | 3,091 | 3,394 | 3,713 | 3,858 | 3,831 | 3,817 | 3,783 | 3,736 | 3,719 | 3,713 |
| Self-employed workers | 自営業主 | 666 | 692 | 658 | 607 | 537 | 538 | 527 | 506 | 495 | 488 | 487 |
| Family workers | 家族従業者 | 223 | 186 | 112 | 93 | 66 | 66 | 63 | 60 | 58 | 58 | 58 |
| Employees | 雇用者 | 1,963 | 2,210 | 2,617 | 3,001 | 3,243 | 3,215 | 3,216 | 3,201 | 3,170 | 3,158 | 3,152 |
| Unemployed | 完全失業者 | 32 | 38 | 71 | 77 | 168 | 194 | 196 | 209 | 219 | 215 | 192 |
| Labour Force participation rate (%) | 労働力率 | 81.7 | 81.8 | 79.8 | 77.2 | 77.3 | 76.9 | 76.4 | 75.7 | 74.7 | 74.1 | 73.4 |
| Unemployment rate (%) | 完全失業率 | 1.1 | 1.2 | 2.0 | 2.0 | 4.2 | 4.8 | 4.9 | 5.2 | 5.5 | 5.5 | 4.9 |

| Female | 女性 | 1965 | 1970 | 1980 | 1990 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total employed | 就業者計 | 1,878 | 2,003 | 2,142 | 2,536 | 2,656 | 2,632 | 2,629 | 2,629 | 2,594 | 2,597 | 2,616 |
| Self-employed workers | 自営業主 | 273 | 285 | 293 | 271 | 224 | 217 | 204 | 187 | 175 | 172 | 169 |
| Family workers | 家族従業者 | 692 | 619 | 491 | 424 | 301 | 291 | 278 | 265 | 247 | 238 | 232 |
| Employees | 雇用者 | 913 | 1,096 | 1,354 | 1,834 | 2,124 | 2,116 | 2,140 | 2,168 | 2,161 | 2,177 | 2,203 |
| Unemployed | 完全失業者 | 25 | 21 | 43 | 57 | 111 | 123 | 123 | 131 | 140 | 135 | 121 |
| Labour Force participation rate (%) | 労働力率 | 50.6 | 49.9 | 47.6 | 50.1 | 50.1 | 49.6 | 49.3 | 49.2 | 48.5 | 48.3 | 48.3 |
| Unemployment rate (%) | 完全失業率 | 1.3 | 1.0 | 2.0 | 2.2 | 4.0 | 4.5 | 4.5 | 4.7 | 5.1 | 4.9 | 4.4 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Annual Report on the Labour Force Survey*.

12. Number of Establishments and Number of Persons Engaged by Size of Employment 従業者規模別事業所数、従業者数

| Size of establishment 事業所規模 | | Number of establishments 事業所数 | Number of employed 従業者数 | Trends in numbers of employed 従業者数の推移 | | |
|--------------------------------|----------|-------------------------------------|-------------------------------|--|------------|------------|
| | | | | 1991 | 1996 | 2001 |
| All sizes | 全規模 | 5,729,209 | 52,159,347 | 60,019,163 | 62,781,253 | 60,158,044 |
| 1-4 persons | 1-4人 | 3,526,725 | 7,594,776 | 9,356,339 | 9,012,155 | 8,422,537 |
| 5-29 persons | 5-29人 | 1,912,072 | 20,161,597 | 22,260,846 | 23,469,773 | 22,538,629 |
| 30-99 persons | 30-99人 | 230,413 | 11,343,947 | 12,958,398 | 13,858,140 | 13,433,701 |
| 100-299 persons | 100-299人 | 42,981 | 6,793,309 | 7,573,137 | 8,166,003 | 7,973,693 |
| 300 persons and over | 300人以上 | 9,720 | 6,265,718 | 7,870,443 | 8,275,182 | 7,789,484 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Establishment and Enterprise Census of Japan, 2004*.

13. Number of Employees by Industry 産業別雇用者数

(10,000 persons)

| | | 1950 | 1960 | 1970 | 1980 | 1990 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Male | Female |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | | Total | 計 | 1,265 | 2,370 | 3,306 | 3,971 | 4,835 | 5,331 | 5,356 | 5,369 | 5,331 | 5,335 | 5,355 |
| Agriculture and forestry ²⁾ | 農林業 | 56 | 94 | 29 | 30 | 29 | 33 | 34 | 38 | 39 | 39 | 36 | 20 | 16 |
| Non-agricultural industries ²⁾ | 非農林業 | 1,208 | 2,276 | 3,277 | 3,941 | 4,806 | 5,298 | 5,322 | 5,331 | 5,292 | 5,296 | 5,319 | 3,132 | 2,187 |
| Fisheries | 漁業 | 22 | 26 | 18 | 15 | 13 | 7 | 8 | 9 | 9 | 9 | 7 | 6 | 1 |
| Mining ²⁾ | 鉱業 | 48 | 42 | 18 | 10 | 6 | 6 | 5 | 5 | 5 | 5 | 4 | 3 | 1 |
| Construction | 建設業 | 88 | 198 | 305 | 427 | 462 | 544 | 539 | 520 | 504 | 493 | 476 | 404 | 72 |
| Manufacturing ²⁾ | 製造業 | 451 | 799 | 1,144 | 1,135 | 1,306 | 1,223 | 1,205 | 1,185 | 1,131 | 1,091 | 1,066 | 728 | 338 |
| Wholesale and retail trade; financing and insurance; and real estate 卸売・小売業、金融・保険業、不動産業 ²⁾ | | 162 | 449 | 731 | 1,003 | 1,288 | 1,428 | 1,426 | 1,423 | 1,408 | 1,189 | 1,180 | 591 | 589 |
| Transport and communication and electricity, gas, water and heat supply 運輸・通信業、電気・ガス・水道・熱供給 | | 161 | 237 | 340 | 362 | 384 | 423 | 427 | 421 | 415 | 503 | 502 | 404 | 98 |
| Services activities ²⁾ | サービス業 | 175 | 388 | 558 | 788 | 1,142 | 1,434 | 1,478 | 1,536 | 1,570 | 682 | 716 | 404 | 312 |
| Government | 公務 | 120 | — | 161 | 199 | 195 | 214 | 214 | 211 | 217 | 227 | 233 | 185 | 48 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Annual Report on the Labour Force Survey 2004*.

Notes: 1) Figures for 1980 and thereafter include those for Okinawa prefecture.

2) As a result of the revision of the Japan Standard Industry Classification, there are discrepancies between the figures before 2002 and after 2003.

14. Number of Employees by Occupation 職業別雇用者数

| Employees 雇用者 | | 1970 | 1980 | 1990 | 2000 | 2001 | 2002 | 2003 | (10,000 persons) 2004 (Ratio 構成比 %) |
|--|----------------|-------|-------|-------|-------|-------|-------|-------|---|
| Professional and technical workers | 専門的・技術的職業従事者 | 246 | 364 | 594 | 754 | 770 | 785 | 802 | 814 (15.3) |
| Managers and officials | 管理的職業従事者 | 131 | 217 | 234 | 200 | 198 | 183 | 182 | 186 (3.5) |
| Clerical and related workers | 事務従事者 | 723 | 867 | 1,088 | 1,233 | 1,198 | 1,177 | 1,182 | 1,197 (22.5) |
| Sales workers | 販売従事者 | 344 | 497 | 680 | 736 | 794 | 776 | 769 | 757 (14.2) |
| Agricultural, forestry, and fisheries workers | 農林・漁業作業者 | 42 | 40 | 39 | 38 | 43 | 45 | 45 | 42 (0.8) |
| Mining workers ¹⁾ | 採掘作業者 | 10 | 4 | 2 | 3 | 3 | 3 | 4 | 3 (0.1) |
| Workers in transport and communications occupations | 運輸・通信従事者 | 219 | 229 | 216 | 207 | 201 | 198 | 196 | 188 (3.5) |
| Craftsmen, manufacturing and construction workers | 技能工・製造・建設作業者 | 1,123 | 1,260 | 1,342 | 1,318 | 1,265 | 1,231 | 1,205 | 1,189 (22.4) |
| Labourers ²⁾ | 労務作業者 | 199 | 148 | 245 | 315 | 320 | 318 | 322 | 329 (6.2) |
| Protective service workers and service workers ³⁾ | 保安職業・サービス職業従事者 | 267 | 342 | 384 | 532 | 559 | 584 | 596 | 615 (11.6) |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, Statistics Bureau, *Labour Force Survey*.

Notes: Occupational categories were revised in the 1980 national census, and Labour Force Survey accordingly changed as follows from January 1981:

1) Previous "mining and quarrying workers" were renamed "mining workers".

2) Previous "unskilled workers" were renamed "labourers".

3) Previous "sanitation workers" included in the "protective service workers and service workers" category were included among "labourers".

4) From 1980 and thereafter, Okinawa is also included.

15. Number of Employees by Sex and Education
性・学歴別雇用者数

| | | 1997 | 2002 | (1,000 persons) Ratio: 2002 (%) 2002年の割合 |
|--|--------|--------|--------|--|
| Total | 男女計 | 53,390 | 53,180 | |
| Male Total | 男子計 | 32,256 | 31,392 | 100.0 |
| Primary school and lower secondary school | 小・中学 | 5,285 | 4,398 | 14.0 |
| Upper secondary school | 高校 | 15,221 | 14,217 | 45.3 |
| Junior college and higher professional schools | 短大・高専 | 2,511 | 2,858 | 9.1 |
| College or university, including graduate school | 大学・大学院 | 9,213 | 9,900 | 31.5 |
| Female Total | 女子計 | 21,134 | 21,788 | 100.0 |
| Primary school and lower secondary school | 小・中学 | 3,228 | 2,679 | 12.3 |
| Upper secondary school | 高校 | 10,979 | 10,542 | 48.4 |
| Junior college and higher professional schools | 短大・高専 | 4,927 | 5,865 | 26.9 |
| College or university, including graduate school | 大学・大学院 | 1,979 | 2,684 | 12.3 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Employment Status Survey*.

16. Ratio of Older Employed Persons by Sex, Age, and Employment Contracts

性、年齢階級、勤務形態別高年齢雇用者の割合

(%)

| Sex and employment contracts 性・勤務の形態 | | 55-69 years old total 55-69歳合計 | 55-59歳 | 60-64歳 | 65-69歳 |
|---|--------------------|--------------------------------------|--------|--------|--------|
| Male 男 | | 100.0 | 100.0 | 100.0 | 100.0 |
| Full-time ¹⁾ | 普通勤務 | 84.7 | 96.9 | 72.6 | 60.2 |
| Short-time ²⁾ | 短時間勤務 | 14.5 | 2.5 | 26.5 | 38.5 |
| Short working hours in a day | 一日の労働時間が短い | 4.0 | 0.8 | 7.0 | 10.5 |
| Short working days | 勤務日数が短い | 6.6 | 1.3 | 12.5 | 15.9 |
| Short working hours in a day and working days | 一日の労働時間が短く、勤務日数も短い | 3.9 | 0.4 | 7.0 | 12.0 |
| Female 女 | | 100.0 | 100.0 | 100.0 | 100.0 |
| Full-time ¹⁾ | 普通勤務 | 56.7 | 64.7 | 46.4 | 39.5 |
| Short-time ²⁾ | 短時間勤務 | 42.7 | 34.6 | 53.1 | 60.2 |
| Short working hours in a day | 一日の労働時間が短い | 20.7 | 16.3 | 28.1 | 26.1 |
| Short working days | 勤務日数が短い | 6.6 | 6.2 | 6.4 | 8.8 |
| Short working hours in a day and working days | 一日の労働時間が短く、勤務日数も短い | 15.4 | 12.0 | 18.6 | 25.3 |

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Conditions of Older Persons, 2000*.

Notes: 1) Full-time workers refer to people who were holding full-time employment.

2) Short-time workers refer to part-time workers who have short daily working hours or short weekly working days.

17.

Ratio of Older Employed Persons by Reason for Holding a Job (By Sex and Age Group)

就業理由別高年齢就業者の割合（性・年齢階級別）

（%）

| Reasons for holding a job 就業理由 | 55-69 years old total 55-69歳合計 | Male 男 | | | Female 女 | | | |
|---|--------------------------------------|--------|--------|--------|--------------------------------------|--------|--------|--------|
| | | 55-59歳 | 60-64歳 | 65-69歳 | 55-69 years old total 55-69歳合計 | 55-59歳 | 60-64歳 | 65-69歳 |
| Total 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| To get income 経済上の理由 | 81.5 | 93.9 | 76.1 | 61.8 | 67.2 | 74.6 | 65.3 | 51.8 |
| To earn a livelihood 自分と家族の生活を維持するため | 77.2 | 91.0 | 70.7 | 55.9 | 58.6 | 64.5 | 57.6 | 45.5 |
| To supplement a livelihood 生活水準を上げるため | 3.4 | 2.3 | 4.2 | 4.7 | 6.9 | 8.4 | 5.9 | 4.7 |
| Others その他 | 0.7 | 0.6 | 0.9 | 0.9 | 1.4 | 1.4 | 1.4 | 1.4 |
| For health 健康上の理由(健康に良いからなど) | 4.1 | 0.3 | 5.7 | 10.2 | 5.5 | 2.7 | 6.0 | 11.6 |
| To enrich life or participate in society 生きがい、社会参加のため | 5.7 | 2.5 | 7.3 | 10.7 | 11.4 | 10.5 | 11.6 | 13.3 |
| For being asked or free 頼まれたから、時間に余裕があるから | 4.9 | 0.5 | 6.9 | 12.0 | 9.1 | 6.6 | 9.8 | 14.5 |
| Others その他 | 3.1 | 2.4 | 3.3 | 4.3 | 6.1 | 5.3 | 6.5 | 7.5 |

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Conditions of Older Persons, 2000*.

18. Ratio of Enterprises by Industry, Size of Enterprise, and Retirement Age in the Future with Fixed Retirement Age System (2004)

産業、企業規模、一律定年制における定年年齢別企業数割合 (2004年)

(%)

| Industry, size of enterprise 産業、企業規模 | | Enterprises which have a uniform retirement age system 一律定年制を 定めている企業 | 59 age and under 59歳以下 | 60 age 60歳 | 61-64 age 61-64歳 | 65 age 65歳 | 66 age and over 66歳以上 | 60 age and over 60歳以上 | 61 age and over 61歳以上 | 65 age and over 65歳以上 | |
|--|--------------------|---|------------------------------|---------------|---------------------|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------|
| | | | | | | | | | | | 計 |
| Total | 計 | | | | | | | | | | |
| Industries covered | 産業計 | [96.8] | 100.0 | 0.7 | 90.5 | 2.4 | 6.1 | 0.4 | 99.3 | 8.9 | 6.5 |
| Mining | 鉱業 | [100.0] | 100.0 | 1.9 | 94.4 | — | 3.7 | — | 98.1 | 3.7 | 3.7 |
| Construction | 建設業 | [92.6] | 100.0 | 0.8 | 87.5 | 1.3 | 10.5 | — | 99.2 | 11.7 | 10.5 |
| Manufacturing | 製造業 | [99.6] | 100.0 | 0.3 | 94.3 | 1.2 | 4.2 | — | 99.7 | 5.4 | 4.2 |
| Electricity, gas, heat supply and water | 電気・ガス・熱供給・水道業 | [96.2] | 100.0 | — | 96.0 | 1.7 | 2.3 | — | 100.0 | 4.0 | 2.3 |
| Information and communication | 情報通信業 | [99.1] | 100.0 | 1.9 | 95.9 | 1.0 | 1.3 | — | 98.1 | 2.3 | 1.3 |
| Transport | 運輸業 | [95.8] | 100.0 | 1.1 | 87.6 | 4.8 | 6.4 | — | 98.9 | 11.3 | 6.4 |
| Wholesale and retail trade | 卸売・小売業 | [97.0] | 100.0 | 0.2 | 93.9 | 1.2 | 4.3 | 0.4 | 99.8 | 5.9 | 4.7 |
| Finance, insurance | 金融・保険業 | [97.0] | 100.0 | 0.6 | 96.8 | 2.0 | 0.6 | — | 99.4 | 2.6 | 0.6 |
| Real estate | 不動産業 | [90.3] | 100.0 | — | 93.3 | 2.5 | 4.2 | — | 100.0 | 6.7 | 4.2 |
| Restaurant, lodging | 飲食店、宿泊業 | [97.7] | 100.0 | — | 89.4 | 3.8 | 6.7 | — | 100.0 | 10.6 | 6.7 |
| Healthcare, welfare | 医療、福祉 | [94.6] | 100.0 | — | 85.2 | 3.3 | 11.5 | — | 100.0 | 14.8 | 11.5 |
| Education, learning assistance | 教育、学習支援業 | [95.6] | 100.0 | 4.6 | 90.5 | 1.1 | 3.8 | — | 95.4 | 5.0 | 3.8 |
| Services activities (not elsewhere classified) | サービス業 (他に分類されないもの) | [93.9] | 100.0 | 1.2 | 79.5 | 5.9 | 11.2 | 2.1 | 98.8 | 19.3 | 13.3 |
| Over 5,000 employees | 5,000人以上 | [98.2] | 100.0 | — | 98.2 | 0.9 | 0.9 | — | 100.0 | 1.8 | 0.9 |
| 1,000-4,999 employees | 1,000-4,999人 | [98.1] | 100.0 | 0.2 | 95.8 | 2.6 | 1.4 | — | 99.8 | 3.9 | 1.4 |
| 300-999 employees | 300-999人 | [98.0] | 100.0 | 0.3 | 95.4 | 1.7 | 2.6 | — | 99.7 | 4.3 | 2.6 |
| 100-299 employees | 100-299人 | [97.4] | 100.0 | 0.3 | 92.9 | 3.3 | 3.4 | 0.1 | 99.7 | 6.8 | 3.5 |
| 30-99 employees | 30-99人 | [96.4] | 100.0 | 0.8 | 89.0 | 2.2 | 7.5 | 0.5 | 99.2 | 10.2 | 8.1 |

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Management 2004*.

Note: Figures in [] show the ratio of enterprises which adopt fixed retirement age system among the enterprises that adopt retirement age system.

