

# Chapter IV Labor Relations

## 1 Labor-Management Relations

### **In-House Labor-Management Relations Play a Key Role**

In the advanced nations of Europe, labor unions go beyond the individual enterprise level to organize workers by industry or occupation. Companies, too, often unite by industry in employer organizations which have a strong ability to impose controls. Therefore, rather than regulating the working conditions in separate businesses (internal labor market), the concerned labor and management parties aim at broad dealings of the external labor market as a whole. In countries where this kind of collective bargaining by industry is becoming fundamental, employee representative committees are being systematized in many cases to deal with working conditions in the internal labor market and problems at the workplace.

In contrast, 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 visible in each European country.

### **The Three-Tiered Structure of Labor Union Organization**

Labor unions in Japan take on the three-tiered structure of affiliated unit unions (of which 90 percent are enterprise unions; seamen's unions and other such industry-related unions as seen in European countries exist in very small numbers), industry trade unions,

and national centers. The industry trade unions are different from those in Europe in that they greatly resemble a federation of enterprise unions. Enterprise unions collect union dues, and use just under 90 percent of them; the rest they pay to the industry trade unions. The membership unit of national centers is the industry trade union.

The "positive side" of labor-management relations handled primarily by enterprise unions is the point that labor and management share information regarding the company and industry. Through this cooperation, needless disputes are avoided and the stage has been set for stabilization of labor-management relations. However, the "negative side" must be in the tendency of the labor union to control speech and action, leading to the problem of a reduction in the company's competitive power. Further, standardizing wage levels and working conditions, as well as preventing excessive competition that uses low wages and long working hours as weapons, are important functions of labor unions. But it is difficult to carry out these functions when negotiating at the enterprise level.

To compensate for such flaws, Japan's labor unions employ two methods. One of these is the Shunto (spring wage offensive) system, in which industry trade unions organize a unified struggle spanning across companies, and national centers perform such tasks as strategic coordination between industry trade unions and arousal of public sentiment. Even so, the actions of industry trade unions are limited to the establishment of requests, the designation of a day for joint response, guidance in settlement standards, and the like. Actual negotiations are carried out by the enterprise unions. Aside from a

very few exceptions, we do not see cases of working conditions being decided through negotiations between industry trade unions and industry employer organizations. Industry trade unions and industry employer organizations do occasionally sit down at the discussion table, but the exchange of views generally deals with such topics as information exchange regarding the condition of the industry, or the shape of industry policies.

The other method is through legislative efforts such as the Labor Standards Law and the Minimum Wage Law—led by the national centers—designed to achieve improvements in working conditions. Rengo (the Japanese Trade Union Confederation) sends members to a variety of government councils for policy planning, so their opinions can be reflected in

government policies from that side as well. Rengo established a venue for periodical discussions with Japan Business Federation (the Japan Federation of Employers' Associations, which at the end of May 2002 integrated with Keidanren (the Japan Federation of Economic Organizations)). There are also times when, their opinions in harmony regarding a problem, they unite to propose a policy (none thus far have determined working conditions).

### In-House Mechanisms Aside from Labor Unions to Provide a Voice to Employees

In-house labor-management negotiations, aside from collective bargaining by enterprise unions and labor-management councils, are run in composite forms such as workplace meetings, small group activities, and employee suggestion systems. These in-house mechanisms to provide a voice to employees aside from labor unions may not be ignored either.

Following the downward tendency of the labor union formation rate, it was 20.7 percent in 2001. The increase in number of part-time workers and the like, and the diversification of forms of employment, have been major factors in this decline; Rengo decided its campaign policy in 2001, and held up increased labor organization as the problem of highest priority. At companies as well, the issue of how to assimilate the voices of employees not organized in a labor union is becoming a problem.

#### Definitions

1. Enterprise-based union (One union per company): a labour union with its own constitution and independent activities that has no other unions under it.
2. Establishment-based union (independent labour union): a labour union incorporating unions functioning in the same way as enterprise-based unions and whose regulations call for all its members to join the relevant organizations as individuals.
3. Federation of labour unions: a body incorporating two or more enterprise-based or establishment-based labour unions. In this survey, permanent consultative bodies (councils) consisting of two or more labour unions are also considered federations.

FYI

## IV-1 Number of Labour Union Members<sup>1)</sup> by Principal Labour Bodies

(1,000 persons)

Central organization	1998	1999	2000
Total members	12,093 (100.0)	11,825 (100.0)	11,539 (100.0)
Japan Trade Union Confederation	7,476 (61.8)	7,334 (62.0) 7,483 (63.3)	7,173 (62.2) 7,314 (63.4)
National Confederation of Trade Unions	837 (6.9)	827 (7.0) 1,061 (9.0)	802 (7.0) 1,036 (9.0)
National Trade Union Council	270 (2.2)	265 (2.2) 269 (2.3)	258 (2.2) 261 (2.3)
Other National Federations	2,663 (22.0)	2,579 (21.8)	2,514 (21.8)
Others	1,078 (8.9)	1,044 (8.8)	1,005 (8.7)

Notes: 1) Aggregate sum of members of central organizations does not equal to the total because of double-affiliation of unions.

2) The figures in brackets are the ratios to the total number of labour union members (%)

3) As for number of members of Japan Trade Union Confederation, National Confederation of Trade Unions, National Trade Union Council, the figures on the upper column refer to the total of members belonging to such labour bodies through organization for each industry, and figures on the lower column refer to the total of members belonging to such labour bodies through organization for each industry and members belonging to local organization for each prefecture of each body, namely, so-called direct local members.

## 2 Union Organization

### Unionization Rate of 20.7%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2001, there were 67,706 unit labor unions in Japan. The estimated unionization rate is 20.7%, with about 11.212 million out of a total of around 54.13 million employed workers belonging to unions.

The organizational structure of Japan’s labor unions is overwhelmingly dominated by enterprise unions. Craft unions and industry trade unions also exist—though in small numbers—but in Japan where long-term employment is common, over 90 percent of unions are enterprise unions.

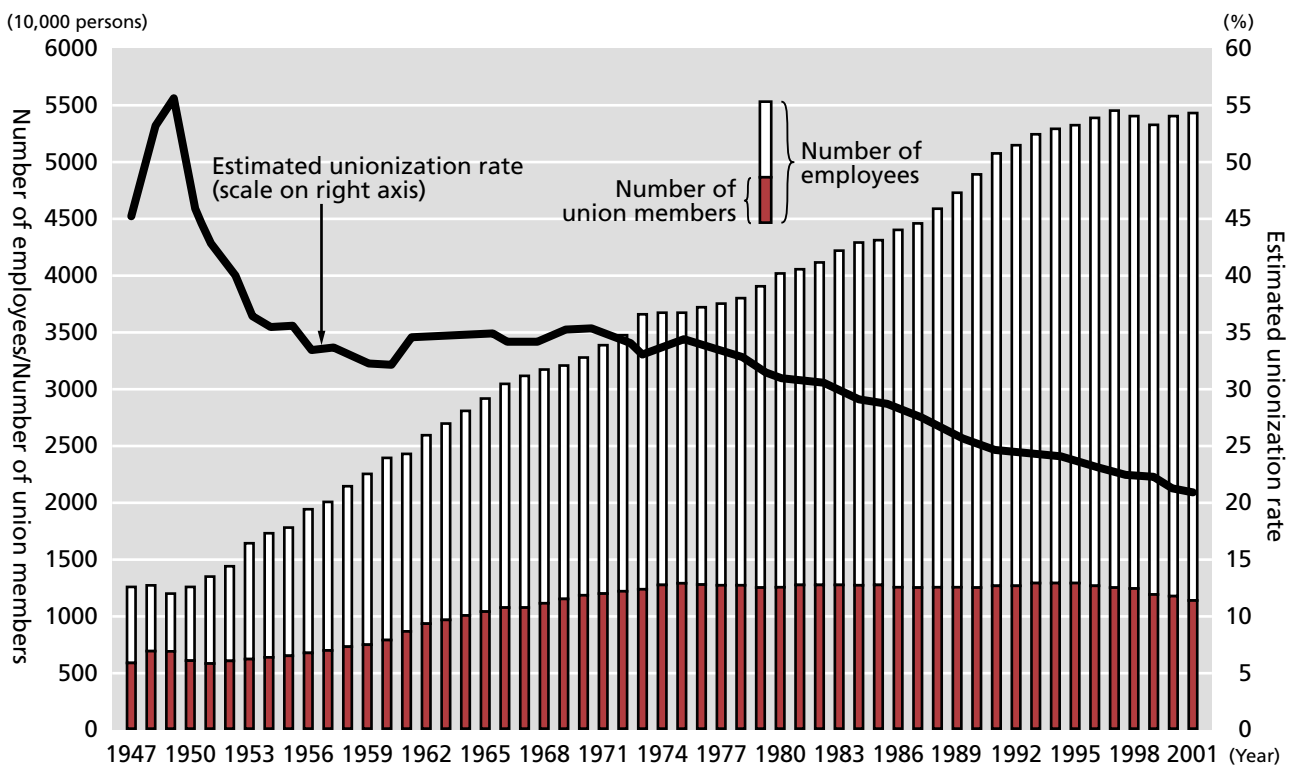
### Unionization Rate has Shown a Steady Decline Since its Peak in 1949

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. The unionization rate in 2001 under-performed its 2000 figure by 0.8% (see IV-2).

Industry-specific unionization rates are high in public service (61.5%); electricity, gas, heating, and waterworks (62.8%); and finance, insurance, and real estate (40.2%). In contrast, unionization rates are low in agriculture (4.4%); wholesale, retail, and food and beverage (8.6%); service industries (12.0%) and other sectors. Comparing the unionization rates of the above industries with the 2000 figures reveals a decline in all except public service and electricity, gas, heating, waterworks, and construction (see IV-4).

IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate



Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2001

## Primary Reasons for the Falling Unionization Rate are the Growth of the Service Sector and Increases in Part-time Workers

There are two factors behind the lack of growth in the number of labor union members: (1) the burgeoning of development in the service economy, thereby expanding the importance of commerce and service industries where the unionization rate has always been lower; and (2) resulting from the diversification of employment, increasing numbers of part-time and temporary workers who are difficult to organize.