19. Ratio of Enterprises by Industry, Size of Enterprise, Retirement Age Class in Fixed Retirement Age System, Presence and Absence of Employment Expansion System, Re-Hiring System, and Future Adoption (2004)

産業・企業規模、一律定年制における定年年齢階級、勤務延長制度、再雇用制度の有無、今後の設定予定別企業数割合 (2004年)

(%)

| Industry, Size of enterprise, retirement age 産業・企業規模、定年年齢 | Enterprises which have a uniform retirement age system 一律定年制を定めている企業 | Enterprises with the system 制度がある企業 | | | | | | Enterprises without the system 制度がない企業 | | | | |
|--|---|--|--|----------------------------------|---------------------------------------|------------|---|--|----------------------------------|--|---|------|
| | | Total 計 | Employment extension system only 勤務延長制度のみ | Re-hiring system only 再雇用制度のみ | Adoption of both the systems 両制度併用 | Total 計 | Planning to introduce system 設定予定がある企業 | | | | No plans to introduce system 設定予定がない企業 | |
| | | | | | | | Total 計 | Employment extension system only 勤務延長制度のみ | Re-hiring system only 再雇用制度のみ | With both re-hiring and extended employment 両制度併用 | | |
| Uniform retirement age | 一律定年制の企業 | | | | | | | | | | | |
| Industries covered | 産業計 [96.8] | 100.0 | 73.8 | 13.2 | 47.6 | 13.1 | 26.2 | 6.8 | 0.8 | 2.8 | 3.1 | 19.4 |
| Over 5,000 employees | 5,000人以上 [98.2] | 100.0 | 78.2 | 5.1 | 69.3 | 3.9 | 21.8 | 7.2 | — | 5.1 | 2.1 | 14.6 |
| 1,000-4,999 employees | 1,000-4,999人 [98.1] | 100.0 | 70.2 | 4.4 | 59.6 | 6.3 | 29.8 | 7.7 | 0.7 | 5.2 | 1.7 | 22.1 |
| 300-999 employees | 300-999人 [98.0] | 100.0 | 71.3 | 8.4 | 54.8 | 8.1 | 28.7 | 5.8 | 0.4 | 3.0 | 2.4 | 22.9 |
| 100-299 employees | 100-299人 [97.4] | 100.0 | 77.6 | 10.7 | 54.0 | 12.9 | 22.4 | 5.1 | 0.7 | 2.4 | 2.0 | 17.2 |
| 30-99 employees | 30-99人 [96.4] | 100.0 | 72.9 | 14.8 | 44.1 | 13.9 | 27.1 | 7.4 | 0.9 | 2.8 | 3.7 | 19.7 |
| Mining | 鉱業 [100.0] | 100.0 | 75.9 | 20.4 | 38.9 | 16.7 | 24.1 | — | — | — | — | 24.1 |
| Construction | 建設業 [92.6] | 100.0 | 79.7 | 19.0 | 44.4 | 16.3 | 20.3 | 6.3 | 0.8 | 2.1 | 3.4 | 14.0 |
| Manufacturing | 製造業 [99.6] | 100.0 | 76.8 | 13.3 | 52.2 | 11.3 | 23.2 | 7.0 | 1.3 | 2.5 | 3.2 | 16.2 |
| Electricity, gas, heat supply and water | 電気・ガス・熱供給・水道業 [96.2] | 100.0 | 81.9 | 2.3 | 76.3 | 3.4 | 18.1 | 3.4 | — | 3.4 | — | 14.7 |
| Information and communication | 情報通信業 [99.1] | | 52.2 | 7.5 | 37.4 | 7.3 | 47.8 | 8.0 | 0.3 | 2.7 | 5.0 | 39.8 |

III. Employment ■ III. 雇用

(%)

| Industry, Size of enterprise, retirement age 産業・企業規模、定年年齢 | Enterprises which have a uniform retirement age system 一律定年制を定めている企業 | Enterprises with the system 制度がある企業 | | | | Enterprises without system 制度がない企業 | | | | No plans to introduce system 設定予定がない企業 | | |
|---|---|--|--|----------------------------------|---------------------------------------|---------------------------------------|---|--|----------------------------------|---|--|------|
| | | Total 計 | Employment extension system only 勤務延長制度のみ | Re-hiring system only 再雇用制度のみ | Adoption of both the systems 両制度併用 | Total 計 | Planning to introduce system 設定予定がある企業 | | | | | |
| | | | | | | | Total 計 | Employment extension system only 勤務延長制度のみ | Re-hiring system only 再雇用制度のみ | | With both re-hiring and extended employment 両制度併用 | |
| Transport 運輸業 | [95.8] | 100.0 | 78.4 | 15.6 | 48.2 | 14.6 | 21.6 | 4.8 | — | 2.0 | 2.8 | 16.7 |
| Wholesale and retail trade 卸売・小売業 | [97.0] | 100.0 | 73.1 | 10.0 | 49.9 | 13.1 | 26.9 | 6.8 | 0.1 | 4.0 | 2.6 | 20.1 |
| Finance and insurance 金融・保険業 | [97.0] | 100.0 | 58.6 | 5.0 | 48.6 | 4.9 | 41.4 | 4.0 | 0.4 | 2.5 | 1.1 | 37.5 |
| Real estate 不動産業 | [90.3] | 100.0 | 71.2 | 9.0 | 51.9 | 10.3 | 28.8 | 9.8 | 2.4 | 3.7 | 3.7 | 19.0 |
| Eating and drinking place, accommodations 飲食店、宿泊業 | [97.7] | 100.0 | 70.9 | 16.8 | 35.2 | 18.9 | 29.1 | 9.0 | 1.2 | 4.3 | 3.5 | 20.1 |
| Medical, health care and welfare 医療、福祉 | [94.6] | 100.0 | 64.6 | 17.0 | 29.2 | 18.4 | 35.4 | 15.6 | 1.4 | 3.8 | 10.3 | 19.9 |
| Education, learning support 教育、学習支援業 | [95.6] | 100.0 | 64.7 | 15.6 | 42.6 | 6.5 | 35.3 | 13.4 | 1.1 | 5.1 | 7.2 | 21.8 |
| Services activities (not elsewhere classified) サービス業（他に分類されないもの） | [93.9] | 100.0 | 69.4 | 12.4 | 42.0 | 15.0 | 30.6 | 6.1 | 1.2 | 2.3 | 2.6 | 24.5 |
| Retirement age 60 定年年齢60歳計 | [90.5] | 100.0 | 74.0 | 12.4 | 49.3 | 12.3 | 26.0 | 6.5 | 0.9 | 2.6 | 3.0 | 19.5 |
| Retirement age 61-64 age 定年年齢61～64歳 | [2.4] | 100.0 | 82.6 | 23.2 | 37.1 | 22.2 | 17.4 | 11.1 | 0.2 | 10.9 | — | 6.3 |

Source: Ministry of Health, Labour and Welfare, *Year Book of Labour Statistics 2004*.

Note: Figures in [] show the ratio of enterprises which adopt fixed retirement age system and retirement age class among the enterprises that adopt retirement age system.

20. Companies with or without Maximum Employment Ages, and Proportion of Companies by Maximum Employment Age (Where Applicable)

最高雇用年齢の有無、最高雇用年齢別企業数割合

(%)

| Division 区分 | Enterprises which have a uniform retirement age system 一律定年制を 定めている企業 | With an oldest hiring age 最高雇用年齢を定めている | | | | | | | | With no oldest hiring age 最高雇用年 齢を定めて いない |
|---------------------------------------|--|---|------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|---|
| | | Total 計 | 60 age and under 60歳以下 | 61 age 61歳 | 62 age 62歳 | 63 age 63歳 | 64 age 64歳 | 65 age 65歳 | 66 age and over 66歳以上 | |
| Employment expansion system 勤務延長制度 | [26.3] 100.0 | 43.9 (100.0) | (2.9) | (2.0) | (3.6) | (4.2) | (0.8) | (75.2) | (11.3) | 56.1 |
| Re-hiring system 再雇用制度 | [60.6] 100.0 | 48.2 (100.0) | (2.2) | (2.3) | (8.6) | (8.1) | (0.9) | (69.6) | (8.3) | 51.8 |

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Management 2004*.

Note: The numbers in [] are the rates of enterprises that have the service extension system or the re-employment system (including a combined use of the two systems).

21. Ratio of Enterprises by Size of Enterprise, Range of Objective Employees of Employment Expansion System and Re-Hiring System

勤務延長制度、再雇用制度の適用対象者の範囲別企業数割合

(%)

| Such system, size of enterprise 制度、企業規模 | Enterprises with such systems 制度がある企業 | All those who want in principle 原則として希望者全員 | All those in conformity to the company standards 会社が定めた基準に 適合する者全員 | Limited to those necessary for the company 会社が特に必要と 認めた者に限る | Others その他 | |
|--|---|--|---|--|---------------|-----|
| Expansion system 勤務延長制度 | | | | | | |
| Total for all sizes of enterprise | 企業規模計 | [26.3] 100.0 | 24.8 | 14.0 | 58.2 | 1.1 |
| 5,000 employees and over | 5,000人以上 | [9.0] 100.0 | 6.7 | 30.0 | 56.7 | 6.7 |
| 1,000-4,999 employees | 1,000-4,999人 | [10.7] 100.0 | 19.1 | 18.2 | 60.0 | 0.5 |
| 300-999 employees | 300-999人 | [16.5] 100.0 | 16.5 | 14.7 | 63.6 | 2.8 |
| 100-299 employees | 100-299人 | [23.7] 100.0 | 19.8 | 13.8 | 64.1 | 0.8 |
| 30-99 employees | 30-99人 | [28.8] 100.0 | 26.8 | 13.9 | 56.2 | 1.0 |
| Re-hiring system 再雇用制度 | | | | | | |
| Total for all sizes of enterprise | 企業規模計 | [60.6] 100.0 | 20.6 | 15.9 | 59.8 | 1.7 |
| 5,000 employees and over | 5,000人以上 | [73.1] 100.0 | 13.5 | 30.2 | 49.0 | 6.5 |
| 1,000-4,999 employees | 1,000-4,999人 | [65.9] 100.0 | 13.0 | 24.7 | 59.8 | 2.3 |
| 300-999 employees | 300-999人 | [62.9] 100.0 | 10.0 | 19.8 | 67.8 | 1.3 |
| 100-299 employees | 100-299人 | [66.9] 100.0 | 18.5 | 15.6 | 63.7 | 0.9 |
| 30-99 employees | 30-99人 | [58.1] 100.0 | 23.0 | 15.2 | 57.5 | 1.9 |

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Management 2004*.

Note: Figures in [] show the ratio of enterprises which adopt system (including adoption of both the systems) among the enterprises that adopt retirement age system.

22

Number of Regular and Non-Regular Staff (2004)

正規・非正規従業員別従業者数 (2004年)

| | Employees excluding executives 役員を除く雇用者 | Regular Staff 正規の従業員 | Non-regular Staff 非正規の従業員 | |
|----------------------------|--|-------------------------|------------------------------|------------------|
| | | | Part-time workers パート | Others 嘱託、その他 |
| Number (10,000 persons) 人数 | | | | |
| Total 計 | 4,975 | 3,410 | 1,096 | 468 |
| Male 男 | 2,851 | 2,385 | 236 | 230 |
| Female 女 | 2,124 | 1,025 | 860 | 238 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Report on the Labour Force Survey, 2004*.

Note: Regular staff refer to persons who are classified as ordinary members or regular members.

23. Number of Short-Time Employees and Their Share in Total Number of Employees (Non-Agricultural Industries)

短時間雇用者及び短時間雇用者比率（非農林業）

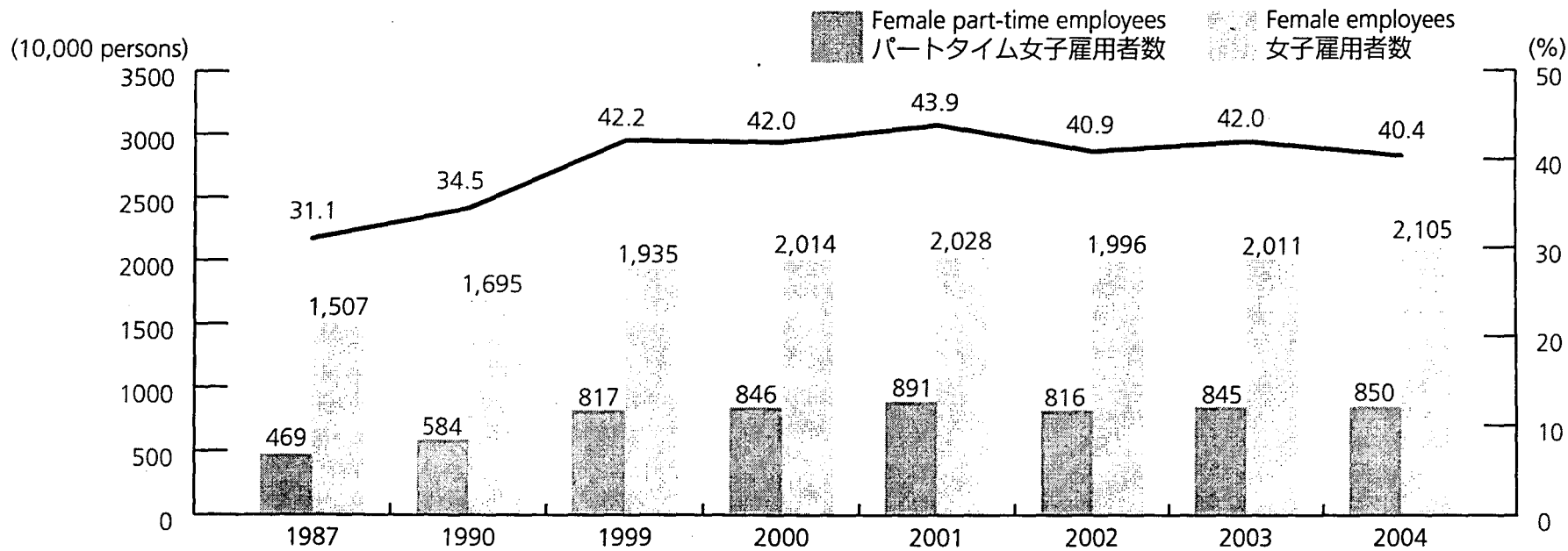
| | | 1980 | 1990 | 1995 | 2002 | 2003 | 2004 |
|----------------------------|---|------|------|------|-------|-------|-------|
| Number (10,000 persons) 人数 | | | | | | | |
| Total | 計 | 390 | 722 | 896 | 1,211 | 1,258 | 1,237 |
| Male | 男 | 134 | 221 | 264 | 376 | 397 | 380 |
| Female | 女 | 256 | 501 | 632 | 835 | 861 | 857 |
| Share (%) 比率 | | | | | | | |
| Total | 計 | 10.0 | 15.2 | 17.4 | 23.2 | 24.1 | 23.6 |
| Male | 男 | 5.2 | 7.5 | 8.4 | 12.1 | 12.8 | 12.3 |
| Female | 女 | 19.3 | 27.9 | 31.6 | 39.7 | 40.7 | 39.9 |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Report on the Labour Force Survey*.

Notes: 1) Short-time employees are people who worked less than 35 hours during the reference week.

2) Share of short-time employees = $\frac{\text{Number of short-time employees}}{\text{Number of employees (excluding temporary disability)}} \times 100$

24. Number of Female Part-Time Employees and Their Ratio to the Total Number of Female Employees
 パートタイム女子雇用者数及びその女子雇用者総数に占める割合



Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Report on the Labour Force Survey*.

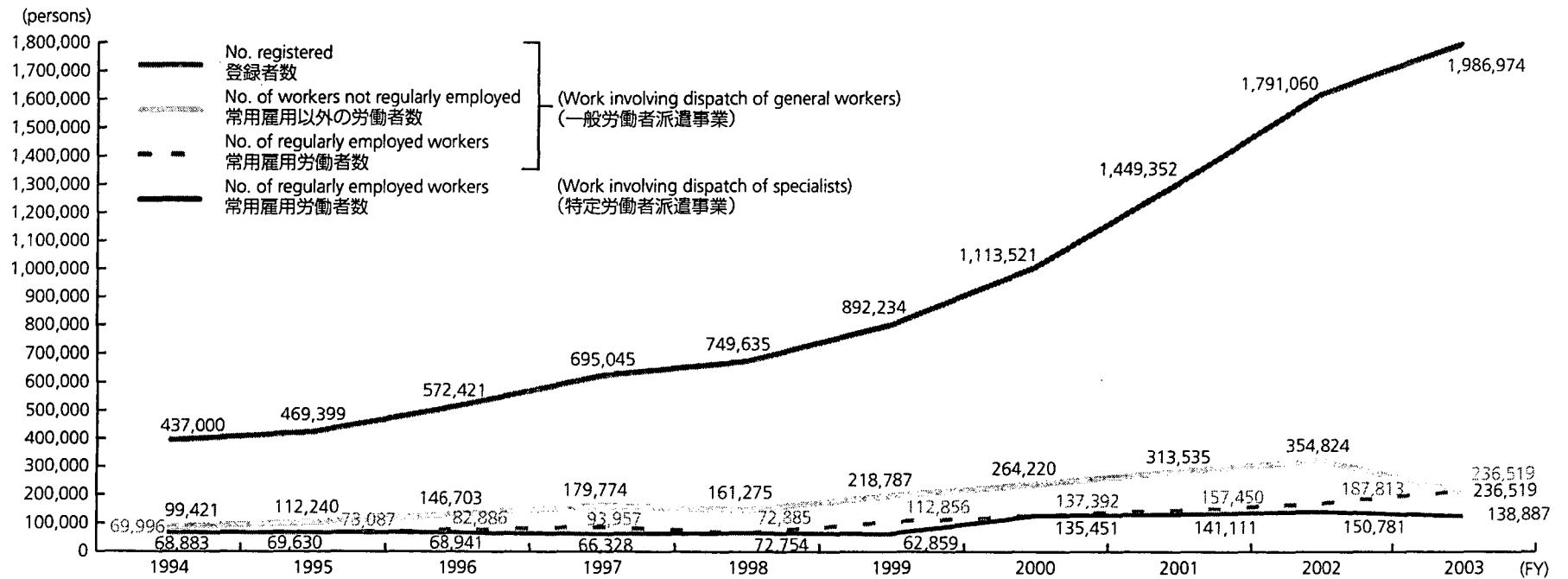
25. Part-Time Workers as a Proportion of Employees in Different Countries

各国の就業者に占めるパートタイマーの比率

| | | Japan | United States | United Kingdom | Germany | France | Italy |
|---|------|-------|---------------|----------------|---------|--------|-------|
| | | | | | | | (%) |
| Ratio of part-time employment (Male) 就業者に占めるパートタイマーの比率 (男) | 1990 | 9.5 | 8.3 | 5.3 | 2.3 | 4.4 | 3.9 |
| | 1995 | 10.0 | 8.4 | 7.3 | 3.4 | 5.6 | 4.8 |
| | 1997 | 12.9 | 8.3 | 8.2 | 4.1 | 5.9 | 5.1 |
| | 2002 | 14.0 | 8.3 | 8.9 | 5.5 | 5.2 | 4.9 |
| Ratio of part-time employment (Female) 就業者に占めるパートタイマーの比率 (女) | 1990 | 33.4 | 20.0 | — | 29.8 | 21.7 | 18.2 |
| | 1995 | 34.9 | 20.3 | 40.7 | 29.1 | 24.3 | 21.1 |
| | 1997 | 38.3 | 19.5 | 40.9 | 31.4 | 25.2 | 22.2 |
| | 2002 | 41.2 | 18.8 | 40.1 | 35.3 | 24.1 | 23.5 |
| Women's share in part-time employment 全パートタイム労働者に占める女子の比率 | 1990 | 70.5 | 68.2 | 85.1 | 89.7 | 79.8 | 70.8 |
| | 1995 | 70.2 | 68.7 | 81.8 | 86.3 | 79.1 | 70.8 |
| | 1997 | 67.0 | 68.4 | 80.4 | 85.1 | 78.8 | 71.0 |
| | 2002 | 67.0 | 68.2 | 78.8 | 83.7 | 79.5 | 74.4 |

Source: OECD, *Labour Force Statistics 2003*.

26. Trends in Number of Dispatched Workers 派遣労働者数の推移



Source: Ministry of Health, Labour and Welfare

Note: Data for the number of workers not regularly employed is converted for comparison with regular employment data. (Total annual working hours by all workers not regularly employed are divided by total annual working hours per regularly employed worker.)

27. Inflows of Foreign Workers 新規に許可された外国人労働者

| | (1,000 persons) | | | | | | | | | |
|------------------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1985 | 1990 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Japan ¹⁾ | 44.0 | 94.9 | 111.7 | 81.5 | 78.5 | 93.9 | 101.9 | 108.0 | 129.9 | 142.0 |
| United Kingdom ²⁾ | 16.6 | 34.6 | 33.2 | 37.8 | 40.8 | 43.7 | 48.2 | 53.4 | 66.9 | 81.1 |
| Germany ³⁾ | 33.4 | 138.6 | 221.2 | 270.8 | 262.5 | 285.4 | 275.5 | 304.9 | 333.8 | 373.8 |
| France ⁴⁾ | 10.9 | 26.2 | 22.4 | 17.6 | 16.3 | 15.7 | 14.6 | 22.9 | 25.9 | 31.8 |

Sources: OECD, *Trends in International Migration, 1997, 2000, 2003*.

Notes: 1) New immigrants in working visa status, excluding temporary residents and re-entrants.

2) Persons with work permission.

3) The numbers of newly issued work permits. The data are basically of new immigrant foreign workers, contract workers and seasonal workers. The numbers cover the former West German territory in all of these years. Citizens of EU nations are excluded.

4) Aggregates of permanent workers and temporary workers staying for less than 6 months. Family members living with foreign workers entering the labour market for the first time are excluded.

28. Stocks of Foreign and Foreign-born Labour Force 外国人労働力人口

| | (1,000 persons) | | | | | | | | | |
|------------------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 1985 | 1990 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Japan ¹⁾ | — | — | 105.6 | 88.0 | 98.3 | 107.3 | 119.0 | 125.7 | 154.7 | 168.8 |
| United Kingdom ²⁾ | 808 | 882 | 864 | 862 | 865 | 949 | 1,039 | 1,005 | 1,107 | 1,229 |
| Germany ³⁾ | 1,823.4 | 2,025.1 | 2,559.6 | 2,569.2 | 2,559.3 | 3,575.0 | — | 3,545.0 | 3,546.0 | 3,616.0 |
| France ⁴⁾ | 1,649.2 | 1,549.5 | 1,593.9 | 1,573.3 | 1,604.7 | 1,569.8 | 1,586.7 | 1,593.8 | 1,577.6 | 1,617.6 |

Sources: OECD, *Trends in International Migration, 1997, 2000, 2003*. Ministry of Justice Immigration Bureau's materials

Notes: The unemployed included in other countries than the U.K. In principle, cross-border workers and seasonal workers are excluded.