## IV-3 Unionization Rate by Company Size

(%)

Company size	Percentage of the number of union numbers	Percentage of the number of employees	Estimated unionization rate (2001)
Total	100.0	100.0	18.0
More than 1,000 workers	58.4	19.6	53.5
300-999 workers	15.9	25.7	17.7
100-299 workers	9.4		
30-99 workers	3.5	54.1	1.3
Fewer than 29 workers	0.5		
Others	12.4	—	—

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2001

Notes: 1) The total number of unit labor unions

2) "Others" includes members of unions that embrace more than one industry and unions whose size is not known.

3) "Number of employees" represents workers employed by private enterprises, excluding agriculture and forestry.

## IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Percentage (%)	Number of employees (10,000 persons)	Estimated unionization rate (2001) (%)
All industries	11,099	[3,085]	100.0	5,413	—
Agriculture, forestry, and fisheries	21	[2]	0.2	47	4.4
Mining	10	[1]	0.1	4	26.0
Construction	1,036	[72]	9.3	518	20.0
Manufacturing	3,287	[578]	29.6	1,196	27.5
Electricity, gas, heating, and waterworks	220	[29]	2.0	35	62.8
Transportation, telecommunication	1,428	[146]	12.9	397	36.0
Wholesale, retail, food and beverage	1,053	[407]	9.5	1,224	8.6
Finance, insurance, and real estate	881	[464]	7.9	219	40.2
Services	1,852	[870]	16.7	1,544	12.0
Government	1,261	[501]	11.4	205	61.5
Other industries	50	[15]	0.4	—	—

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2001

Notes: 1) The total number of unit labor unions

2) The "other industries" category covers members of unions that embrace more than one industry or whose industrial classification is unclear.

3) Figures in brackets represent female union members.

## 3 Labor Unions

Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation) made up of the industry trade unions gathered at the national level.

### Enterprise Labor Unions: Asserting Labor’s Basic Rights

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and other materials necessary to exercise labor’s three primary rights.

Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in figure III-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise unions not only deal with organizational operations but also provide their members with services through various kinds of mutual aid activities. Finally, when it comes to activities outside the organization, enterprise unions individually seek to provide benefits to their members by using their influence for various policies on the regional, industrial, and national levels concerning employment and working conditions as well as quality of life of their members. In addition, recently, more and more labor unions are getting involved with community and volunteer activities in order to improve their public relations.

Incidentally, the enterprise unions are only

intended for permanent staff employed at the concerned companies, and non-permanent employees are generally not included. The enterprise union is a mixed union organized as a single trade union for all permanent employees, without distinction between white-collar and blue-collar.

### Industrial Trade Unions: The Mechanism and Roles

Enterprise unions are limited by their own resources to engage in the above-mentioned three activities. In order to expand their effectiveness, they have established industrial trade unions. Industrial trade unions support their member unions’ actions against business owners by consolidating requests concerning chief working conditions such as wages and working hours on the industrial level, collecting and providing information and basic materials, and coordinating negotiation strategies. In terms of activities within the organization, industrial trade unions provide their members with a variety of services through mutual aid activities, including life insurance, pension, medical insurance and so on. In addition, industrial trade unions participate in the decision-making processes of national industrial policies, consult with economic organizations and develop international cooperation among labor unions.

### National Centers: The Mechanism and Roles

National centers (mainly Rengo—the Japanese Trade Union Confederation) provide members with support for actions against business owners by, for example, deciding comprehensive standards for requests regarding working condition issues such as wages and working hours. However, the most important role of the national centers is their participation in national politics. Rengo, the largest of the national centers, maintains and improves workers’ quality of life by sending its members to various advisory bodies in the government, participating in the decision-making processes of government policy making,

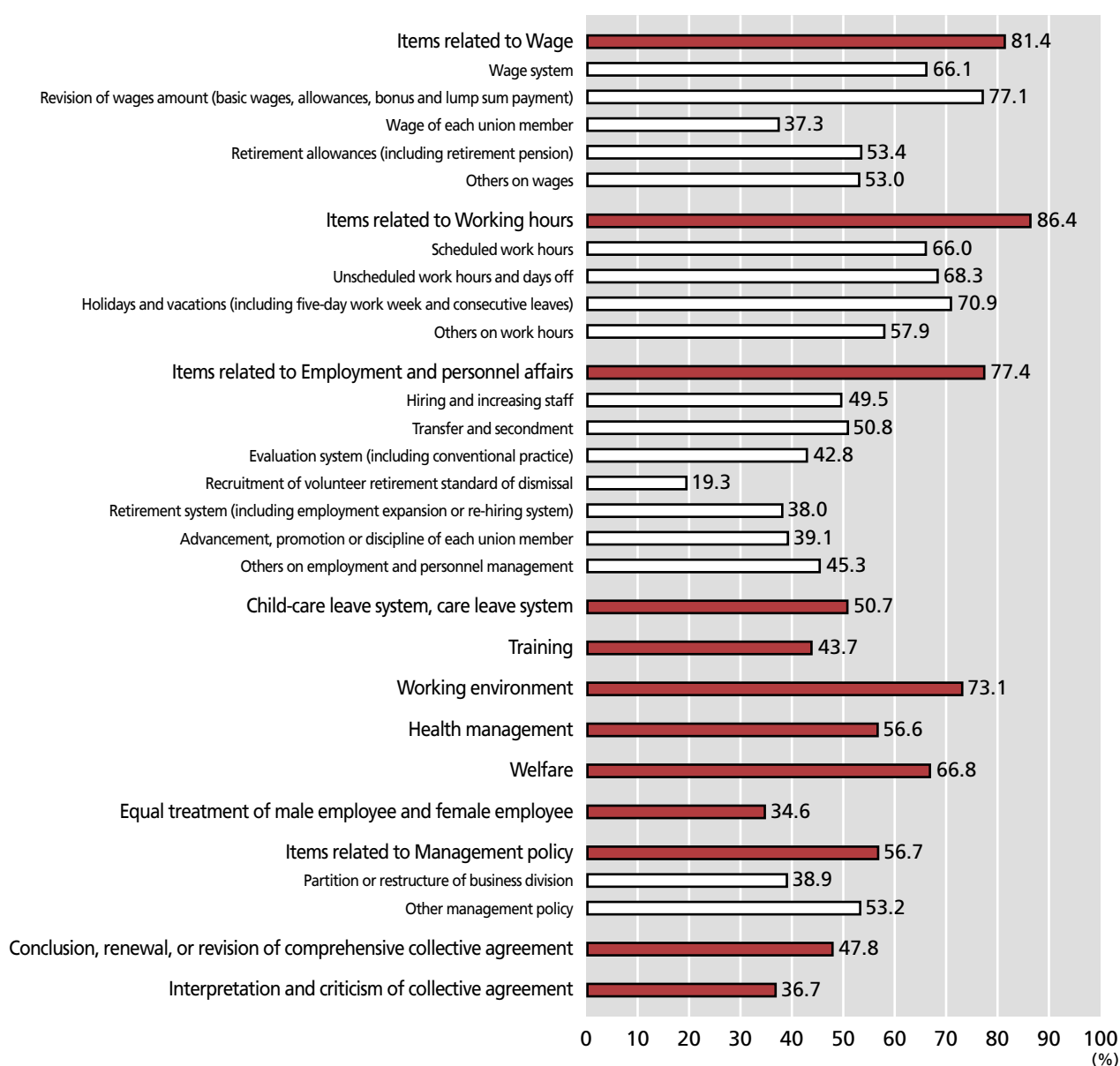
and concluding and maintaining cooperative relations with political parties.

### Acts of Labor Dispute Take Place at the Company Level

Japan's industrial relations are basically cooperative,

but labor disputes do occur occasionally. In Figure IV-6, 12.8% of labor unions "have had labor disputes" and 8.0% "have had acts of labor dispute" in the last three years. Both figures represent declines from the those of the previous survey. There have been no labor dispute actions in large unions with

**IV-5 Ratio of Labour Unions by Items Regarding Subject between Labour and Management, whether or not Negotiation was Held and Session through which Negotiation was Held (in the past 3 years)**  
Total Labour Unions=100, M. A.