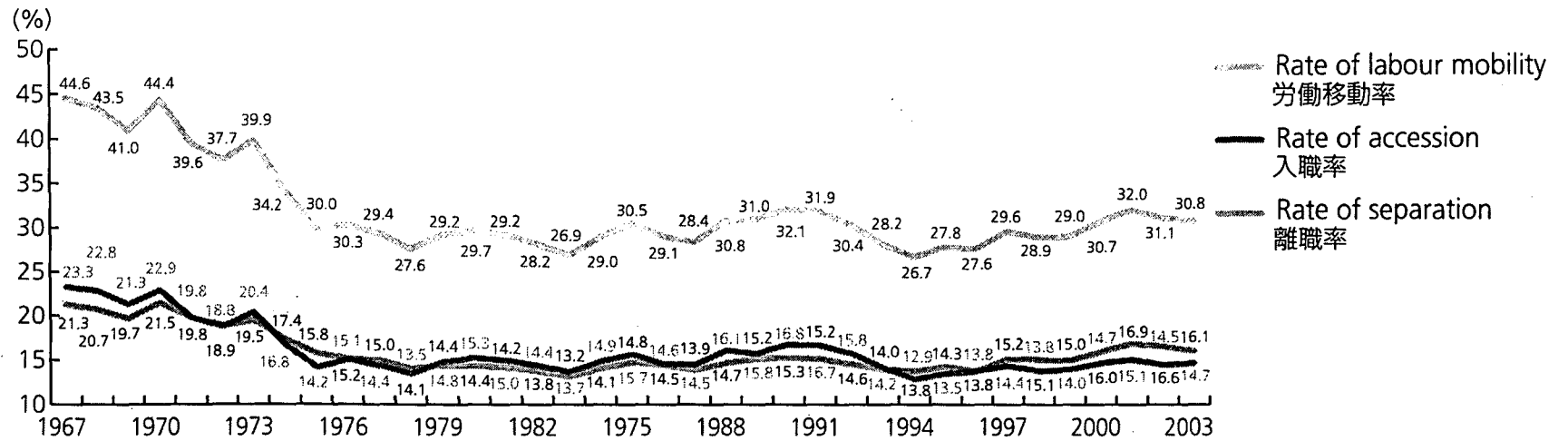
1) For the numbers in parentheses, The Ministry of Justice Immigration Bureau's materials were referred to. Estimated values including those who continued staying illegally.

2) The estimates are based on labour force surveys. Excluding the unemployed.

3) Including the unemployed and the self-employed.

4) The data are based on a labour force survey, as in March each year.

29. Trends in Labour Mobility
労働移動の推移



Source: Ministry of Health, Labour and Welfare, *Survey on Employment Trend*.

Notes: 1) Rate of accessions = $\frac{\text{Number of hired employees}}{\text{Number of regular employees}}$ (A) (as of July 1)

Rate of Separation = $\frac{\text{Number of separated employees}}{\text{Number of regular employees}}$ (B) (as of July 1)

Rate of labour mobility = (A) + (B)

2) From 1991, Construction is included.

30.

Trends in Number of Unemployed Persons by Reason for Job Seeking

理由別完全失業者数の推移（割合）

| Reason for job seeking 求職理由 | (in 10 thousand) (%) | | | | | | | | | |
|---|----------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1980 | 1990 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Total 総数 | 124 | 134 | 230 | 279 | 317 | 320 | 340 | 359 | 350 | 313 |
| Quitted job by involuntary reason 非自発的な離職による者 | 34 (27.4) | 33 (24.6) | 54 (23.5) | 85 (30.5) | 102 (32.2) | 102 (31.9) | 106 (31.2) | 151 (42.1) | 146 (41.7) | 118 (37.7) |
| Quitted job by voluntary reason 自発的な離職による者 | 41 (30.3) | 52 (38.8) | 95 (41.3) | 101 (36.2) | 109 (34.4) | 109 (34.1) | 118 (34.7) | 115 (32) | 113 (32.3) | 106 (33.9) |
| Left school 学卒未就職者 | 8 (6.5) | 6 (4.5) | 12 (5.2) | 15 (5.38) | 17 (5.4) | 18 (8.8) | 17 (5) | 18 (5.0) | 20 (5.7) | 18 (5.8) |
| Like to newly take up job for reasons other than leaving school その他の者 | 11 (8.9) | 36 (26.9) | 59 (25.6) | 68 (24.4) | 77 (24.3) | 80 (25) | 85 (25) | 70 (19.5) | 69 (19.7) | 68 (21.7) |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Labour Force Survey*.

31. Unemployment Rate by Age and Sex 性・年齡階級別失業率

| | | 1980 | 1990 | 2000 | 2001 | 2002 | 2003 | 2004 | (%) |
|-------------|--------|------|------|------|------|------|------|------|-----|
| Total | 計 | 2.0 | 2.1 | 4.7 | 5.0 | 5.4 | 5.3 | 4.7 | |
| Male | 男 | | | | | | | | |
| Total | 小計 | 2.0 | 2.0 | 4.9 | 5.2 | 5.5 | 5.5 | 4.9 | |
| 15-24 | 15-24歲 | 4.0 | 4.5 | 10.4 | 10.4 | 11.1 | 11.6 | 10.9 | |
| 25-34 | 25-34歲 | 1.9 | 1.8 | 5.0 | 5.5 | 5.9 | 5.9 | 5.7 | |
| 35-44 | 35-44歲 | 1.2 | 1.2 | 2.9 | 3.4 | 3.7 | 3.6 | 3.6 | |
| 45-54 | 45-54歲 | 1.4 | 1.1 | 3.5 | 3.7 | 4.3 | 4.0 | 3.6 | |
| 55-64 | 55-64歲 | 4.0 | 3.4 | 6.8 | 7.0 | 7.1 | 6.8 | 5.5 | |
| 65 and over | 65歲以上 | 2.2 | 1.4 | 3.2 | 3.2 | 2.9 | 3.3 | 2.6 | |
| Female | 女 | | | | | | | | |
| Total | 小計 | 2.0 | 2.2 | 4.5 | 4.7 | 5.1 | 4.9 | 4.4 | |
| 15-24 | 15-24歲 | 3.2 | 4.1 | 7.9 | 8.7 | 8.7 | 8.6 | 8.3 | |
| 25-34 | 25-34歲 | 2.9 | 3.1 | 6.4 | 6.9 | 7.3 | 6.8 | 5.8 | |
| 35-44 | 35-44歲 | 1.7 | 1.8 | 3.7 | 4.1 | 4.6 | 4.8 | 4.4 | |
| 45-54 | 45-54歲 | 1.5 | 1.5 | 3.1 | 3.2 | 3.6 | 3.2 | 3.1 | |
| 55-64 | 55-64歲 | 1.2 | 1.4 | 3.6 | 3.7 | 3.8 | 3.9 | 3.0 | |
| 65 and over | 65歲以上 | 0.0 | 0.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Annual Report on the Labour Force Survey*.

32. Ratio of Active Openings to Applicants¹⁾ by Age (Regular Employees)
年齡階級別有效求人倍率 (常用労働者)

| | | (times) | | | | | | |
|-------------|--------|---------|------|------|------|------|------|------|
| | | 1980 | 1990 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Total | 計 | 0.77 | 1.51 | 0.64 | 0.55 | 0.56 | 0.70 | 0.88 |
| 19 or under | 19歳以下 | 2.60 | 4.32 | 2.31 | 1.92 | 2.20 | 2.74 | 3.72 |
| 20-24 | 20-24歳 | 1.12 | 1.58 | 0.87 | 0.73 | 0.78 | 0.97 | 1.15 |
| 25-29 | 25-29歳 | 0.88 | 1.55 | 0.73 | 0.58 | 0.58 | 0.73 | 0.87 |
| 30-34 | 30-34歳 | 0.91 | 2.59 | 0.99 | 0.73 | 0.72 | 0.86 | 0.99 |
| 35-39 | 35-39歳 | 1.01 | 2.56 | 1.17 | 0.91 | 0.87 | 1.03 | 1.19 |
| 40-44 | 40-44歳 | 0.93 | 2.01 | 1.04 | 0.83 | 0.79 | 0.94 | 1.13 |
| 45-49 | 45-49歳 | 0.64 | 1.71 | 0.56 | 0.52 | 0.50 | 0.64 | 0.83 |
| 50-54 | 50-54歳 | 0.51 | 1.27 | 0.32 | 0.29 | 0.26 | 0.34 | 0.48 |
| 55-59 | 55-59歳 | 0.26 | 0.55 | 0.18 | 0.21 | 0.19 | 0.23 | 0.31 |
| 60-64 | 60-64歳 | 0.16 | 0.25 | 0.08 | 0.11 | 0.15 | 0.19 | 0.29 |
| 65 and over | 65歳以上 | 0.06 | 0.67 | 0.24 | 0.52 | 0.62 | 0.75 | 1.09 |

Source: Ministry of Health, Labour and Welfare, Employment Security Bureau, *Report on Employment Service (October, each year)*.

Notes: 1) Ratio of Active Openings to Applicants

$$= \frac{\text{Active job openings}}{\text{Active job applications}}$$

2) New graduates are excluded, and part-time workers are included.

33. Definitions of Unemployment in Different Countries

各国における失業者の定義

Supplementary Information: National Definitions of Unemployment for Statistical Purposes

| | Definition of unemployment 失業者の定義 | Definition of the unemployment rate 失業率の定義 |
|----------------|---|--|
| Japan | Labour force survey. Persons above 15 years of age who were jobless, engaging in job-seeking activities and possible to be employed in the week of survey. Including those who are waiting for results of their job-seeking activities. | $\frac{\text{Number of unemployed}}{\text{Total labour force}}$ |
| United States | Labour force survey. Persons above 16 years of age who were jobless, engaged in job-seeking activities and were possible to be employed (excluding reasonably quickly recoverable sickness) in past 4 weeks including the week of survey. Including those who had been laid off and were waiting to return to former positions. | $\frac{\text{Number of unemployed}}{\text{Labour force}}$ (Excludes members of the armed forces) |
| France | The number of the unemployed announced by the Ministry of Employment usually includes Category 1 (or Category 1+6) job seekers. Category 1 job seekers are those who register with ANPE (employment security offices) as job seekers hoping for indefinite contract/full time employment and are presently working for 0 to 78 hours/month (more than 78 hours/month in the case of Category 6). At the same time, an estimated number of the unemployed, calculated by using an economic model as defined by ILO, is also announced. The unemployment rate to be announced is calculated in accordance with the computation method of ILO. | $\frac{\text{Estimated number of the unemployed}}{\text{Total labour force}}$ |
| Germany | Employment security agency's business statistics. Persons who were older than 15 years and younger than 65 years, registered with Employment Security Offices, were seeking employment of more than 18 hours/week or more than 3 months, and were possible to be employed as of the date of survey. | $\frac{\text{Number of the registered unemployed}}{\text{Labour force}}$ (Excludes members of the armed forces) |
| Italy | Labour force surveys. Persons above 15 years of age, who were jobless and engaged in job seeking activities within 4 weeks preceding the week of survey. | $\frac{\text{Number of unemployed}}{\text{Labour force}}$ (Excludes members of the armed forces) |
| United Kingdom | Labour force survey. Of persons who were completely out of work during a survey period, those who were possible to be employed within 2 weeks and engaged in job-seeking activities within 4 weeks, or those who obtained jobs and were waiting to commence working. (The unemployed as defined by ILO) | $\frac{\text{Number of unemployed}}{\text{Total labour force}}$ |

Sources: ILO, *Statistical Sources and Methods Vol. 10, 2000*. The Japan Institute of Labour, *The Labour Situation in Russia* (1999), Eurostat, *THE EUROPEAN UNION LABOUR FORCE SURVEY Methods and definitions, 2003 edition*. and materials of the countries concerned.

Notes: 1) Total labour force includes military personnel (Self-Defense Force personnel in the case of Japan).

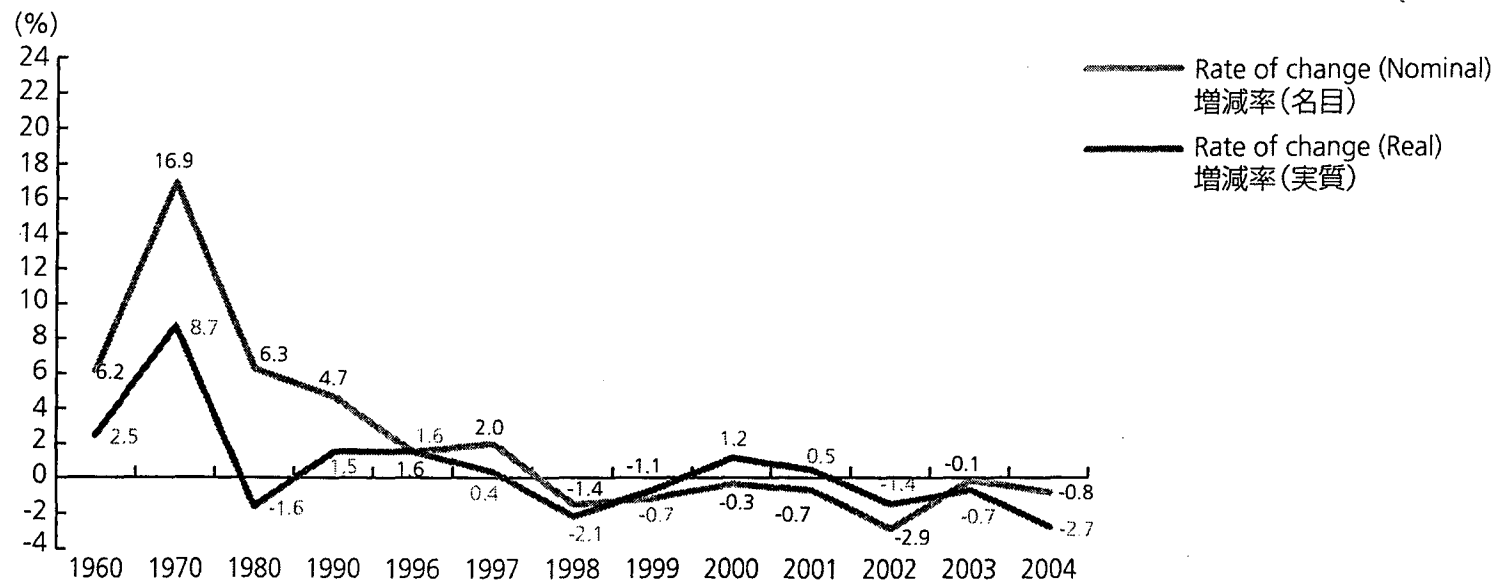
2) The method of handling foreign workers in statistics differs from country to country but those who are regular immigrants and have work permits are included in labour force.

3) EU follows the Eurostat's definition.

34.

Rate of Change in Monthly Cash Payment

賃金の伸び率



Source: Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

Notes: "Total amount of salary in cash" is a combined amount of "salary paid regularly" and "salary paid specially", before deducting income tax, social insurance premium, union dues, payment for purchases, etc.

35. Trends in Wage Levels

賃金水準の推移

(1,000 yen)

| | | 1970 | | | 1980 | | | 1990 | | |
|--|---------------------|-----------------------|-------------------|---------------------|-----------------------|-------------------|---------------------|-----------------------|-------------------|---------------------|
| | | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 |
| Contractual cash earnings きまって支給する現金給与額 | Total 計 | 58.4 | 68.4 | 35.2 | 190.7 | 221.7 | 122.5 | 282.8 | 326.2 | 176.1 |
| | Scheduled 所定内給与額 | 52.1 | 60.1 | 33.7 | 173.1 | 198.6 | 116.9 | 254.7 | 290.5 | 175.0 |
| Annual special earnings 年間賞与 その他特別給与額 | | 171.1 | 206.4 | 90.1 | 628.8 | 748.4 | 364.8 | 972.2 | 1,154.2 | 567.1 |
| | | 1995 | | | 2002 | | | 2003 | | |
| | | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 | All employees 全労働者 | Male 男性 労働者 | Female 女性 労働者 |
| Contractual cash earnings きまって支給する現金給与額 | Total 計 | 316.4 | 361.3 | 217.5 | 329.2 | 367.7 | 238.8 | 329.8 | 368.6 | 239.4 |
| | Scheduled 所定内給与額 | 291.3 | 330.0 | 206.2 | 302.6 | 336.2 | 223.6 | 302.1 | 335.5 | 224.2 |
| Annual special earnings 年間賞与 その他特別給与額 | | 1,082.9 | 1,264.2 | 684.2 | 995.9 | 1,142.2 | 652.6 | 923.5 | 1,054.9 | 617.5 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure 2004*.

36. General Worker Wages by Education and Age Group, Age Group Wage Differentials (Industry Totals, Enterprise Size Totals)

一般労働者の学歴、年齢階級別賃金及び年齢間賃金格差（産業計、企業規模計）

| | Graduates of universities 大卒 | | | | | | | | Graduates of higher professional schools or junior colleges 高専・短大卒 | | | | | | | | Graduates of senior high schools 高卒 | | | | | | | |
|--------|---------------------------------|-------|----------|-------|---------------------------------------|------|----------|------|---|-------|----------|-------|---------------------------------------|------|----------|------|--|-------|----------|-------|---------------------------------------|------|----------|------|
| | Wages 賃金 (thousand yen) (千円) | | | | Age differential 年齢間格差 (20-24=100) | | | | Wages 賃金 (thousand yen) (千円) | | | | Age differential 年齢間格差 (20-24=100) | | | | Wages 賃金 (thousand yen) (千円) | | | | Age differential 年齢間格差 (20-24=100) | | | |
| | Male 男 | | Female 女 | | Male 男 | | Female 女 | | Male 男 | | Female 女 | | Male 男 | | Female 女 | | Male 男 | | Female 女 | | Male 男 | | Female 女 | |
| | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 | 1975 | 2004 |
| Total計 | 169.9 | 400.3 | 124.9 | 276.1 | 177 | 184 | 134 | 135 | 178.2 | 303.2 | 111.8 | 237.9 | 196 | 155 | 131 | 125 | 133.0 | 301.8 | 87.0 | 205.5 | 145 | 157 | 110 | 122 |
| 20-24歳 | 95.8 | 217.4 | 93.0 | 204.3 | 100 | 100 | 100 | 100 | 90.7 | 195.3 | 85.2 | 190.2 | 100 | 100 | 100 | 100 | 92.4 | 192.4 | 79.4 | 168.8 | 100 | 100 | 100 | 100 |
| 25-29歳 | 121.4 | 255.2 | 110.0 | 231.5 | 127 | 117 | 118 | 113 | 115.8 | 232.2 | 98.4 | 213.5 | 128 | 119 | 115 | 112 | 115.0 | 229.1 | 86.7 | 189.6 | 125 | 119 | 109 | 112 |
| 30-34歳 | 161.1 | 318.5 | 136.6 | 280.6 | 168 | 147 | 147 | 137 | 148.4 | 275.7 | 118.9 | 238.0 | 164 | 141 | 140 | 125 | 141.4 | 264.9 | 92.2 | 205.3 | 153 | 138 | 116 | 122 |
| 35-39歳 | 203.1 | 403.9 | 160.8 | 338.0 | 212 | 186 | 173 | 165 | 171.8 | 326.6 | 142.9 | 261.0 | 189 | 167 | 168 | 137 | 157.8 | 299.0 | 94.0 | 211.4 | 171 | 155 | 118 | 125 |
| 40-44歳 | 232.4 | 461.0 | 182.3 | 368.3 | 243 | 212 | 196 | 180 | 196.6 | 365.6 | 167.5 | 270.2 | 217 | 187 | 197 | 142 | 170.2 | 330.3 | 100.5 | 214.7 | 184 | 172 | 127 | 127 |
| 45-49歳 | 267.4 | 502.3 | 202.0 | 370.2 | 279 | 231 | 217 | 181 | 234.8 | 390.2 | 183.6 | 278.4 | 259 | 200 | 215 | 146 | 178.4 | 351.5 | 112.7 | 219.3 | 193 | 183 | 142 | 130 |
| 50-54歳 | 285.3 | 532.7 | 217.7 | 412.1 | 298 | 245 | 234 | 202 | 252.3 | 426.1 | 188.4 | 290.2 | 278 | 218 | 221 | 153 | 190.6 | 369.1 | 117.6 | 219.4 | 206 | 192 | 148 | 130 |
| 55-59歳 | 268.3 | 543.5 | 207.6 | 433.5 | 280 | 250 | 223 | 212 | 240.9 | 405.4 | 178.1 | 293.6 | 266 | 208 | 209 | 154 | 163.5 | 361.2 | 111.8 | 224.2 | 177 | 188 | 141 | 133 |
| 60-64歳 | 204.4 | 476.1 | 181.1 | 429.3 | 213 | 219 | 195 | 210 | 165.9 | 313.7 | 142.8 | 260.6 | 183 | 161 | 168 | 137 | 132.8 | 267.8 | 101.5 | 197.9 | 144 | 139 | 128 | 117 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure, 2004*.