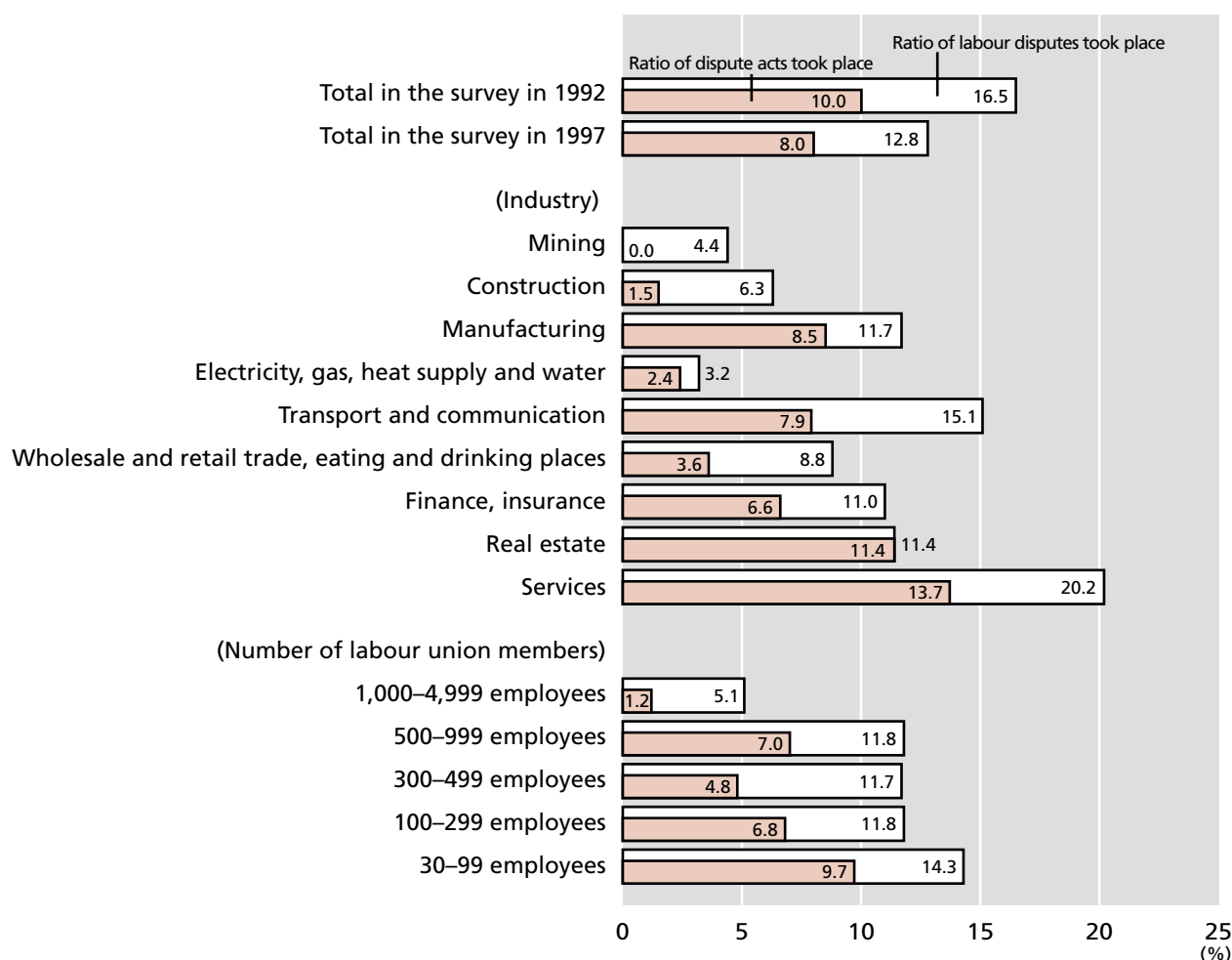
Source: Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department.  
Note: The last 3 years means from July 1994 to June 1997.

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.

Above we examined the structure and function of Japan's labor unions, and labor disputes, but 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.

#### IV-6 Ratio of Labour Unions by Existence of Labour Disputes and Dispute Acts (in the past 3 years)



Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labour Disputes*, Policy Planning and Research Department.  
 Note: The last 3 years means from July 1994 to June 1997.

### Collective Bargaining

According to a 1997 survey\*, 65.1% of all labor unions were engaged in collective bargaining during the 3-year period from 1994 to 1997.

By industry, "Services" had the highest percentage of unions carrying out collective bargaining (78.8%) followed by "Real Estate (77.1%)" ; at the other end of the scale, "Finance and Insurance" showed the lowest use (35.4%) of collective bargaining.

Looking at the size of companies surveyed, the fewer the employees at a company, the greater the chance that company engages in collective bargaining. 84.4% of businesses with "30 to 99 employees" used collective bargaining, as did 84.3% of establishments with "300 to 499 employees." On the other hand, 41.0% of companies reporting "5000 or more employees" engaged in collective bargaining (as above, refer to Fig. IV-7).

Of those businesses that carried out collective bargaining, 40.2% further responded that collective bargaining was used "5 to 9 times" per year. "Four or fewer times" was the annual count for 32.5% of companies; "10 to 19 times" for 20.7%; and 6.6% of these companies responded that collective bargaining was used "20 or more times" per year.

With respect to the form of bargaining, the greater portion of those labor unions carrying out collective bargaining (88.6%) responded "bargaining was carried out by the labor union alone." However, there were also unions responding "bargaining was carried out along with an in-house top level organization (14.8%)," "bargaining was carried out along with an external top level organization (by industry) (6.1%)," and "bargaining was carried out along with an external top level organization (by region) (1.9%)."

Examining the reasons of those labor unions that, in contrast to the above, did not engage in any collective bargaining during the three-year period (34.9%), the most common response (53.2%) was "because the top level organization carries out all collective bargaining," followed by "because negotiations have been estab-

lished through a labor-management consultation organization" with a 35.4% share, while 5.7% responded "because the necessary labor agreement is well prepared." Taking a closer look at these reasons, from the point of whether or not there is an in-house top-level organization, unions where one "exists" responded "because the top level organization carries out all collective bargaining" at a high rate of 72.8%; in contrast, unions where there is "none" responded predominantly (74.7%) "because negotiations have been established through a labor-management consultation organization."

When carrying out collective bargaining, 75.5% of unions have fixed opening procedures. In terms of the substance (M.A.) of these opening procedures, 56.2% of unions responded "after advance notice," 39.7% conducted this "after prior arrangements," and 25.6% "after consultation between labor and management." Looking specifically at the response "after consultation between labor and management," labor unions with a membership of fewer than 300 responded this way in about 24% of cases; but with an increase in membership size we see a gradual rise in the rate of that response, so that for those with 5000 or more members this was the preferred method in about 55% of cases. Moreover, separating respondents based on the presence of a labor-management consultation organization, 80.3% of unions where a "labor-management consultation organization exists" have fixed opening procedures while unions where "no labor-management consultation organization exists" trail, with only 58.3%.