37. Trends in Enterprise Wage Differentials by Enterprise Size and Sex (Industry Totals)

企業規模、性別にみた企業規模間賃金格差の推移 (産業計)

(1,000 or more=100)

| Total 合計 | | | | 1997 | | | | 2003 | | | |
|---------------------------|------|------|------|---|--|---|--|---|--|---|--|
| | 1970 | 1980 | 1990 | Male 男 | | Female 女 | | Male 男 | | Female 女 | |
| | | | | Contractual cash earnings 決まって 支給する 現金給与額 | Scheduled cash earnings 所定内 給与額 | Contractual cash earnings 決まって 支給する 現金給与額 | Scheduled cash earnings 所定内 給与額 | Contractual cash earnings 決まって 支給する 現金給与額 | Scheduled cash earnings 所定内 給与額 | Contractual cash earnings 決まって 支給する 現金給与額 | Scheduled cash earnings 所定内 給与額 |
| 1,000 or more 1,000人以上 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 100-999 100-999人 | 89.8 | 86.3 | 84.6 | 83.0 | 83.8 | 89.1 | 88.8 | 81.3 | 82.6 | 88.7 | 89.4 |
| 10-99 10-99人 | 86.8 | 81.2 | 79.3 | 75.4 | 77.9 | 79.9 | 81.3 | 71.3 | 74.2 | 77.9 | 80.6 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*.

Notes: 1) For 1996 and earlier, differential of scheduled cash earnings as of June for each year.

2) For 1970 and earlier, services are excluded.

3) From 1980 and thereafter, results are for private enterprises.

38.

Wage Differentials by Class of Position

職階別賃金格差

| | | | (1,000 yen) | | | | | | |
|------------------------------|-----------------|----|-------------|---------|---------|---------|---------|---------|---------|
| | | | 1980 | 1990 | 1995 | 2001 | 2002 | 2003 | 2004 |
| Director 部長 | | | | | | | | | |
| Contractual cash earnings | Actual earnings | 実額 | 401.1 | 575.6 | 629.2 | 636.3 | 636.9 | 631.3 | 637.6 |
| 決まって支給する現金給与額 | Differential | 格差 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Annual special cash earnings | Actual earnings | 実額 | 2,153.0 | 3,051.1 | 3,109.7 | 2,843.9 | 2,762.1 | 2,511.7 | 2,448.6 |
| 年間賞与その他特別給与額 | Differential | 格差 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Section chief 課長 | | | | | | | | | |
| Contractual cash earnings | Actual earnings | 実額 | 320.6 | 463.8 | 515.6 | 526.2 | 518.5 | 514.0 | 517.5 |
| 決まって支給する現金給与額 | Differential | 格差 | 79.9 | 80.6 | 81.9 | 82.7 | 81.4 | 81.4 | 81.1 |
| Annual special cash earnings | Actual earnings | 実額 | 1,644.2 | 2,433.2 | 2,529.5 | 2,349.5 | 2,296.8 | 2,101.5 | 2,136.1 |
| 年間賞与その他特別給与額 | Differential | 格差 | 76.4 | 79.7 | 81.3 | 82.6 | 83.2 | 83.7 | 87.2 |
| Chief clerk 係長 | | | | | | | | | |
| Contractual cash earnings | Actual earnings | 実額 | 271.8 | 390.2 | 420.2 | 436.6 | 428.9 | 430.8 | 424.9 |
| 決まって支給する現金給与額 | Differential | 格差 | 67.8 | 67.8 | 66.8 | 68.6 | 67.3 | 68.2 | 66.6 |
| Annual special cash earnings | Actual earnings | 実額 | 1,185.9 | 1,710.6 | 1,809.8 | 1,729.9 | 1,697.9 | 1,556.5 | 1,472.5 |
| 年間賞与その他特別給与額 | Differential | 格差 | 55.1 | 56.1 | 58.2 | 60.8 | 61.5 | 62.0 | 60.1 |
| Non position 非職階 | | | | | | | | | |
| Contractual cash earnings | Actual earnings | 実額 | 182.1 | 268.2 | 297.7 | 318.7 | 316.5 | 356.2 | 318.0 |
| 決まって支給する現金給与額 | Differential | 格差 | 45.4 | 46.6 | 47.3 | 50.1 | 49.7 | 56.4 | 49.9 |
| Annual special cash earnings | Actual earnings | 実額 | 609.3 | 919.1 | 1,050.7 | 1,024.6 | 1,006.1 | 1,068.1 | 911.3 |
| 年間賞与その他特別給与額 | Differential | 格差 | 28.3 | 30.1 | 33.8 | 36.0 | 36.4 | 42.5 | 37.2 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*.

Note: Enterprises surveyed have 100 employees or more. Differentials were calculated on the basis of director = 100.

39. Wage Increase Trends Determined by Spring Labour Offensive and Bonus Payments (Summer and Year-End)

春季賃上げ額及び一時金 (夏季・年末) の推移

| | | 1960 | 1970 | 1980 | 1990 | 2001 | 2002 | 2003 | 2004 |
|---|-------------------|-------|---------|---------|---------|---------|---------|---------|---------|
| Wage increase at Spring Labour Offensive | 春季賃上げ | | | | | | | | |
| Major enterprises | (主要企業) | | | | | | | | |
| Amount (yen) | 額 (円) | 1,792 | 9,166 | 11,679 | 15,026 | 6,328 | 5,265 | 5,233 | 5,348 |
| Ratio (%) | 賃上率 (%) | 8.7 | 18.5 | 6.74 | 5.94 | 2.01 | 1.66 | 1.63 | 1.67 |
| Small and medium scale enterprises | 中小企業 | | | | | | | | |
| Amount (yen) | 額 (円) | — | 7,390 | 10,069 | 11,050 | 3,775 | 2,913 | 2,860 | 3,048 |
| Ratio (%) | 賃上率 (%) | — | 19.9 | 7.38 | 5.53 | 1.54 | 1.19 | 1.17 | 1.26 |
| Bonus payment (Major enterprises) | 一時金 (主要企業) | | | | | | | | |
| Summer | 夏季 | | | | | | | | |
| Agreed amount (yen) | 妥結額 (円) | — | 138,892 | 447,985 | 697,946 | 783,113 | 749,803 | 781,930 | 810,052 |
| Increase rate (%) | 伸び率 (%) | — | 22.2 | 10.3 | 8.0 | 2.86 | -4.30 | 3.00 | 3.53 |
| Year-end | 年末 | | | | | | | | |
| Agreed amount (yen) | 妥結額 (円) | — | 160,202 | 482,672 | 765,542 | 812,934 | 755,551 | 771,540 | 811,082 |
| Increase rate (%) | 伸び率 (%) | — | 19.2 | 8.7 | 6.8 | 1.76 | -5.88 | 1.97 | 3.87 |

Source: Ministry of Health, Labour and Welfare, *Studies by Labour Relations Bureau*.

- Notes:
- 1) The major enterprises surveyed are, as a rule, those listed in the First Section of the Tokyo Stock Exchange or Osaka Stock Exchange that are capitalized at 2 billion yen or more, have 1,000 or more employees, and have labour unions. The small and medium scale enterprises surveyed are approximately 8,000 enterprises that have fewer than 300 employees and have labour unions.
 - 2) Figures for major enterprises for 1979 and earlier are simple averages per enterprise, and from 1980 they are weighted averages based on union membership per enterprise. All figures for small and medium scale enterprises are simple averages per enterprise.
 - 3) Annual increase rates in lump-sum payments over the previous year were calculated from the increase rates for enterprises for which the figures from the previous year for the same enterprise could be compared. Increase rates are not determined by comparison of the agreed increase for the current year with that of the previous year.
 - 4) Compilations include NTT and Japan Tobacco Incorporated, construction and services from 1987, and the seven JR corporations from 1988.

40.

Summer and Year-End Bonus Payments

夏季及び年末賞与

| | | Industry, Size of Enterprise, Year 産業・事業所規模・年 | | | | | |
|--|-----------|--|-------|-------|------------------|-------|-------|
| | | Totals for Industries Surveyed ⁵⁾ 調査産業計 | | | | | |
| | | 5 or more 5人以上 | | | 30 or more 30人以上 | | |
| | | 2002 | 2003 | 2004 | 2002 | 2003 | 2004 |
| Summer | 夏季 | | | | | | |
| Actual amount (thousand yen) | 実額 (千円) | 412.9 | 418.8 | 405.5 | 474.1 | 482.6 | 465.8 |
| Change over previous year same quarter ²⁾ (%) | 対前年同期増減率 | -5.9 | 1.4 | -1.2 | -7.4 | 1.8 | -1.0 |
| Pay ratio ³⁾ (month) | 支給率 (月) | 1.04 | 1.05 | 1.22 | 1.19 | 1.22 | 1.22 |
| Ratio of paying enterprises ⁴⁾ (%) | 支給事業所数割合 | 72.7 | 68.7 | 89.2 | 90.3 | 90.8 | 89.2 |
| Year-end | 年末 | | | | | | |
| Actual amount (thousand yen) | 実額 (千円) | 432.3 | 428.5 | — | 506.7 | 501.3 | — |
| Change over previous year same quarter ²⁾ (%) | 対前年同期増減率 | -5.4 | -1.3 | — | -5.6 | -1.6 | — |
| Pay ratio ³⁾ (month) | 支給率 (月) | 1.10 | 1.10 | — | 1.28 | 1.28 | — |
| Ratio of paying enterprises ⁴⁾ (%) | 支給事業所数割合 | 76.5 | 74.8 | — | 93.4 | 91.4 | — |

Source: Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

Notes: 1) Special earnings figures are compiled by specially extracting lump-sum payments and special earnings from payments by the establishments concerned in the summer between June and August and in the year-end in November or December, or in January of the following year.

2) Adjusted for discrepancies in survey results due to change of establishments surveyed.

3) Ratio of special earnings to contractual cash earnings.

4) Ratio of establishments that paid special earnings to total number of establishments.

5) Includes real estate industry.

41. Wages (Manufacturing, Total of Male and Female)

賃金 (製造業、男女計) の国際比較

| | | | 1980 | 1990 | 2000 | 2001 | 2002 |
|--------------------|------------------------------|----------------|-----------|---------|---------|---------|---------|
| Japan (E) | (yen/month) ²⁾ | (円/月) | 244,571 | 352,020 | 406,707 | 406,089 | 401,469 |
| | (yen/day) | (円/日) | 11,482 | 17,006 | 20,645 | 20,719 | 20,483 |
| | (yen/hour) | (円/時間) | 1,373 | 1,909 | 2,469 | 2,493 | 2,451 |
| United States (E) | (\$/hour) ³⁾ | (ドル/時間) | 7.27 | 10.83 | 14.38 | 14.83 | 15.30 |
| France (E) | (euro/hour) ⁴⁾ | (ユーロ/時間) | 22.72 | 45.46 | 1,477 | 1,507 | 1,563 |
| Germany (E) | (euro/hour) ⁵⁾ | (ユーロ/時間) | 13.18 | 20.07 | 27.78 | 14.42 | 14.72 |
| Italy (R) | (Dec 2000=100) ⁶⁾ | (2000年12月=100) | — | 100.0 | 113.1 | 115.2 | 104.2 |
| United Kingdom (E) | (pound/hour) ⁷⁾ | (ポンド/時間) | — | 6.05 | 9.72 | 10.49 | 11.08 |
| China (E) | (yuan/month) | (元/月) | 65.33 | 172.25 | 729.17 | 814.50 | 916.75 |
| Singapore (E) | (\$/month) ⁸⁾ | (ドル/月) | — | 1,395.0 | 3,036 | 3,117 | 3,054 |
| Thailand (R) | (baht/month) ⁹⁾ | (バーツ/月) | 1,264 (E) | 3,357 | 5,839 | 6,065 | — |

Sources: ILO, *Yearbook of Labour Statistics 2003*. Ministry of Health, Labour and Welfare, *Annual Report on Monthly Labour Surveys 2003*.

Notes: 1) (E) = Earnings (R) = Wage rate

2) Regular workers of business places that employ 30 or more persons in monthly labour statistical survey. Including bonuses and other specially paid wages. Work hours are total actual working hours.

3) For private-sector manufacturing and construction workers, non-supervisory workers (since 1985); industrial classifications changed from 1988 onward.

4) Values are as of October each year. The objects of survey changed in and after 1998. The unit before 1999 is francs/hour. Euro.

5) Former West German territory before 1998. Including family allowances directly paid by employers. On a mark basis before 2000. 1 euro = 1.95583 marks

6) Index set as 1990=100, and from 1996, 1995=100.

7) Figures for April every year, excluding Northern Ireland, including wage rates of adult full-time workers, and including quarry workers (1985).

8) Industrial classification changed in and after 1998.

9) Figures for March every year, excluding public enterprises (from 1994), wage rates for scheduled hours worked.

42. Trends in Labour Cost Components (Manufacturing Industries)

労働費用構成の推移（製造業）

| | | | 1988 | 1991 | 1995 | 1998 | 2002 |
|----------------|------------------------------------|--------|-------|--------------------|--------------------|--------------------|--------------------|
| Japan | Total | 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Cash wages ¹⁾ | 現金給与 | 83.7 | 83.0 | 82.3 | 81.2 | 80.3 |
| | Non-wage costs | 現金給与以外 | 16.3 | 17.0 | 17.7 | 18.8 | 19.7 |
| | Statutory welfare costs | 法定福利費 | 7.9 | 8.5 | 8.9 | 9.5 | 9.3 |
| | Voluntary social benefits | 法定外福利費 | 2.8 | 3.1 | 3.1 | 2.9 | 2.9 |
| | Retirement allowance ²⁾ | 退職金等 | 4.3 | 4.1 | 4.9 | 5.5 | 6.8 |
| | Others ³⁾ | その他 | 1.3 | 1.4 | 0.9 | 0.7 | 0.8 |
| | | | 1977 | 1987 ⁴⁾ | 1992 ⁴⁾ | 1995 ⁴⁾ | 2002 ⁴⁾ |
| United States | Total | 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Cash wages ¹⁾ | 現金給与 | 82.6 | 80.7 | 71.8 | 71.6 | 72.6 |
| | Non-wage costs | 現金給与以外 | 17.4 | 19.4 | 28.2 | 28.4 | 23.1 |
| | Statutory welfare costs | 法定福利費 | 6.6 | 8.5 | 9.1 | 8.5 | 8.6 |
| | Voluntary social benefits | 法定外福利費 | 5.7 | 10.6 | 16.1 | 15.8 | 14.5 |
| | Retirement allowance ²⁾ | 退職金等 | 4.9 | — | 2.9 | 4.0 | — |
| | Others ³⁾ | その他 | — | 0.3 | 0.1 | 0.1 | — |
| | | | 1981 | 1988 | 1992 | 1996 | 2000 |
| United Kingdom | Total | 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Cash wages ¹⁾ | 現金給与 | 81.6 | 86.0 | 85.1 | 83.8 | 76.8 |
| | Non-wage costs | 現金給与以外 | 18.4 | 14.0 | 15.0 | 16.2 | 23.2 |
| | Statutory welfare costs | 法定福利費 | 9.4 | 7.3 | 7.5 | 8.5 | 8.3 |
| | Voluntary social benefits | 法定外福利費 | 6.3 | 4.2 | 4.7 | 5.0 | 8.7 |
| | Retirement allowance ²⁾ | 退職金等 | | | | 0.0 | 1.0 |
| | Others ³⁾ | その他 | 2.7 | 2.5 | 2.9 | 2.8 | 4.7 |

V. Working Conditions ■ V. 労働条件（賃金・労働時間・その他）

| | | | 1981 | 1988 | 1992 | 1996 | 2000 |
|---------|------------------------------------|--------|-------|--------------------|-------|-------|-------|
| France | Total | 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Cash wages ¹⁾ | 現金給与 | 69.9 | 69.0 | 68.1 | 65.2 | 64.8 |
| | Non-wage costs | 現金給与以外 | 30.1 | 31.0 | 32.0 | 35.0 | 58.4 |
| | Statutory welfare costs | 法定福利費 | 18.9 | 19.2 | 21.8 | 21.8 | 35.2 |
| | Voluntary social benefits | 法定外福利費 | 3.1 | 4.5 | 7.0 | 7.4 | 8.9 |
| | Retirement allowance ²⁾ | 退職金等 | 3.7 | 4.0 | | 1.8 | 2.2 |
| | Others ³⁾ | その他 | 4.4 | 3.5 | 3.3 | 4.2 | 3.7 |
| | | | 1981 | 1988 ⁵⁾ | 1992 | 1996 | 2000 |
| Germany | Total | 計 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Cash wages ¹⁾ | 現金給与 | 78.2 | 77.0 | 78.8 | 73.8 | 75.8 |
| | Non-wage costs | 現金給与以外 | 21.9 | 23.0 | 21.6 | 26.3 | 24.2 |
| | Statutory welfare costs | 法定福利費 | 16.1 | 16.5 | 15.3 | 15.9 | 15.7 |
| | Voluntary social benefits | 法定外福利費 | 0.2 | 0.1 | 3.1 | 7.6 | 7.0 |
| | Retirement allowance ²⁾ | 退職金等 | 3.4 | 4.2 | | 0.6 | 0.6 |
| | Others ³⁾ | その他 | 2.2 | 2.2 | 3.2 | 2.2 | 1.2 |

Sources: Eurostat, *Labour Costs Survey 2000 (2003 release)*. Ministry of Health, Labour and Welfare, *General Survey on Working Conditions*. Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 2004*.

Notes: 1) A total on an enterprise basis in the case of Japan; all workers of enterprises employing more than one person for the U.S. and those with more than ten persons for EU.

2) The numbers in () are numbers included in the larger figures.

3) Including apprentices' welfare expenses for the U.K., Germany and France.

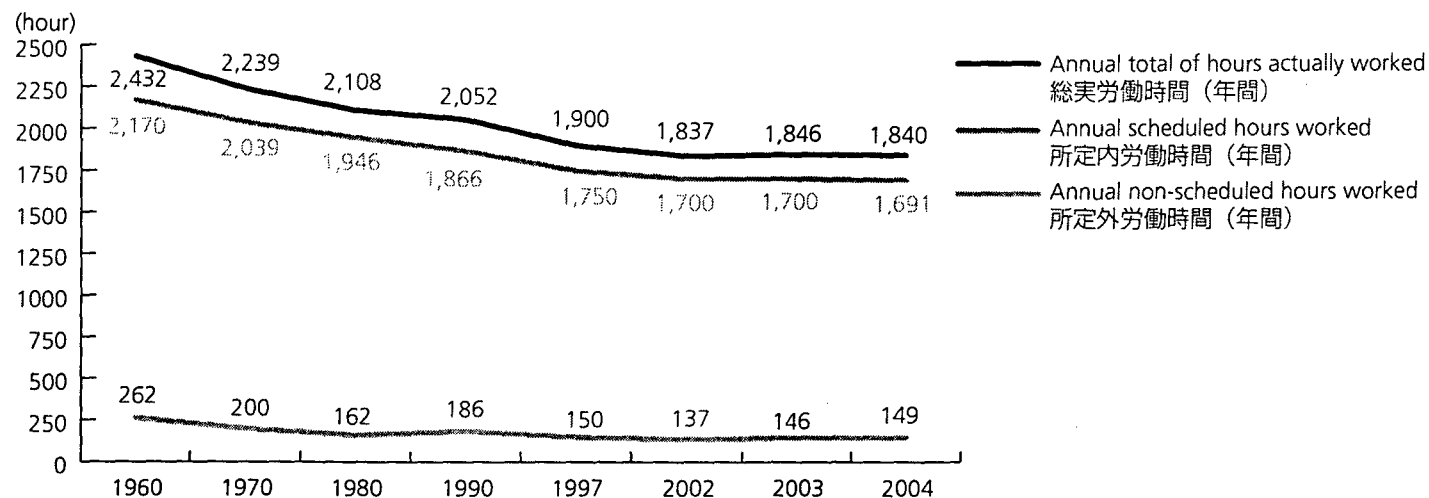
The U.S. data are broken down as follows.

- Insurance:9.1%
- Retirement and savings:4.9%
- Other benefits:0.5%

43.

Trend in Hours Actually Worked and Non-Scheduled Hours Worked

実労働時間数及び所定外労働時間数の推移



Source: Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

- Notes: 1) The total of hours actually worked is the sum of scheduled hours worked and non-scheduled hours worked. The scheduled hours worked is the number of hours actually worked between the start and close of working hours according to the employment regulations of an establishment, and the non-scheduled hours worked is the number of hours actually worked when starting work early, working overtime, being summoned for unscheduled work, working on holidays, etc.
- 2) Annual hours worked were estimated from hours worked per month using the following formula:
 Annual total (scheduled) hours worked = Total (scheduled) hours worked per month x 12 months
- 3) Establishments selected for survey were switched in January of 1961, 1964, 1967, 1970, 1988, 1991, 1993 and 1996, and in April of 1973, 1976, 1979, 1982, and 1985. However, actual numbers have not been corrected to reflect gaps in the time series, so care is required in comparing time series by actual numbers.