Further, when a labor union makes a request for collective bargaining, employers may not decline the request without good reason as this is considered an unfair labor practice; and beyond formal compliance with the bargaining, the employer must engage in the bargaining in good faith.

### Labor-Management Consultation System

The labor-management consultation system aims at allowing workers to participate in management, and

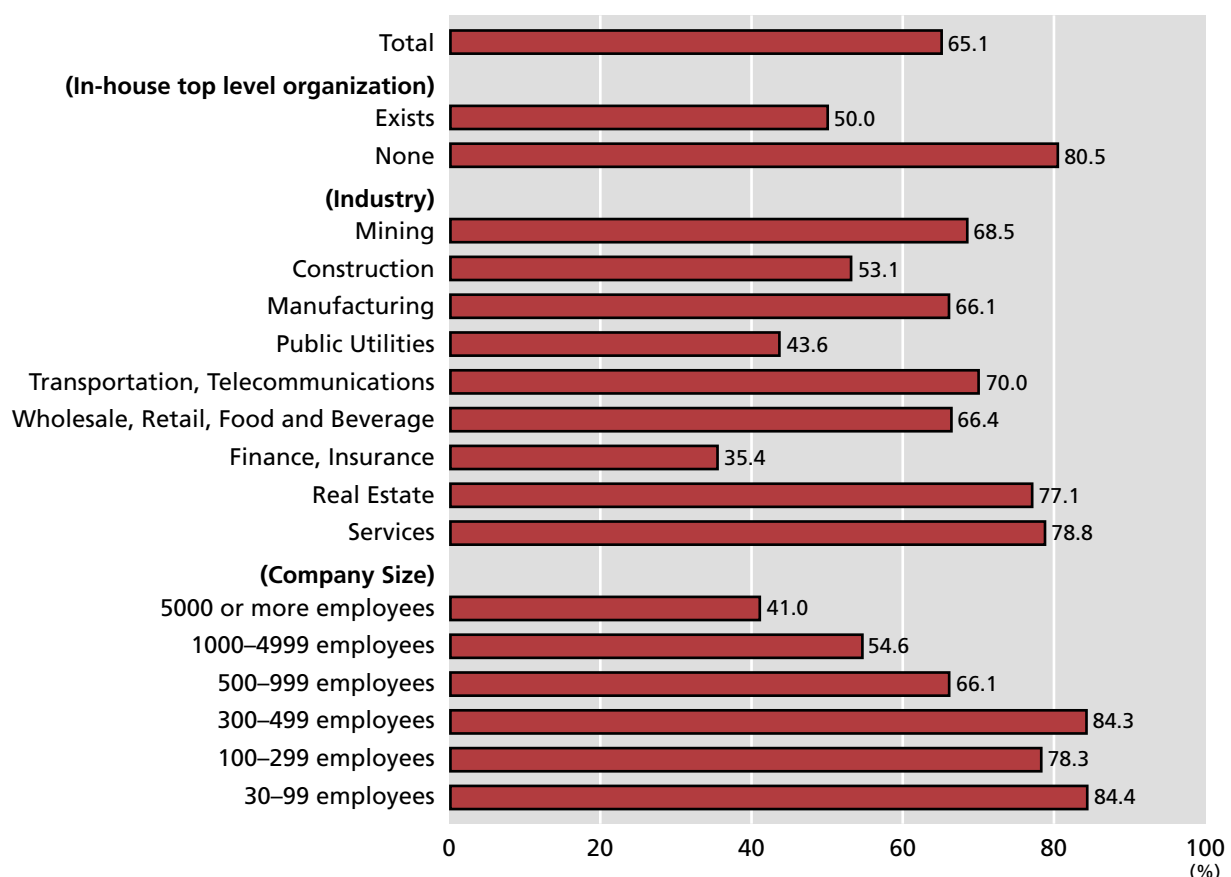
has its origins in joint management councils that were beginning to be established after the war. Later, the labor-management consultation system gained popularity—in part because the Japan Productivity Center recommended its establishment to deal with the technological innovations taking place under a high economic growth rate, and from the standpoint of international competitiveness, and in part due to the changes in the environment surrounding businesses after the oil crisis. Still, there are no specific laws or regulations dealing with the labor-management consultation system, and it is run by the self-governance of labor and management.

According to a 1999 survey\*\*, a labor-management consultation organization was established at 41.8% of workplaces with 30 or more employees; and of these workplaces, 84.8% had labor unions. The more employees at a workplace, the higher the rate of

establishment (more than 60% of medium-sized businesses had a labor-management consultation organization); the fewer employees, the lower the rate of establishment (around 20–30% of small businesses). However, according to the 1997 survey\*, labor-management consultation organizations were established at 60–70% of businesses—even small businesses—with labor unions. So it could be said that the establishment of labor-management consultation organizations is not a function of business size, but rather that businesses with labor unions have a high rate of establishment.