44. Ratio of Number of Enterprises and Employees by Main Type of Weekly Days Off 週休制の形態別企業数・適用労働者数の割合

| | 1970 | 1980 | 1990 | 1997 | 2003 | 2004 |
|--|------|------|------|------|------|------|
| Ratio of enterprises 適用企業数の割合 | | | | | | |
| Some type of weekly two days off 何らかの週休2日制 | 4.4 | 47.6 | 66.9 | 90.0 | 88.4 | 89.7 |
| Perfect weekly two days off 完全週休2日制 | 0.3 | 5.4 | 11.5 | 33.6 | 35.9 | 39.0 |
| Other weekly two days off ²⁾ その他の週休2日制 | 4.1 | 42.2 | 55.4 | 56.3 | 52.5 | 50.7 |
| Ratio of employees 適用労働者数の割合 | | | | | | |
| Some type of weekly two days off 何らかの週休2日制 | 1.8 | 74.1 | 86.4 | 95.4 | 91.3 | 89.8 |
| Perfect weekly two days off 完全週休2日制 | 0.5 | 23.0 | 39.2 | 60.9 | 57.1 | 56.7 |
| Other weekly two days off ²⁾ その他の週休2日制 | 1.3 | 51.1 | 47.2 | 34.5 | 34.2 | 33.1 |

Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions (until 1999, General Survey on Wage and Working Hours System)*.

Notes: 1) Enterprises with 30 employees or more were surveyed.

2) "Other than full two days off" shows various weekly two days off types such as "three times a month", "every two weeks", "twice a month" or "once a month".

45. Average Number of Paid Holidays, Average Number of Days Taken and Average Rate of Acquisition per Employee by Size of Enterprise

企業規模別労働者1人平均年次有給休暇の付与日数、取得（消化）日数及び取得（消化）率

| Size of enterprise 企業規模 | | 2001 | 2002 | 2003 | 2004 |
|---|------------|------|------|------|------|
| Total | 計 | | | | |
| Average grant day ¹⁾ | 平均付与日数 | 18.0 | 18.1 | 18.2 | 18.0 |
| Average acquired day | 平均取得（消化）日数 | 8.9 | 8.8 | 8.8 | 8.5 |
| Average grant acquired rate ²⁾ (%) | 平均取得（消化）率 | 49.5 | 48.4 | 48.1 | 47.4 |
| 1,000 employees or more | 1,000人以上 | | | | |
| Average grant day ¹⁾ | 平均付与日数 | 19.4 | 19.5 | 19.5 | 19.2 |
| Average acquired day | 平均取得（消化）日数 | 10.6 | 10.1 | 10.4 | 10.4 |
| Average grant acquired rate ²⁾ (%) | 平均取得（消化）率 | 54.6 | 51.7 | 53.1 | 53.9 |
| 300-999 employees | 300-999人 | | | | |
| Average grant day ¹⁾ | 平均付与日数 | 18.2 | 18.0 | 18.1 | 17.9 |
| Average acquired day | 平均取得（消化）日数 | 8.7 | 8.3 | 8.2 | 7.6 |
| Average grant acquired rate ²⁾ (%) | 平均取得（消化）率 | 47.6 | 46.2 | 45.2 | 42.3 |
| 100-299 employees | 100-299人 | | | | |
| Average grant day ¹⁾ | 平均付与日数 | 17.1 | 17.4 | 17.2 | 17.3 |
| Average acquired day | 平均取得（消化）日数 | 7.7 | 8.0 | 7.9 | 7.5 |
| Average grant acquired rate ²⁾ (%) | 平均取得（消化）率 | 45.4 | 46.1 | 45.8 | 43.6 |
| 30-99 employees | 30-99人 | | | | |
| Average grant day ¹⁾ | 平均付与日数 | 16.4 | 16.4 | 17.0 | 16.6 |
| Average acquired day | 平均取得（消化）日数 | 7.3 | 7.5 | 7.3 | 7.2 |
| Average grant acquired rate ²⁾ (%) | 平均取得（消化）率 | 44.6 | 45.6 | 43.1 | 43.3 |

Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions*.

Notes: 1) Average grant day excludes transferred days.

$$2) \text{ Average rate of gain} = \frac{\text{gained day}}{\text{offered day}} \times 100$$

46. Adoption of Variable Working Hour System and Judged Working Hour System (by Enterprise Size) 変形労働時間制及びみなし労働時間制の採用状況 (企業規模別)

Adoption of Variable Working Hour System 変形労働時間制の採用状況

Ratio of enterprises (The number in parentheses is a ratio of employees covered by variable working hour system.) 企業数割合(かっこ内は適用労働者数割合) (%)

| | 1990 | 1996 | 2004 | Size of enterprise 企業規模 | | |
|---|---------------|---------------|---------------|-------------------------|---------------|---------------|
| | | | | 1,000 employees or more | 100-999人 | 30-99人 |
| Total 合計 | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) |
| Enterprises adopting variable working hour system (workers applied under the variable working hour system) 変形労働時間制を採用している企業 (M.A.) (適用を受ける労働者) | 13.2 (23.2) | 40.5 (44.1) | 54.8 (48.7) | 70.0 (48.2) | 58.5 (49.2) | 52.8 (48.8) |
| Variable working hour system on a yearly basis 1年単位の変形労働時間制 | 0.6* (0.5*) | 8.7 (9.5) | 36.9 (23.7) | 23.8 (12.5) | 36.0 (27.6) | 37.7 (36.5) |
| Variable working hour system on a monthly basis 1ヵ月単位の変形労働時間制 | 10.7 (17.9) | 18.3 (21.1) | 14.3 (16.1) | 33.2 (20.7) | 17.8 (15.1) | 12.3 (9.8) |
| Flexible working hour system フレックスタイム制 | 2.2 (4.8) | 4.8 (9.8) | 5.9 (8.9) | 31.6 (15.0) | 9.3 (6.5) | 3.7 (2.4) |
| Enterprises not adopting variable working hour system (workers not applied under the variable working hour system) 変形労働時間制を採用していない企業 (適用を受けていない労働者) | 93.0 (84.7) | 59.5 (55.9) | 45.2 (51.3) | 30.0 (51.8) | 41.5 (50.8) | 47.2 (51.2) |

Source: Ministry of Health, Labour and Welfare, **General Survey on Wages and Working Hours System 2004.**

Note: About the ratio of enterprises:

1) Ratio of enterprises adopting variable working hours system to all or part of the workers.

Adoption of Judged Working Hour System みなし労働時間制の採用状況

Ratio of enterprises (The number in parentheses is a ratio of employees covered by judged working hour system) 企業数割合 (かっこ内は適用労働者数割合) (%)

| | 1990 | 1996 | 2004 | Size of enterprise 企業規模 | | |
|--|---------------|---------------|---------------|-------------------------|---------------|---------------|
| | | | | 1,000 employees or more | 100-999人 | 30-99人 |
| Total 合計 | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) | 100.0 (100.0) |
| Enterprises adopting judged working hour system (workers applied under judged working hour system) みなし労働時間制を採用している企業 (M.A.) (適用を受ける労働者) | 4.5 (3.2) | 6.1 (3.8) | 9.8 (7.2) | 23.2 (10.8) | 13.1 (5.8) | 8.1 (3.1) |
| Judged working hour system for job outside of the office うち、事業場外労働のみなし労働時間制 | 4.4 (3.1) | 5.8 (3.6) | 8.6 (6.2) | 20.3 (9.7) | 11.8 (5.0) | 6.9 (2.4) |
| Judged working hour system for discretion labour うち、裁量労働のみなし労働時間制 | 0.6 (0.1) | 0.5 (0.2) | 3.0 (1.0) | 9.2 (1.1) | 4.0 (0.9) | 2.5 (0.8) |
| Enterprises not adopting judged working hour system (Workers not applied under judged working hour system) みなし労働時間制を採用していない企業 (適用を受けない労働者) | 95.5 (96.8) | 93.9 (96.2) | 90.2 (92.8) | 76.8 (89.2) | 86.9 (94.2) | 91.9 (96.9) |

Source: Ministry of Health, Labour and Welfare, *General Survey on Wages and Working Hours System*.

47. Annual Total Hours Actually Worked (Manufacturing Industry, Production Workers)
年間総実労働時間 (製造業・生産労働者)

| | 1980 | 1990 | 1999 | 2000 | 2001 | 2002 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Japan | 2,162 (209) | 2,124 (219) | 1,942 (155) | 1,970 (175) | 1,948 (159) | 1,954 (171) |
| United States | 1,893 (146) | 1,948 (192) | 1,991 (239) | 1,986 (239) | 1,943 (203) | 1,952 (213) |
| France | 1,759 | 1,683 | 1,650 | 1,589 | 1,554 | 1,539 |
| Germany | 1,719 (104) | 1,598 (99) | 1,525 (57) | — | — | 1,525 |
| United Kingdom | 1,883 (125) | 1,953 (187) | 1,902 (151) | 1,902 (151) | 1,888 (135) | 1,888 (135) |

Sources: Estimates from Working Hours Division, Wages and Working Hours Department, Ministry of Health, Labour and Welfare, and EU and national data.

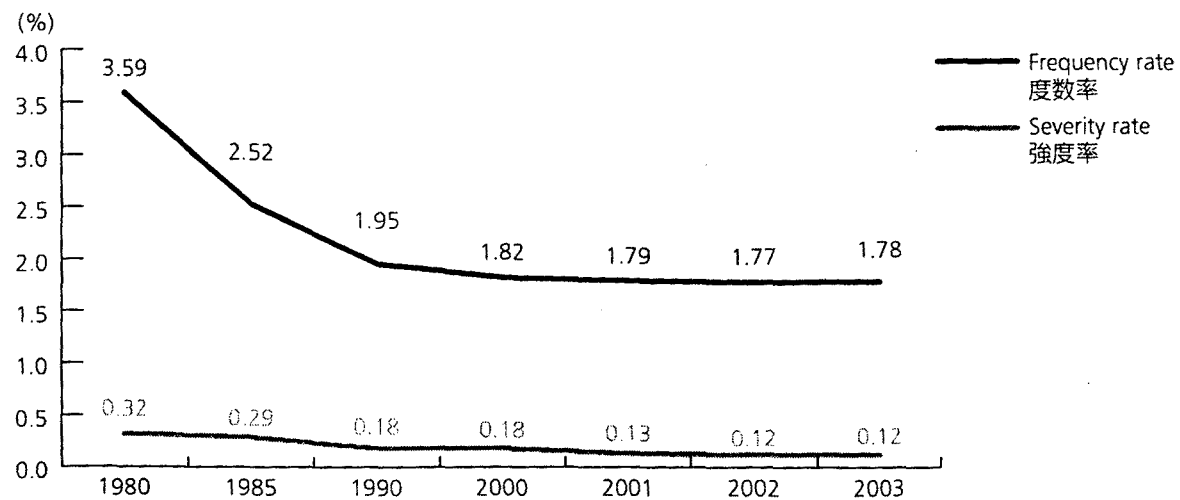
Notes: 1) Figures in parentheses are non-scheduled hours worked. However, figures for France and Germany (from 2000 on) are not available.

2) Establishment size for Japan is 5 or more employees, for the U.S. is all sizes, and for other countries is 10 or more employees.

48. Trends in Occurrence of Industrial Accidents (Frequency and Severity Rates)

労働災害発生率の推移 (度数率、強度率)

Establishments with 100 employees and more



Source: Ministry of Health, Labour and Welfare, *Survey on Industrial Accidents*.

Notes: 1) Frequency rate = Number of deaths and injuries from industrial accident / Aggregate man-hours actually worked x 1,000,000.

2) Severity rate = Number of working days lost / Aggregate man-hours actually worked x 1,000.

49. Trends in Deaths and Injuries by Industry (Absences of Four or More Days from Work)

産業別死傷者数の推移 (休業4日以上)

| By Industry 産業別 | 1980 | 1985 | 1990 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| All Industries 全産業 | 335,706 (3,009) | 257,240 (2,572) | 210,108 (2,550) | 130,100 (1,992) | 133,948 (1,889) | 127,080 (1,790) | 125,918 (1,658) | 125,750 (1,628) |
| Manufacturing 製造業 | 106,481 (589) | 80,401 (475) | 62,404 (447) | 37,000 (344) | 37,753 (323) | 34,751 (326) | 32,921 (275) | 32,518 (293) |
| Mining 鉱業 | 8,477 (105) | 4,642 (137) | 1,230 (44) | 800 (24) | 760 (26) | 673 (24) | 628 (17) | 669 (14) |
| Construction 建設業 | 112,786 (1,374) | 73,595 (960) | 60,900 (1,075) | 33,400 (794) | 33,599 (731) | 31,053 (644) | 30,650 (607) | 29,263 (548) |
| Transportation 交通運輸業 | 4,626 (52) | 3,643 (53) | 2,935 (64) | 1,800 (29) | 1,872 (29) | 1,796 (32) | 1,880 (35) | 1,963 (32) |
| Overland Freight Transport 陸上貨物運送業 | 21,807 (261) | 18,444 (259) | 16,831 (311) | 13,800 (270) | 14,653 (271) | 14,289 (241) | 13,858 (234) | 13,991 (241) |
| Harbor Cargo Handling 港湾荷役業 | 4,108 (55) | 2,095 (42) | 1,103 (28) | 400 (10) | 388 (11) | 392 (18) | 389 (15) | 348 (12) |
| Forestry 林業 | 12,490 (117) | 8,498 (122) | 5,069 (89) | 2,800 (71) | 2,773 (53) | 2,550 (54) | 2,531 (49) | 2,572 (61) |
| Others その他 | 64,931 (456) | 65,922 (524) | 59,636 (492) | 40,100 (450) | 42,150 (445) | 41,576 (451) | 43,061 (426) | 44,426 (427) |

Source: Japan Industrial Safety and Health Association (JISHA), *General Guidebook on Industrial Safety*.

Amount of Accrued Benefit Payment at Time of Retirement by Educational Attainment and Type of Worker (2003)

学歴、労働者の種類別定年退職者の退職給付額 (2003年)

| Educational background & duration of Service 学歴及び勤続年数 | | College or university graduates (Administrative, clerical & technical workers) 大学卒 (管理・事務・技術職) | | | | Upper secondary school graduates (Administrative, clerical & technical workers) 高校卒 (管理・事務・技術職) | | | | | |
|--|--|--|--------------------------|--------------------------|-------------------------------|---|--------------------------|--------------------------|-------------------------------|-------|-------|
| | | 20-24 years 20-24年 | 25-29 years 25-29年 | 30-34 years 30-34年 | 35 years and over 35年以上 | 20-24 years 20-24年 | 25-29 years 25-29年 | 30-34 years 30-34年 | 35 years and over 35年以上 | | |
| | | Size of Enterprise 企業規模 | | | | | | | | | |
| 1,000 employees or more 1,000人以上 | | | | | | | | | | | |
| Amount of retirement allowance (10,000yen) 退職金額 (万円) | | 2,779 | 1,298 | 2,699 | 2,841 | 2,808 | 2,434 | 1,167 | 1,718 | 2,352 | 2,505 |
| Rate of payment to monthly regular pay 月収換算 (月分) | | 44.9 | 25.0 | 41.0 | 45.0 | 45.8 | 48.2 | 30.0 | 41.1 | 46.8 | 49.0 |
| 300-999 employees 300-999人 | | | | | | | | | | | |
| Amount of retirement allowance (10,000yen) 退職金額 (万円) | | 2,329 | 1,314 | 2,118 | 2,054 | 2,566 | 2,139 | 454 | 1,206 | 1,534 | 2,321 |
| Rate of payment to monthly regular pay 月収換算 (月分) | | 41.7 | 27.8 | 40.2 | 39.8 | 43.4 | 45.5 | 15.9 | 31.5 | 37.5 | 47.5 |
| 100-299 employees 100-299人 | | | | | | | | | | | |
| Amount of retirement allowance (10,000yen) 退職金額 (万円) | | 1,795 | 1,276 | 1,321 | 1,693 | 1,954 | 1,552 | 608 | 975 | 1,354 | 1,743 |
| Rate of payment to monthly regular pay 月収換算 (月分) | | 36.7 | 23.2 | 31.4 | 32.7 | 39.8 | 37.8 | 17.2 | 26.9 | 32.5 | 41.6 |
| 30-99 employees 30-99人 | | | | | | | | | | | |
| Amount of retirement allowance (10,000yen) 退職金額 (万円) | | 1,290 | 821 | 1,452 | 1,408 | 1,445 | 1,164 | 464 | 813 | 1,054 | 1,585 |
| Rate of payment to monthly regular pay 月収換算 (月分) | | 28.5 | 23.4 | 39.4 | 30.1 | 28.2 | 28.5 | 12.8 | 19.9 | 26.0 | 37.2 |

Source: Ministry of Health, Labour and Welfare, **General Survey on Working Conditions**.

Note: 1) Figures are for retired male workers 45 years old or over with 20 or more years duration of service.

2) "The amount of compensation at retirement" is retirement allowance in case of retirement allowance system, current amount of retirement pension in case of retirement pension system, and total of retirement allowance and current amount of retirement pension in case of retirement allowance and pension system. Welfare pension funds were considered in terms of the extra portion beyond the regular amount.

3) The rate of payment to monthly regular pay is the ratio of the amount of retirement allowance to scheduled cash earnings at the time of retirement.

4) Caution is required because the margin of error is great when the number of retired workers is small.

51 Status of Implementation of Accrued Benefit System (Lump Sum/Pension)

退職給付 (一時金・年金) 制度の実施状況

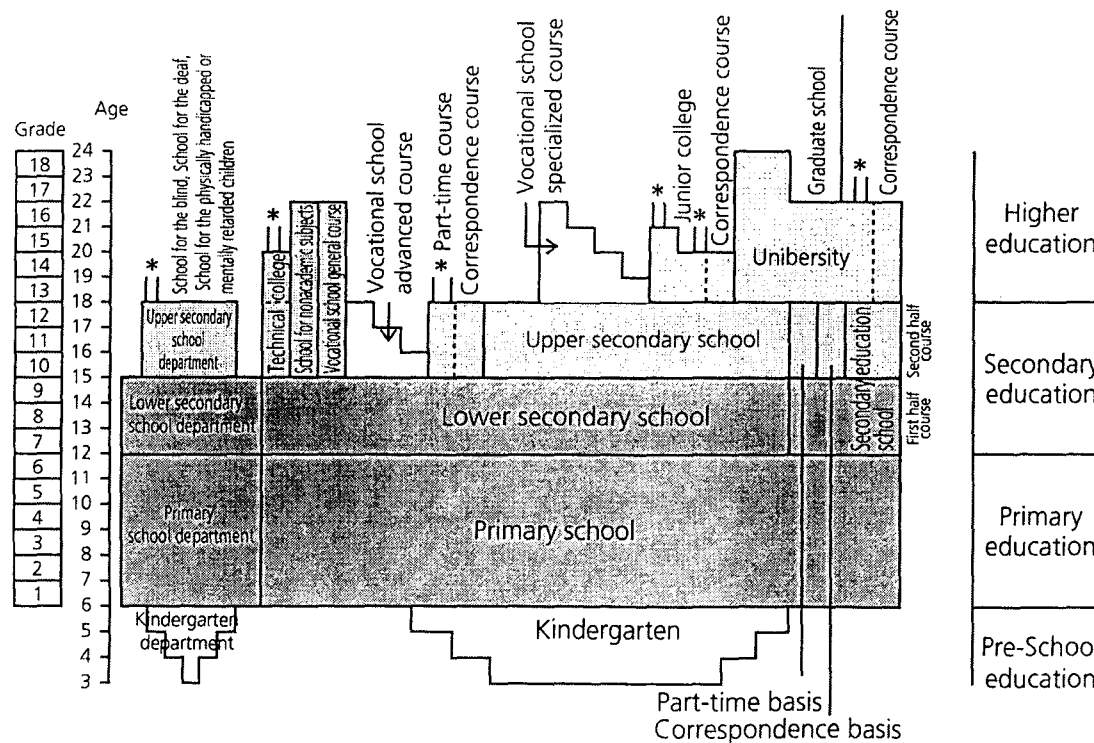
| Size of enterprise 企業規模 | | 1989 | 1993 | 1997 | 2003 | (%) |
|---|-----------------------|------------|------------|------------|------------|-----|
| All sizes 企業規模計 | | | | | | |
| Enterprises having retirement allowance system | 退職給付 (一時金・年金) 制度がある企業 | (88.9) 100 | (92.0) 100 | (88.9) 100 | (86.7) 100 | |
| Enterprises having only lump-sum payment method | 退職一時金制度のみの企業 | 49.3 | 47.0 | 47.5 | 46.5 | |
| Enterprises having pension method | 退職給付 (年金) 制度がある企業 | 50.7 | 53.0 | 52.5 | 53.5 | |
| Only pension method | 退職給付 (年金) 制度のみ | 11.3 | 18.6 | 20.3 | 19.6 | |
| Combination of both method | 退職一時金制度との併用 | 39.3 | 34.5 | 32.2 | 33.9 | |
| 1,000 employees or more 1,000人以上 | | | | | | |
| Enterprises having retirement allowance system | 退職給付 (一時金・年金) 制度がある企業 | (99.5) 100 | (99.7) 100 | (99.5) 100 | (97.1) 100 | |
| Enterprises having only lump-sum payment method | 退職一時金制度のみの企業 | 13.6 | 10.6 | 9.6 | 11.0 | |
| Enterprises having pension method | 退職給付 (年金) 制度がある企業 | 86.4 | 89.4 | 90.4 | 89.0 | |
| Only pension method | 退職給付 (年金) 制度のみ | 12.5 | 19.8 | 22.7 | 19.1 | |
| Combination of both method | 退職一時金制度との併用 | 73.9 | 69.6 | 67.7 | 69.9 | |
| 300-999 employees 300-999人 | | | | | | |
| Enterprises having retirement allowance system | 退職給付 (一時金・年金) 制度がある企業 | (98.6) 100 | (98.7) 100 | (97.7) 100 | (95.7) 100 | |
| Enterprises having only lump-sum payment method | 退職一時金制度のみの企業 | 26.9 | 19.4 | 17.6 | 22.7 | |
| Enterprises having pension method | 退職給付 (年金) 制度がある企業 | 73.1 | 80.6 | 82.4 | 77.3 | |
| Only pension method | 退職給付 (年金) 制度のみ | 16.4 | 26.4 | 31.2 | 26.4 | |
| Combination of both method | 退職一時金制度との併用 | 56.7 | 54.2 | 51.3 | 50.9 | |