The ratios of labor-management consultation matters are as shown in the table IV-8, 9. Matters brought up for discussion are handled through levels of consultation ranging from a written explanation to agreement, and range broadly in content from concrete working conditions, to personnel systems, to

#### IV-7 Percentages of Collective Bargaining Carried Out over the Past Three Years (all labor unions = 100)



Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labor Disputes, 1998 ed.*, Policy Planning and Research Department Secretariat, Ministry of Labour, 1998. Ministry of Finance Printing Bureau. Pg. 17.

matters relating to participation in management.

With respect to the connection between labor-management consultation and collective bargaining, according to the 1997 survey\*, 85.6% of labor unions with a labor-management consultation organization replied that they differentiate between matters handled through collective bargaining and through labor-management consultation. Of those, 70.8% responded that they “classify by subject matter,” 9.0% “classify by the possibility that an act of labor dispute may result,” and 41.4% replied that they prefer to “handle the matter through labor-management consultation first, then if necessary move the issue to collective bargaining” (M.A.). Therefore, labor-management consultation can be distinguished as taking such forms as split from, united with, or blended with collective bargaining, or it can be typified as “negotiations before collective bargaining,” “taking the place of collective bargaining,” and so on. Further, according to the 1999 survey\*\*, 65% of employee representatives in labor-management consultation organizations

are representatives of labor unions.

For the facts on labor-management consultation, Fig. IV-10 shows the percentage of unions using each negotiation platform over the last three years, and whether the negotiations took place inside or outside labor-management consultation organizations. Even for the same matters, when a labor-management consultation organization exists it is used by a higher percentage than collective bargaining.

Labor-management consultation as a means to creating better communication between labor and management: according to the 1999 survey\*\*, 63% of workplaces with a labor-management consultation organization estimate that “considerable results have been achieved” by the establishment of a labor-management consultation organization. It is particularly noteworthy that, of these workplaces, 63.9% claimed “communication with labor unions has improved.” A relatively high percentage (41.0%) also replied “the management of company activities has become smoother.”

#### IV-8 Percentage of Unions Utilizing Negotiation Platforms (collective bargaining and labor-management consultation organizations) over the Past Three Years, and whether the Negotiations Took Place Inside or Outside Labor-management Consultation Organizations

(%)

	Negotiations through labor-management consultation organizations	Negotiations through collective bargaining (labor-management consultation organization exists)	Negotiations through collective bargaining (no labor-management consultation organization exists)
Matters relating to salary	52.0	58.9	63.1
Matters relating to working hours	61.5	45.6	57.1
Matters relating to employment and personnel affairs	63.8	32.1	43.4
Child-care and family-care leave systems	31.9	23.3	25.7
Education and training	32.7	9.0	12.5
Work environment	57.2	17.0	31.3
Health management	41.8	8.6	19.3
Welfare issues	53.0	18.4	30.7
Equal treatment of men and women	24.6	9.7	14.0
Matters relating to management policies	49.7	15.5	20.6
Conclusion of a new comprehensive collective agreement, or its renewal or revision	31.6	19.6	18.0
Interpretation of, or doubt about, a collective agreement	25.3	11.7	14.4

Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labor Disputes*, 1998 edition (pg. 15, fig. 3), Policy Planning and Research Department, Ministry of Labour

Notes: \* *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labor Disputes*, 1998 edition, Policy Planning and Research Department, Ministry of Labour

\*\* *Report on Results of the Labor-Management Communication Survey 1999*, Ministry of Labour (announcement of findings in newspapers on Sept. 19, 2000)