| Size of enterprise 企業規模 | | 1989 | 1993 | 1997 | 2003 |
|---|---------------------|------------|------------|------------|------------|
| 100-299 employees | 100-299人 | | | | |
| Enterprises having retirement allowance system | 退職給付（一時金・年金）制度がある企業 | (94.1) 100 | (95.2) 100 | (95.9) 100 | (89.5) 100 |
| Enterprises having only lump-sum payment method | 退職一時金制度のみの企業 | 40.8 | 37.7 | 35.2 | 34.7 |
| Enterprises having pension method | 退職給付（年金）制度がある企業 | 59.2 | 62.3 | 64.8 | 65.3 |
| Only pension method | 退職給付（年金）制度のみ | 13.0 | 21.6 | 23.1 | 21.6 |
| Combination of both method | 退職一時金制度との併用 | 46.2 | 40.7 | 41.7 | 43.7 |
| 30-99 employees | 30-99人 | | | | |
| Enterprises having retirement allowance system | 退職給付（一時金・年金）制度がある企業 | (86.1) 100 | (90.1) 100 | (85.7) 100 | (84.7) 100 |
| Enterprises having only lump-sum payment method | 退職一時金制度のみの企業 | 55.7 | 54.3 | 56.1 | 54.1 |
| Enterprises having pension method | 退職給付（年金）制度がある企業 | 44.3 | 45.7 | 43.9 | 45.9 |
| Only pension method | 退職給付（年金）制度のみ | 10.2 | 16.7 | 18.2 | 18.3 |
| Combination of both method | 退職一時金制度との併用 | 34.0 | 29.0 | 25.8 | 27.7 |

Source: Ministry of Health, Labour and Welfare, *Survey on Retirement Allowance System and Payments*.

Note: Numbers in [] are ratios to all enterprises counted as 100.0.

52. Education System
教育制度



Source: The Ministry of Culture, Sports, Science and Technology, *International Comparison of 2004 Educational Indicators*.

- Notes:
- 1) The shadowed sections mean compulsory education.
 - 2) * Represents a major course.
 - 3) In upper secondary schools, secondary education school second half courses, universities, junior colleges, and the upper secondary school departments of schools for the blind, schools for the deaf and schools for the physically handicapped or the mentally retarded children, separate courses of study requiring one or more years for graduation may be provided.

53. Number of New Graduates, Ratio of Enrolled Students Entering Higher Institutions, Number of New Graduates Entering the Labour Market and Its Ratio

新規学卒者数、進学率、就職者数及び就職率

| | | (1,000 persons, %) | | | | | | | |
|---|---------|--------------------|-------|-------|-------|-------|-------|-------|-------|
| | | 1960 | 1970 | 1980 | 1990 | 2001 | 2002 | 2003 | 2004 |
| Lower secondary School | 中学校 | | | | | | | | |
| New graduates entering the labour market | 就職者 | 633 | 214 | 44 | 40 | 13 | 11 | 9 | 9 |
| Ratio of those entering higher institutions ²⁾ | 進学率 (%) | 57.7 | 82.1 | 94.2 | 94.4 | 95.8 | 95.8 | 96.1 | 96.3 |
| Ratio of new graduates entering the labour market | 就職率 (%) | 38.6 | 16.3 | 3.9 | 2.8 | 1.0 | 0.9 | 0.8 | 0.7 |
| Upper secondary school | 高等学校 | | | | | | | | |
| New graduates | 新規学卒者 | 934 | 1,403 | 1,399 | 1,767 | 1,327 | 1,315 | 1,281 | 1,235 |
| New graduates entering the labour market | 就職者 | 567 | 803 | 581 | 608 | 240 | 221 | 210 | 206 |
| Ratio of those entering higher institutions | 進学率 (%) | 17.2 | 24.2 | 31.9 | 30.5 | 45.1 | 44.8 | 44.6 | 45.3 |
| Ratio of new graduates entering the labour market | 就職率 (%) | 61.3 | 58.2 | 42.9 | 35.2 | 18.4 | 17.1 | 16.6 | 16.9 |
| Junior College | 短大 | | | | | | | | |
| New graduates | 新規学卒者 | 30 | 115 | 170 | 208 | 157 | 131 | 119 | 112 |
| New graduates entering the labour market | 就職者 | 18 | 80 | 129 | 181 | 93 | 79 | 71 | 69 |
| Ratio of those entering higher institutions | 進学率 (%) | 8.6 | 3.8 | 3.2 | 3.4 | 10.2 | 10.2 | 11.1 | 11.2 |
| Ratio of new graduates entering the labour market | 就職率 (%) | 58.9 | 70.3 | 76.0 | 87.0 | 59.1 | 60.3 | 59.7 | 61.6 |

VI. Education / Human Resources Development ■ VI. 教育・能力開発

| | | | | | | | | | | |
|---|---------|------|------|------|------|------|------|------|------|--|
| University | 大学 | | | | | | | | | |
| New graduates | 新規学卒者 | 120 | 241 | 379 | 400 | 546 | 548 | 545 | 549 | |
| New graduates entering the labour market | 就職者 | 100 | 188 | 285 | 324 | 312 | 311 | 300 | 306 | |
| Ratio of those entering higher institutions ³⁾ | 進学率 (%) | 3.8 | 5.2 | 4.4 | 6.8 | 10.8 | 10.9 | 11.4 | 11.8 | |
| Ratio of new graduates entering the labour market | 就職率 (%) | 83.2 | 78.1 | 75.3 | 81.0 | 57.3 | 56.9 | 55.1 | 55.8 | |

Source: Ministry of Education, Culture, Sports, Science and Technology, *Basic Statistical Survey on School. Report on Basic Survey of Schools.*

Notes: 1) Proportion of persons entering the Labour market is calculated as follows:

Proportion = (Persons entering the Labour market + Persons working and going to higher grade schools, special training schools, etc.) / Total school leavers.

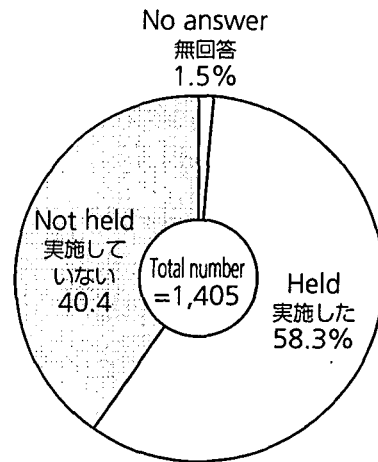
2) Indicates the ratio of those entering upper secondary schools and technical colleges.

3) Indicates the ratio of those entering graduate schools.

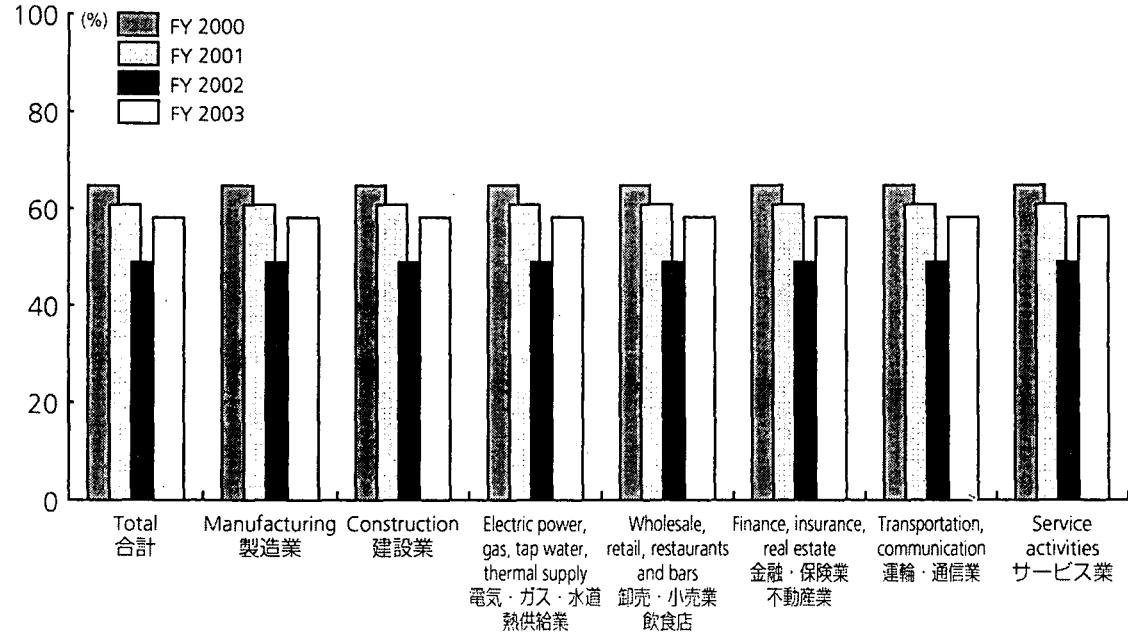
4) From 1980 and thereafter, Okinawa is also included.

54. Holding of Off-the-job Training Off-JTの実施状況

Holding of off-the-job training
Off-JTの実施状況

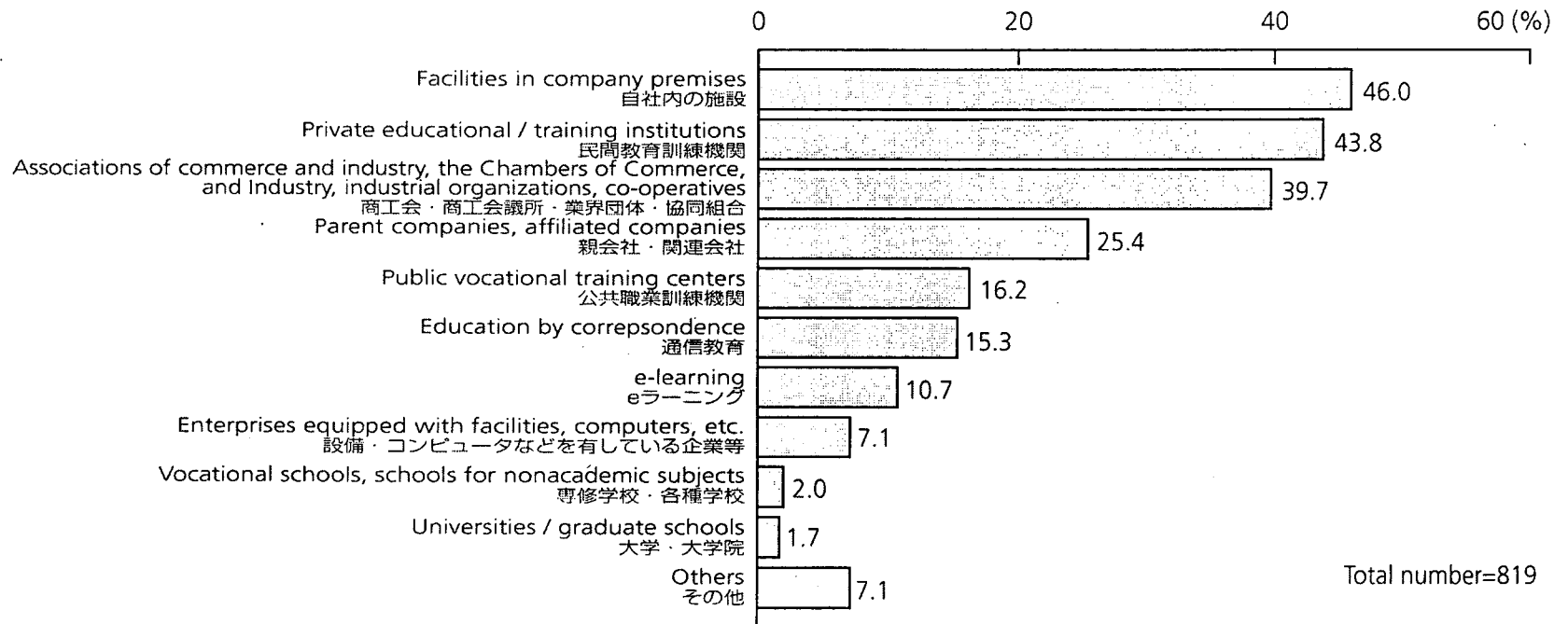


Rate of companies holding off-the-job training (by the type of business)
Off-JTの実施率



Source: Ministry of Health, Labour and Welfare, *Basic Human Resource Development Survey, 2004*.

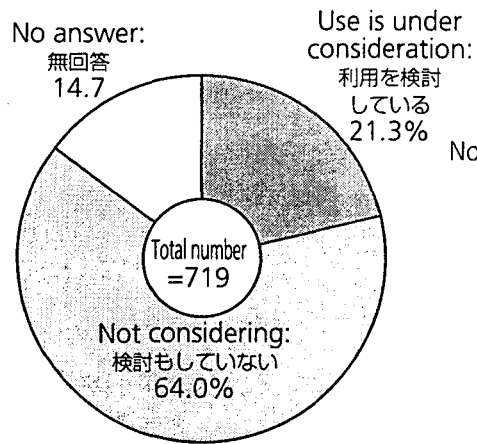
55. Educational and Training Installations and Institutions Used for Off-the-job Training Off-JTで利用した教育訓練（教育訓練機関）



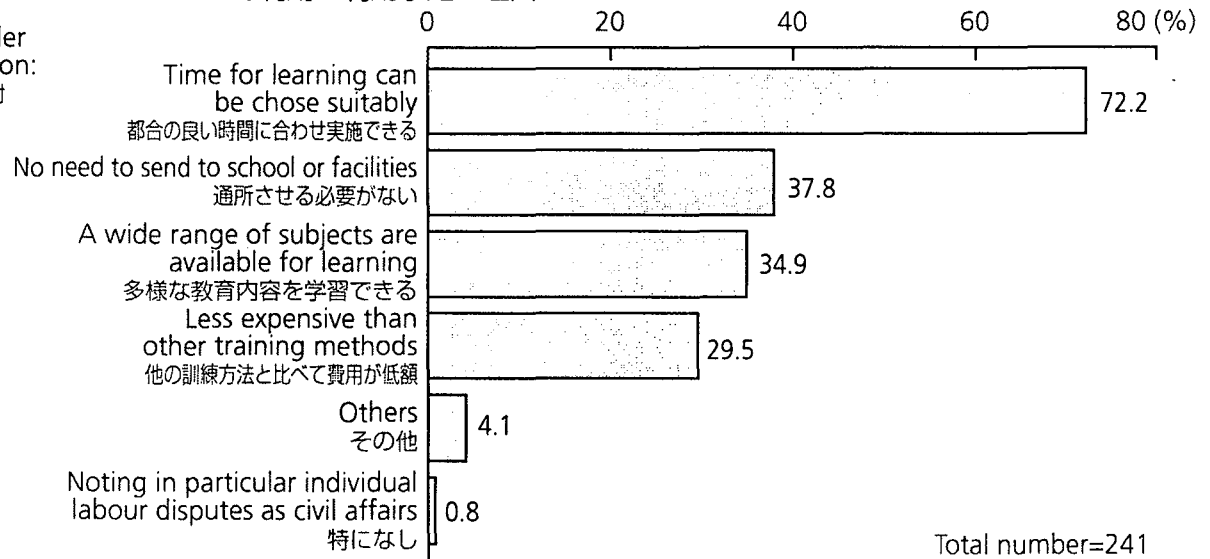
Source: Ministry of Health, Labour and Welfare, *Basic Human Resource Development Survey, 2004*

56. e-learning
eラーニング

Plan to use e-learning
eラーニング利用



Reasons for using or planning to use e-learning
eラーニングを利用・利用予定の理由



Source: Ministry of Health, Labour and Welfare, *Basic Human Resource Development Survey, 2004*.

57. Trends in Number of Labour Unions and Members

労働組合数及び組合員数の推移

| | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Labour Unions ¹⁾ | | | | | | | | | | |
| 労働組合数 | 29,144 | 41,561 | 60,954 | 72,693 | 72,202 | 68,737 | 67,706 | 65,642 | 63,955 | 62,805 |
| Members ¹⁾ (1,000 persons) | | | | | | | | | | |
| 労働組合員数 (千人) | 5,774 | 7,662 | 11,605 | 12,369 | 12,265 | 11,539 | 11,212 | 10,801 | 10,531 | 10,309 |
| Estimated Unionization Rate ²⁾ | | | | | | | | | | |
| 推定組織率 (%) | 46.2 | 32.2 | 35.4 | 30.8 | 25.2 | 21.5 | 20.7 | 20.2 | 19.6 | 19.2 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions (as of June 30 each year)*.

Notes: 1) The number of labour unions is a totaled result of local trade unions and the number of union members is a totaled result of members of individual trade unions. Local trade unions comprise locally organized unions (unions having no organizations of lower levels) and those which are the lowest-level organizations of individually organized unions (unions having organizations at lower levels) and are treated as local unions, each counted as one union. Individual trade unions comprise locally organized unions and the headquarters of the individually organized unions, each counted as one union.

2) These numbers are calculated by dividing the number of union members by the number of employees ("Labour Force Survey" of June each year by the Statistic Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications).

58. Trends in Number of Labour Union Members of Private Enterprises by Size of Establishment (in Labour Union Unit)

企業規模別民営企業の労働組合員数の推移 (単位労働組合)

| | | 1990 | 1997 | 2001 | 2002 | 2003 | 2004 |
|---------------------------------|-------------|-------|-------|-------|-------|-------|-------|
| Total 計 | | | | | | | |
| Members (1,000 persons) | 労働組合員数 (千人) | 9,515 | 9,610 | 8,694 | 8,359 | 8,151 | 8,016 |
| Estimated Unionization rate (%) | 推定組織率 | 21.9 | 19.8 | 18.0 | 17.5 | 17.1 | 16.8 |
| 1,000 or more | 1,000人以上 | | | | | | |
| Members (1,000 persons) | 労働組合員数 (千人) | 5,635 | 5,697 | 5,079 | 4,835 | 4,696 | 4,615 |
| Estimated Unionization rate (%) | 推定組織率 | 61.0 | 58.4 | 53.5 | 54.8 | 51.9 | 50.6 |
| 100-999 | 100-999人 | | | | | | |
| Members (1,000 persons) | 労働組合員数 (千人) | 2,480 | 2,408 | 2,194 | 2,101 | 2,039 | 1,987 |
| Estimated Unionization rate (%) | 推定組織率 | 24.0 | 20.1 | 17.7 | 16.8 | 16.6 | 15.8 |
| 99 or less | 99人以下 | | | | | | |
| Members (1,000 persons) | 労働組合員数 (千人) | 463 | 400 | 346 | 330 | 319 | 310 |
| Estimated Unionization rate (%) | 推定組織率 | 2.0 | 1.5 | 1.3 | 1.3 | 1.2 | 1.2 |

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions 2004*.

Note: The estimated unionization rate was calculated by dividing the number of labour union members by the number of employees.

59. Ratio of Labour Union by Existence of Labour Management Consultation Organization 労使協議機関の有無

(Total of labour unions=100) (%)

| Division 区分 | Labour management consultation organization 労使協議機関 | |
|--|---|-----------|
| | Present あり | Absent なし |
| 2002 | 80.6 | 19.4 |
| Number of labour union members 労働組合員数規模 | | |
| 5,000 or more 5,000人以上 | 98.3 | 1.7 |
| 1,000-4,999 1,000-4,999人 | 97.4 | 2.6 |
| 500-999 500-999人 | 94.3 | 5.7 |
| 300-499 300-499人 | 92.3 | 7.7 |
| 100-299 100-299人 | 86.5 | 13.5 |
| 30-99 30-99人 | 72.6 | 27.4 |
| 1997 | 78.1 | 21.9 |

Source: Ministry of Health, Labour and Welfare, *Survey on Collective Bargaining and Labour Disputes, 2002*.

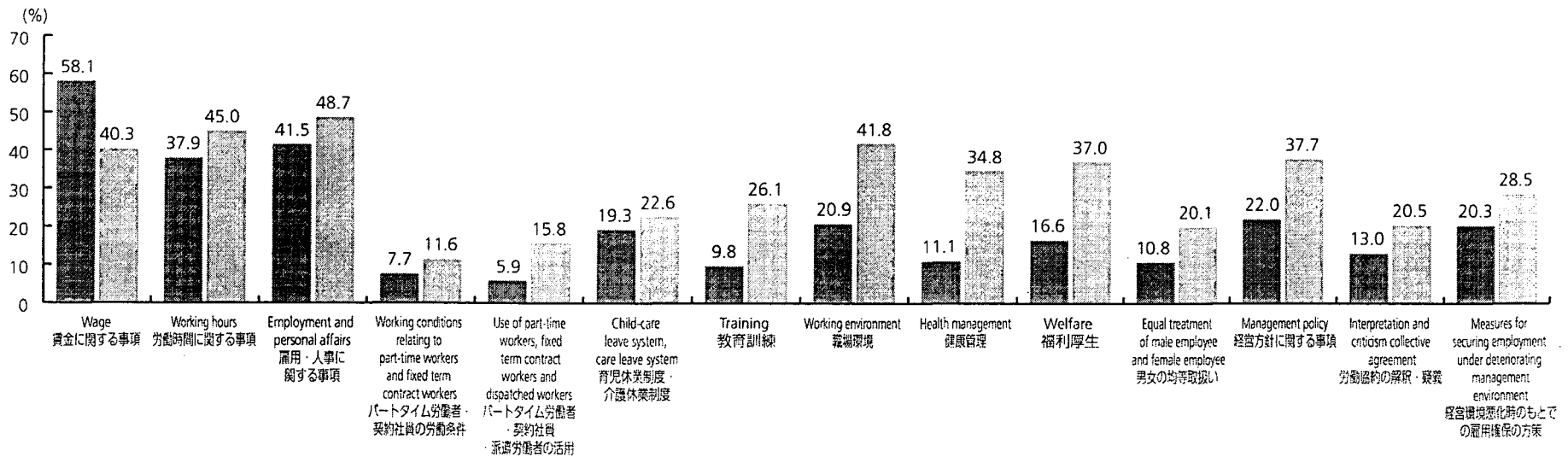
Note: 2007 is the next survey year.

Ratio of labour Unions by Items Discussed between Labour and Management, and Platform

60. Where the Talks Were Held (in the past 3 years)

過去3年間における労使間の話し合い事項、労働組合の割合

■ Session through collective bargaining 団体交渉
 □ Session through labour management consultation organization 労使協議機関

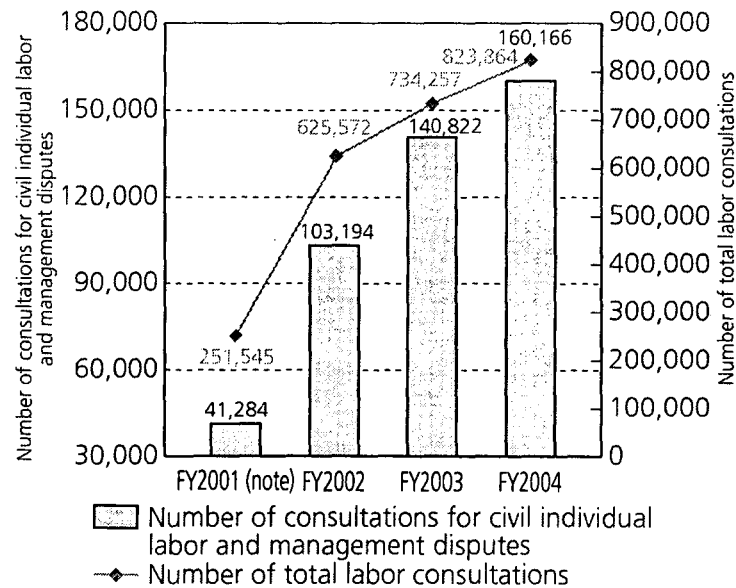


Source: Ministry of Health, Labour and Welfare, *Survey on Collective Bargaining and Labour Disputes, 2002*.

Note: 2007 is the next survey year.

61. The number of consultations about individual labour disputes as civil affairs
 民事上の個別労働紛争相談件数

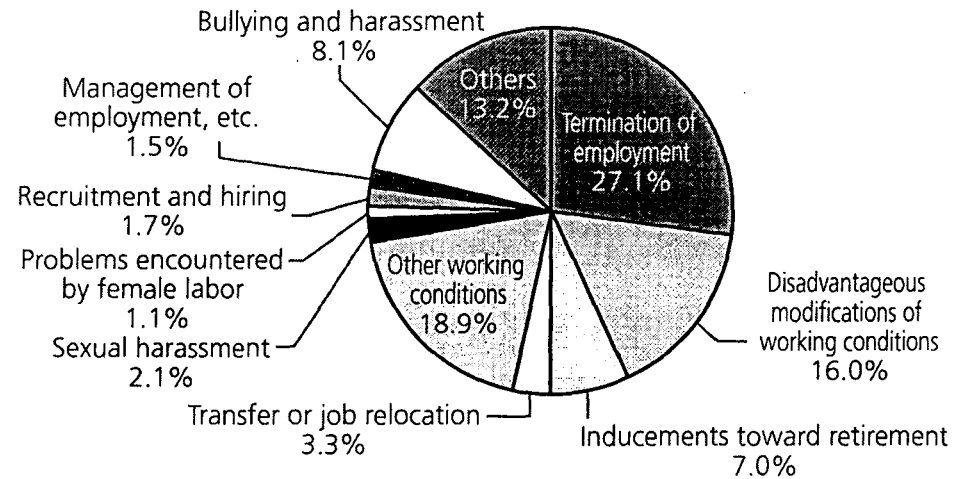
Shift in the number of consultations
 相談件数の推移



Source: Ministry of Health, Labour and Welfare (announcement of finding in newspapers on May 23, 2005).

Note: The number of instances for Fiscal Year 2001 are for the bottom-half of that fiscal year (October 1, 2001 to March 31, 2002).

Breakdown of consultations for civil individual labor and management disputes
 民事上の個別労働紛争相談の内訳



Source: Ministry of Health, Labour and Welfare (announcement of finding in newspapers on May 23, 2005).

62. Number of Labour Disputes by Principal Demands

主要要求事項別労働争議件数

| | | 1950 | 1960 | 1970 | 1980 | 1990 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|--------------|-------|-------|-------|-------|-------|-------|------|------|-------|------|
| Total Disputes | 労働争議件数 | 1,487 | 2,222 | 4,511 | 4,376 | 2,071 | 1,102 | 958 | 884 | 1,002 | 872 |
| Wage increase | 賃金増額 | — | 805 | 2,131 | 3,236 | 954 | 385 | 310 | 235 | 270 | 179 |
| Temporary allowance | 臨時給与金 | — | 638 | 1,260 | 722 | 1,123 | 212 | 224 | 176 | 147 | 125 |
| Revision of working hours | 労働時間の変更 | — | 16 | 16 | 48 | 39 | 12 | 7 | 35 | 18 | 5 |
| Objection to discharge or issues of reinstatement | 解雇反対・被解雇者の復職 | — | 93 | 137 | 112 | 40 | 208 | 147 | 151 | 171 | 174 |
| Objection to discontinuance / shutdown / contraction of business | 事業の休廃止・合理化 | — | 15 | 28 | 26 | 16 | 23 | 32 | 26 | 22 | 21 |

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Disputes Statistics*.

Note: Number of cases does not meet the total of Classification because some cases carry more than one demand.

63. Worker's Household Income and Expenditure (2003)

勤労者世帯の家計収支動向 (2003年)

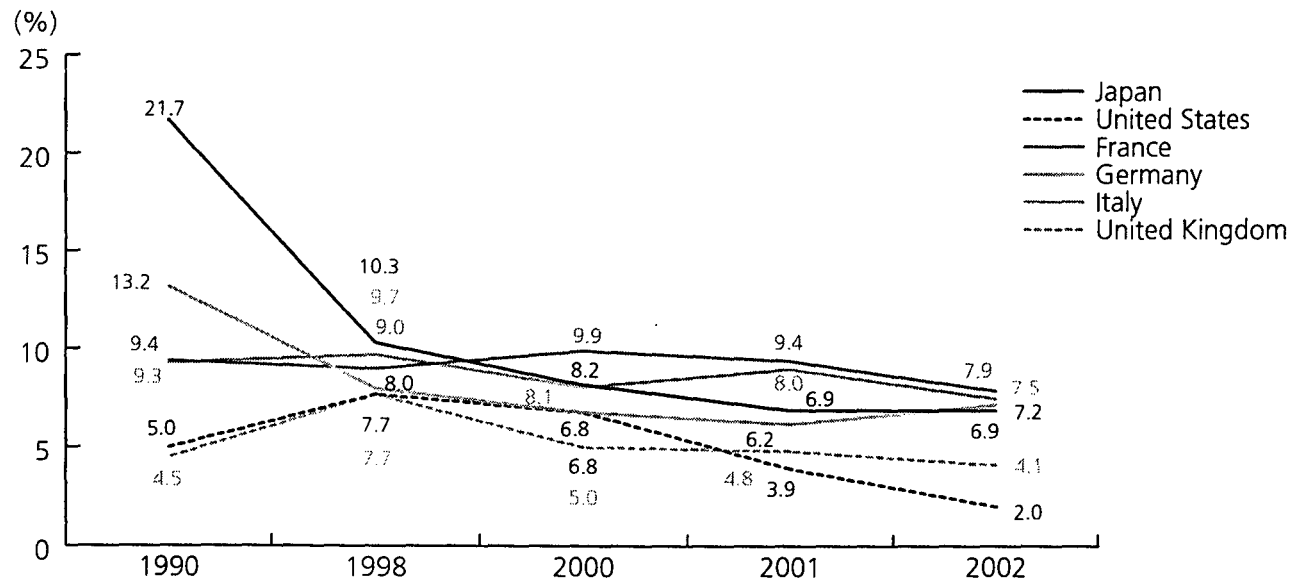
| Monthly income (Average) 毎月の平均実収入 | | Fiscal year | |
|--------------------------------------|---------------|-------------|-------------|
| | | 1980 | 2003 |
| | | (%) | (%) |
| Income | 実収入 | 350 (100.0) | 525 (100.0) |
| Wages and salaries | 勤め先収入 | 331 (94.6) | 494 (94.1) |
| Household head | 世帯主収入 | 293 (83.7) | 432 (82.3) |
| Regular | 定期収入 | 226 (64.6) | 363 (69.1) |
| Temporary and bonuses | 臨時収入・賞与 | 67 (19.1) | 69 (13.1) |
| Wife's income | 世帯主の配偶者の収入うち女 | 24 (6.9) | 53 (10.1) |
| Other household members | 他の世帯員収入 | 13 (3.7) | 9 (1.7) |
| Business and homework | 事業・内職収入 | 6 (1.7) | 3 (0.6) |
| Other current income | 他の經常収入 | 5 (1.4) | 18 (3.4) |
| Non-current income | 特別収入 | 8 (2.3) | 10 (1.9) |
| Persons per household | 世帯人員数 | 3.83 | 3.49 |
| Earners per household | 有業人員数 | 1.50 | 1.63 |
| Age of head | 世帯主年齢 | 41.7 | 46.3 |

| Monthly expenditure (Average) 毎月の平均支出 | | Fiscal year | |
|--|----------|-------------|-------------|
| | | 1980 | 2003 |
| | | (%) | (%) |
| Total | 支出計 | 282 (100.0) | 410 (100.0) |
| Living Expenditure | 消費支出 | 238 (84.3) | 326 (79.5) |
| Food | 食料 | 66 (23.0) | 72 (17.6) |
| Housing | 住居 | 11 (3.9) | 22 (5.3) |
| Fuel, light and water charges | 光熱・水道 | 13 (4.6) | 21 (5.4) |
| Furniture and household utensils | 家具・家事用品 | 10 (3.5) | 10 (2.4) |
| Clothes and footwear | 被服及び履物 | 18 (6.4) | 15 (3.7) |
| Medical care | 保険医療 | 6 (2.1) | 11 (2.7) |
| Transportation and communication | 交通・通信 | 20 (7.1) | 45 (11.0) |
| Education | 教育 | 9 (3.2) | 18 (4.1) |
| Reading and recreation | 教養娯楽 | 20 (7.1) | 32 (7.9) |
| Other living expenditure | その他の消費支出 | 65 (23.0) | 79 (25.0) |
| Non-living expenditure | 非消費支出 | 44 (15.6) | 84 (20.5) |
| Earned income tax | 勤労所得税 | 13 (4.6) | 16 (3.9) |
| Other taxes | 他の税 | 11 (3.9) | 7 (1.7) |
| Social insurance premiums | 社会保険料 | 20 (7.1) | 49 (12.0) |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Annual Report on the Family Income and Expenditure Survey*.

64. Trends in National Savings Rate

貯蓄率の推移



Sources: OECD, *National Account Vol. 1, 2004*. Economic Social Research Institute Cabinet Office Government of Japan, *Cabinet office Annual Report on National Accounts, 2004*. IMF, *International Financial Statistics Yearbook 2003*. UN, *National Accounts 2000*.

Notes: 1) National savings rate = $\frac{\text{net saving}}{\text{net national disposable income}} \times 100$
 2) Data prior to 1990 to former F.R. of Germany

65. Trends in Ratios of House Ownership

持家率の推移

| | | 1980 | 1985 | 1990 | 1995 | 2000 | (%) |
|---|-----------|-------|-------|-------|-------|-------|-----|
| Private households living in dwelling | 住宅に住む一般世帯 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| Principal households | 主世帯 | 98.4 | 99.1 | 99.2 | 98.9 | 98.9 | |
| Owned houses | 持家 | 60.7 | 61.7 | 61.2 | 61.0 | 61.9 | |
| Rented houses owned by local government | 公営の借家 | 5.1 | 5.3 | 5.1 | 5.0 | 4.7 | |
| Rented houses owned by public corporation | 公団・公社の借家 | 2.3 | 2.3 | 2.2 | 2.1 | 2.0 | |
| Rented houses owned privately | 民営の借家 | 24.5 | 24.5 | 26.0 | 26.2 | 26.5 | |
| Issued houses | 給与住宅 | 5.9 | 5.3 | 4.7 | 4.6 | 3.7 | |
| Rented rooms ²⁾ | 間借り | 1.6 | 0.9 | 0.8 | 1.1 | 1.1 | |

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *The 2000 Population Census*.

Notes: 1) Includes "Rented rooms" of Okinawa Prefecture.

2) Excludes Okinawa Prefecture.

3) 2005 is the next survey year.

66. National Medical Expense

国民医療費

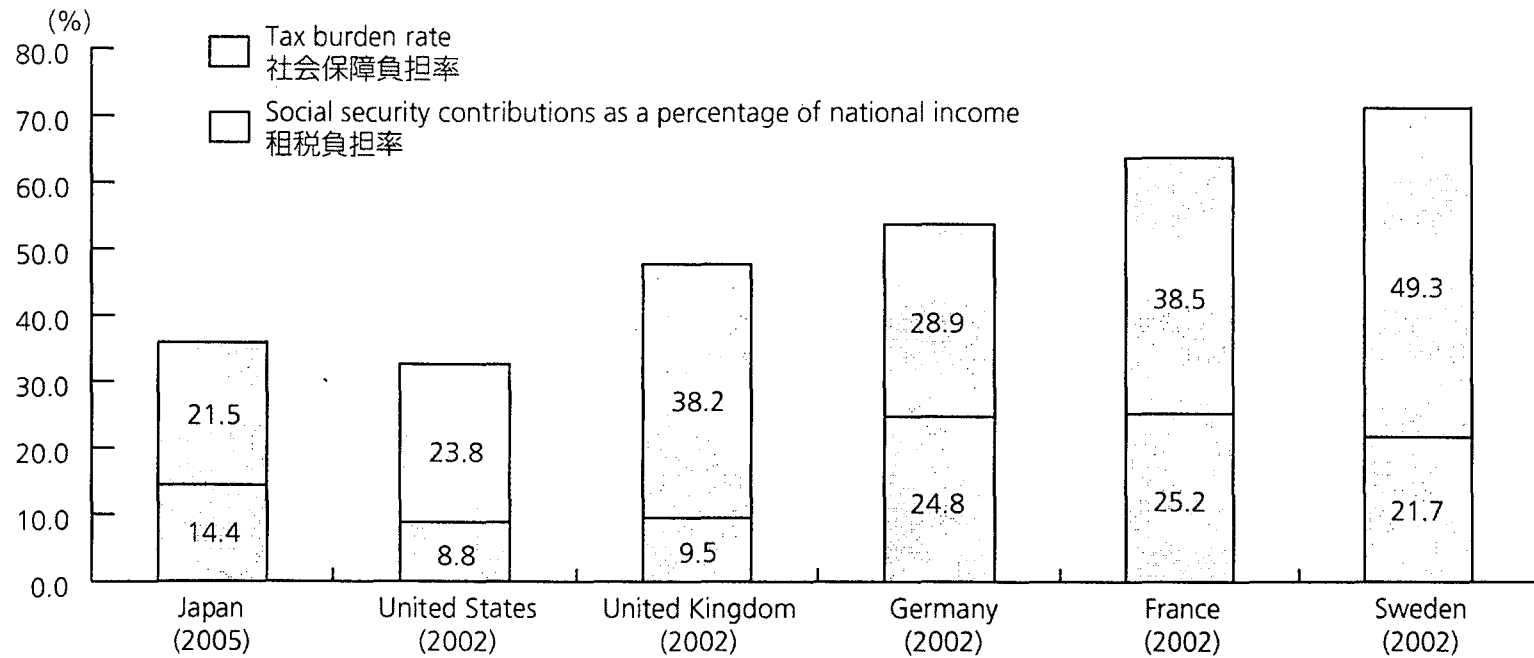
| | | (trillion yen, %) | | | | | | | | | | |
|--|-------------------|-------------------|------|------|------|------|------|------|------|------|------|------|
| | | 1985 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| National Medical Expense | 国民医療費 | 16.0 | 24.4 | 25.8 | 27.0 | 28.5 | 29.1 | 29.8 | 30.9 | 30.4 | 31.3 | 31.0 |
| Ratio of National Medical Expense to National Income | 国民医療費の国民所得に対する割合 | 6.2 | 6.6 | 6.9 | 7.1 | 7.3 | 7.4 | 7.8 | 8.1 | 8.0 | 8.5 | 8.5 |
| Medical Expense for the Elderly | 老人医療費 | 4.1 | 7.5 | 8.2 | 8.9 | 9.7 | 10.3 | 10.9 | 11.8 | 11.2 | 11.7 | 11.7 |
| Ratio of Medical Expense for the Elderly to National Medical Expense | 老人医療費の国民医療費に対する割合 | 25.4 | 30.6 | 31.6 | 33.1 | 34.1 | 35.4 | 36.5 | 38.2 | 36.9 | 37.2 | 37.9 |

Source: Ministry of Health, Labour and Welfare, *Annual Report on Health and Welfare 2002*.

Note: Since Nursing Care Insurance System was created in FY 2000, part of the Medical Expense was transferred to the System.

67. Ratio of Taxation and Social Security Spending to National Income

租税及び社会保障支出の国民所得に対する割合

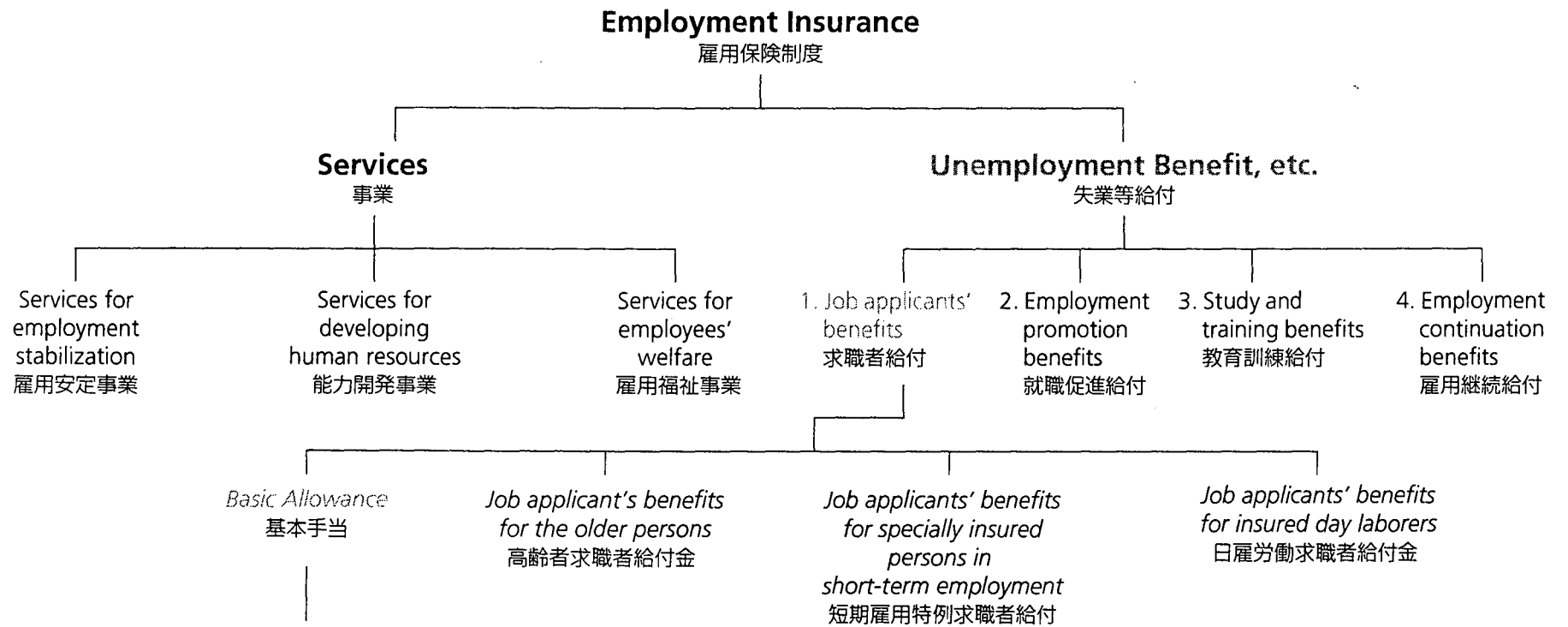


Source: National Institute of Population and Social Security Research, *Annual Report on Social Security Statistics, International Comparison of Rate of Public Share, 2004*.

Note: Figures for Japan are the outlook for financial year. Other country figures use calendar years and actual results.

68. Employment Insurance System

雇用保険制度の概要



Benefits System for Qualified Workers 受給資格者における給付体系

| Term of insurance coverage 被保険者であった期間 | Age 年齢 | (1) Duration of benefits for separated ¹⁾ workers having specified recipient qualification. (category (3) excluded) 特定受給資格者に対する給付日数 ((3)を除く) | | | | | (2) Duration of benefits for separated workers not falling under category (1). (category (3) excluded) 特定受給資格者以外のものに対する給付日数 ((3)を除く) | (3) Duration of benefits for separated workers having difficulty finding a job 就職困難な受給資格者に対する給付日数 | |
|--|-----------|--|-----------------|-------------------------------|-----------------|-----------------|---|--|-----------------|
| | | Under 30 30歳未満 | 30-44 30-44歳 | 35-44 35-44歳 | 45-59 45-59歳 | 60-64 60-64歳 | All ages 全年齢 | Under 45 45歳未満 | 45-64 45-64歳 |
| Less than 1 Year | 1年未満 | 90 days | 90 days | 90 days | 90 days | 90 days | 90 days | 150 days | 150 days |
| 1-4 Years | 1-4年 | 90 days | 90 days | 90 days | 180 days | 150 days | 90 days | 300 days | 360 days |
| 5-9 Years | 5-9年 | 120 days | 180 days | 180 days | 240 days | 180 days | 90 days | 300 days | 360 days |
| 10-19 Years | 10-19年 | 180 days | 210 days | 240 days | 270 days | 210 days | 120 days | 300 days | 360 days |
| 20+ Years | 20年以上 | — | 240 days | 270 days | 330 days | 240 days | 150 days | 300 days | 360 days |

- Notes: 1) Workers having specified recipient qualification are those who were obliged to be separated through bankruptcy, dismissal, etc.
 2) 1/4 form Government Treasury.
 3) 1/3 is broad, extended benefits.

Contribution Rate 保険料率

| | General Services 一般の事業 | Agriculture, forestry & fisheries, Sake Brewing Industry 農林水産業、清酒製造業 | Construction 建設業 |
|------------------------|---------------------------|--|---------------------|
| Insured person 被保険者 | 8/1000 | 9/1000 | 9/1000 |
| Employer 事業主 | 11.5/1000 | 12.5/1000 | 13.5/1000 |
| Total 計 | 19.5/1000 | 21.5/1000 | 22.5/1000 |

Source: Ministry of Health, Labour and Welfare.

69.

Employment Insurance Statistics¹⁾

雇用保険事業統計

| | 1960 | 1970 | 1980 | 1990 | 2001 | 2002 | 2003 |
|--|--------|--------|--------|--------|---------|---------|---------|
| General Employment Insurance 一般雇用保険 | | | | | | | |
| Applied establishment (1,000) 適用事業所数 (千) | 361 | 692 | 1,313 | 1,734 | 2,028 | 2,023 | 2,009 |
| Insured worker (1,000 workers) 被保険者数 (千人) | 12,735 | 21,118 | 25,339 | 31,569 | 34,111 | 33,962 | 34,132 |
| Recipients (1,000 workers) 受給者実人員 (千人) | 375 | 499 | 663 | 482 | 1,106 | 1,048 | 839 |
| Total basic allowance ²⁾ (billion yen) 基本手当支給額 (十億円) | 35.4 | 147.3 | 731.1 | 668.5 | 2,013.6 | 1,938.1 | 1,448.1 |
| Rate of beneficiary (%) 基本受給率 | 2.9 | 2.3 | 2.6 | 1.6 | 3.2 | 3.0 | 2.4 |

Source: Ministry of Health, Labour and Welfare, *Annual Report on Employment Insurance Activities*.

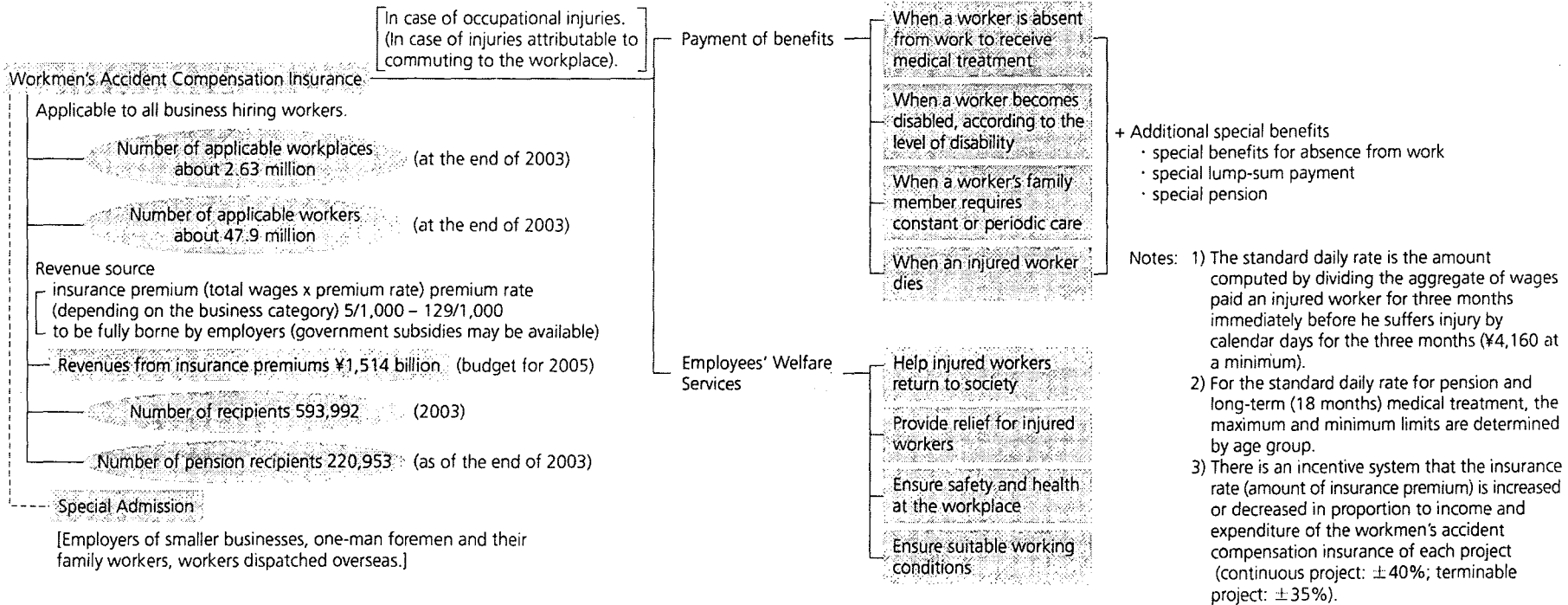
Notes: 1) Monthly averages are calculated by dividing the annual figure by twelve months.

2) The annual figure

3) Rate of beneficiary is calculated as follows:

$$\text{Rate of beneficiary} = \frac{\text{Recipients of basic allowance}}{(\text{Insured worker} + \text{Recipients of basic allowance})} \times 100 (\%)$$

70. Workmen's Accident Compensation Insurance System
労働者災害補償保険制度の概要



Source: Ministry of Health, Labour and Welfare, *White paper on Health and Welfare, 2005.*

71. Workmen's Accident Compensation Insurance Statistics
労働者災害補償保険事業統計

| | | 1970 | 1980 | 1990 | 2001 | 2002 | 2003 |
|---------------------------------------|---------------|------------|------------|------------|------------|------------|------------|
| Applied establishment | 適用事業場数 | 1,202,447 | 1,839,673 | 2,421,318 | 2,692,395 | 2,646,286 | 2,632,411 |
| Insured person | 適用労働者数 | 26,530,326 | 31,839,595 | 43,222,324 | 48,578,841 | 48,194,704 | 47,922,373 |
| Received insured amount (million yen) | 保険料収納済額 (百万円) | 152,036 | 823,021 | 1,515,078 | 1,272,931 | 1,218,545 | 1,040,725 |
| Benefit case | 保険料給付件数 | 4,861,903 | 5,414,975 | 5,166,480 | 5,394,339 | 5,326,800 | 5,360,775 |
| Benefit amount (million yen) | 保険料給付金額 (百万円) | 122,019 | 567,288 | 753,128 | 818,620 | 794,167 | 787,034 |

Source: Ministry of Health, Labour and Welfare, *Annual Report on the Industrial Accident Statistics*.

72. Public Pension System¹⁾

公的年金制度の概要

Employee Pension Schemes 被用者年金制度

(As of the end of March 2004)

| Kind of Schemes 制度名 | Responsible body 保険者 | Insured person (10,000 persons) 被保険者 (万人) | Contribution Rate 保険料率 (As of April 2005) |
|--|--|--|---|
| Employees' Pension Insurance 厚生年金保険 | National Government | Employees in Private Enterprises 3,212 | 13.93% |
| National Public Service Employees, etc. Mutual Aid Associations 国家公務員共済組合 | National Public Service Employees Mutual Aid Association | National Public Service Employees 109 | 14.51% |
| Local Public Services Mutual Aid Associations 地方公務員共済組合 | Local Public Services Mutual Aid Association | Local Public Services Employees 315 | 13.38% |
| Private School Teachers and Employees Mutual Aid Association 私立学校教職員共済 | Private School Teachers and Employees Mutual Aid Association | Private School Teachers and Employees 43 | 10.81% |

Source: Ministry of Health, Labour and Welfare, *White Paper on Health and Welfare, 2005*.

Notes: 1) National Government subsidy for all public pensions is one third of benefits payable under the Basic Pension. But for Local Public Service Mutual Aid Association, it is by Local Government.

2) Contribution rate is calculated as follows:

Monthly standard remuneration x Contribution rate = Premium (for one month)

The contribution rate of employees pension is 50% for the employer and 50% for the insured employee.

The rate is based on standard remuneration and twice the contribution made by the beneficiary.

3) Qualified recipients of old-age (retirement) pension and average monthly benefits under the employees' pension insurance system includes those who had been qualified to receive benefit at each of the former mutual aid associations of Japan Railways Group, Telegraph and Telephone Corporation, Japan Tobacco Inc. and the Mutual Aid Association for Agricultural, Forestry and Fishery Organization Personnel, prior to their integration to employees' pension insurance system.

4) The number of qualified recipients of old-age (retirement) pension under the mutual aid association includes those with a reduced retirement pension. (this is the same for the mutual aid associations of the three former public corporations and for the former Mutual Aid Association for Agricultural, Forestry and Fishery Organization Personnel, both included in the employee' pension insurance system).

National Pension Schemes 国民年金制度

(As of the end of March 2004)

| Insured person (10,000 persons) 被保険者 (万人) | Responsible body 保険者 | Premium 保険料 (As of April 2005) |
|---|----------------------------|--|
| The self-employed and so forth (Class 1) | (2,240) | ¥13,580 per month (Class 1) |
| Persons covered by Employees' Person Insurance and Mutual Aid Association (Class 2) | (3,625) | For Persons in Class 2 and Class 3, the pension insurance schemes covering those in Class 2 pay a lump sum contribution to the National Pension of their premiums. |
| Dependent spouses of those in Class (Class 3) | (1,109) | |
| Total 計 | 6,974 | |

Source: Ministry of Health, Labour and Welfare, *White Paper on Health and Welfare, 2005*.

73.

Medical Insurance System

医療保険制度の概要

(As of April 2005)

| | Schemes 制度名 | Insuring party 保険者 (End of March 2004) | Membership [the insured family members of the insured] (1,000 persons) 加入者数 [本人家族] (千人) (End of March 2004) | Financial resources 財源 | | Ratio of persons covered by health and medical care service for the elderly 老人保険医療対象者 の割合 (%) (End of March 2003) | |
|------------------------|---|--|--|---|---|--|-----|
| | | | | Insurance premiums 保険料率 | Governmental subsidies 国庫負担・補助 | | |
| Health insurance | General employees | Managed by the government | State | 35,522 [18,815 16,707] | 8.2% | 13.0% of benefits (16.4% of insurance benefits for the elderly) | 5.0 |
| | | Managed by an association | Health insurance associations 1,622 | 30,126 [14,648 15,478] | — | Fixed rate (Subsidized from the national coffers) | 2.3 |
| | The insured, as provided in Paragraph 7 of Article 69 of Health Insurance Law | State | 31 [19 11] | Daily rate (1st grade) ¥130 Daily rate (13th grade) ¥2,640 | 13.0% of benefits (16.4% of insurance benefits for the elderly) | 5.6 | |
| | Seamen's insurance | State | 185 [69 116] | 9.1% | Fixed rate | 7.3 | |
| National aid insurance | National government employees | 21 mutual aid associations | 9,739 [4,431 5,308] | — | None | 4.0 | |
| | Local government employees | 54 mutual aid associations | | | | | |
| | Private school personnel | 1 mutual aid association | | | | | |

| Schemes 制度名 | Insuring party 保険者 (End of March 2004) | Membership [the insured family members of the insured] (1,000 persons) 加入者数 [本人家族] (千人) (End of March 2004) | Financial resources 財源 | | Ratio of persons covered by health and medical care service for the elderly 老人保険医療対象者 の割合 (%) (End of March 2003) |
|--|---|--|---|--|--|
| | | | Insurance premiums 保険料率 | Governmental subsidies 国庫負担・補助 | |
| National health insurance | Farmers, self-employed persons, etc. | Municipalities 3,144 | Each household records appropriate figures according to its ability to bear expenses. Computation methods differ somewhat among insuring parties. | 45% benefits | 23.9 |
| | | Health insurance associations 166 | | 32% to 52 % of benefits | |
| | Retired workers subject to employees' insurance | Municipalities 3,144 | | None | |
| Health and medical care for the elderly | [conducting party] Municipality | (End of February 2004) 15,179 Employees' insurance 2,901 National health insurance associations 12,278 | [Party bearing the expenses] · Insured person under each system 58% · Public funds 42% (Breakdown of public funds) National : Prefectural : Municipal 4 : 1 : 1 (Effective from October 2004 to end of September 2005) | The ratio of those covered by the medical insurance for the elderly in the total population 総人口に占める老人保健医療 対象者の割合 (%) (End of February 2003) 11.9 | |

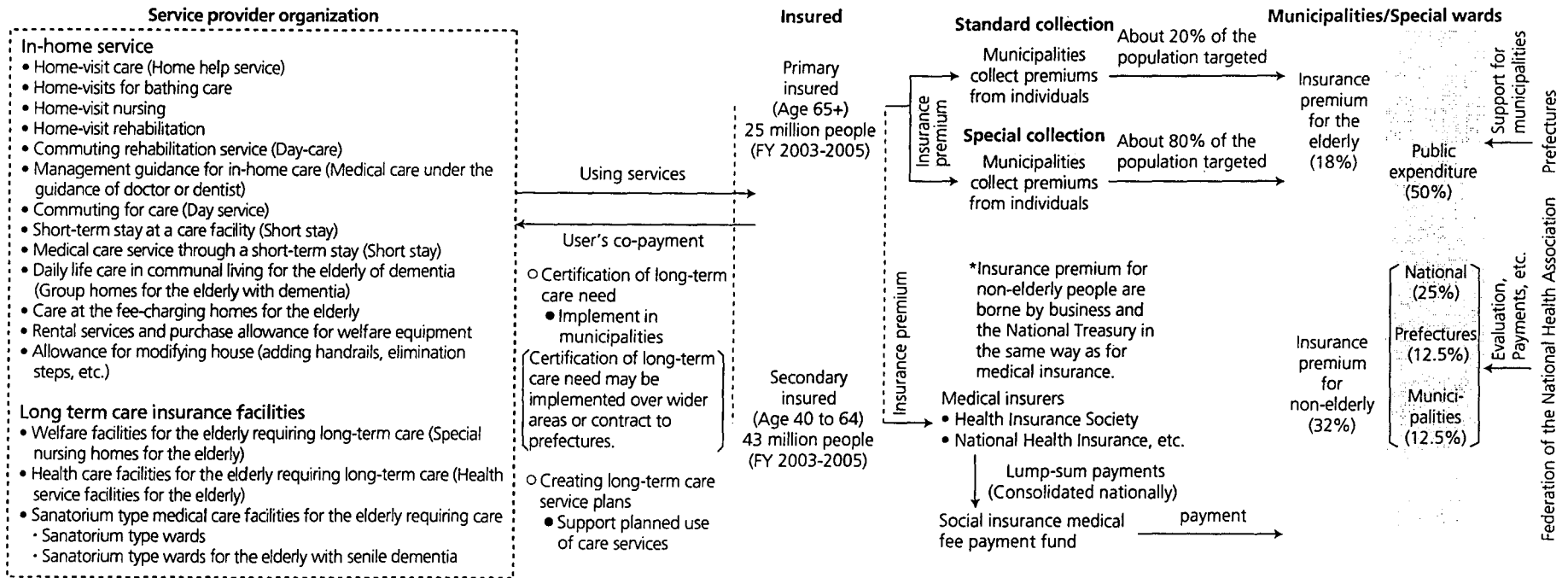
Source: Ministry of Health, Labour and Welfare, *White Paper on Health and Welfare, 2005*.

Notes: 1) The health and medical care service system for the elderly is applicable to those 75 years old and over who join a medical insurance system (except those belonging to the household subject to the livelihood protection system, from whom the National Health Insurance Law is not applicable) and those between 65 and 74 years old who are bedridden for an extended period of time. The ratio of membership and persons receiving the health and medical care service for the elderly are current figures.

2) A fixed rate of government subsidy is received through national health insurance associations for those who have received approval for exception from health insurance and who have become new participants on September 1, 1997 or later, and by their families, at rates equivalent to those of the government health insurance system.

74. **Nursing Care Insurance System**
 介護保険制度の概要

Overview



Source: Ministry of Health, Labour and Welfare, *White Paper on Health and Welfare, 2005*