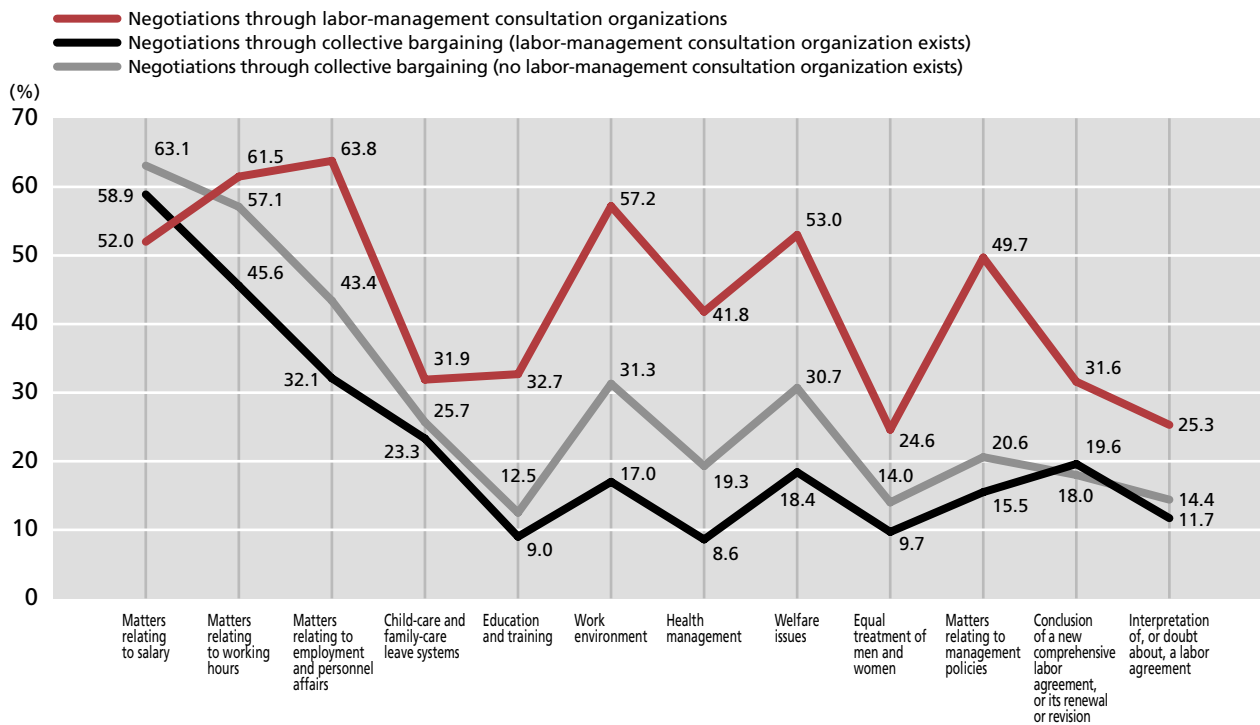
#### IV-9 Matters for Discussion, and Percentage of Workplaces Handling these Matters (by method of handling)

(%)

Matters	Labor-management consultation organization exists	Matters brought up for discussion					Matters not brought up for discussion	Unknown
		Written explanation	Hearing of Opinions	Labor-management consultation	Agreement			
Working hours, Days off, Leave	100.0	87.3	12.7	3.9	55.4	28.0	9.9	2.8
Change in working conditions	100.0	84.9	14.1	6.0	57.8	22.1	12.2	2.9
Health and safety in the workplace	100.0	83.1	14.3	16.4	57.9	11.4	14.1	2.8
Welfare issues	100.0	81.9	20.0	15.6	51.4	12.9	15.3	2.8
Wages, Lump sum benefits	100.0	80.4	14.3	3.7	55.3	26.7	16.9	2.8
Child-care and Family-care leave systems	100.0	78.6	21.6	6.4	48.3	23.7	18.4	3.0
Basic management policies	100.0	76.0	79.3	9.0	7.6	4.1	21.2	2.8
Overtime increment for after-hours work	100.0	75.6	16.0	2.6	54.6	26.8	21.6	2.8
Retirement age system	100.0	75.0	21.1	3.5	47.1	28.3	22.2	2.8
Temporary lay-off, Personnel cuts, Dismissal	100.0	73.3	16.4	11.4	49.2	23.0	23.7	3.0
Retirement benefits and Pension standards	100.0	73.3	16.5	3.3	54.5	25.6	23.9	2.9
Establishment or reorganization of corporate organizational structure	100.0	70.3	61.8	11.7	19.2	7.3	26.8	2.9
Basic plans for production, sales, etc.	100.0	68.8	72.5	12.1	11.7	3.6	28.3	2.9
Cultural and athletic activities	100.0	65.3	15.0	26.5	47.0	11.5	31.8	2.9
Change of assignment and Temporary transfer	100.0	64.0	37.7	14.5	30.6	17.1	33.1	2.8
Promotion and its criteria	100.0	60.6	54.6	13.8	20.3	11.2	36.6	2.8
Education and training plans	100.0	58.2	48.8	22.7	22.5	6.0	38.9	2.8
Recruitment and assignment criteria	100.0	57.0	64.8	12.6	15.8	6.9	40.1	2.9
Introduction of new technology and applied equipment, etc. Rationalization of production and clerical work	100.0	54.1	49.6	17.9	27.3	5.2	42.9	3.1

Source: *Report on Results of the Labor-Management Communication Survey 1999*, Ministry of Labour (announcement of findings in newspapers on Sept. 19, 2000)

## IV-10 Percentage of Unions Using Negotiation Platforms (collective bargaining, labor-management consultation organizations) over the Past Three Years, and whether the Negotiations Took Place Inside or Outside Labor-management Consultation Organizations



Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labor Disputes*, 1998 edition (pg. 15, fig. 3), Policy Planning and Research Department, Ministry of Labour

## 5 Shunto: Spring Wage Offensive

### The Beginning and Objective of Shunto

Shunto—the spring wage offensive—is a united campaign, mainly for higher wages, launched each spring by labor unions for each industry. In 1955, unions in the private sector established the Eight Federated Unions' Joint Struggle Council, whose membership consisted of the Japanese Federation of Synthetic Chemical Industry Workers' Unions, Japan Coal Miners' Union, General Federation of Private Railway Workers' Unions of Japan, Electric Power Workers' Union, National Federation of Paper and Pulp Industry Workers' Unions, National Trade Union of Metal and Engineering Workers, Japanese Federation of Chemical Industry Workers' Unions, and the All Japan Federation of Electric Machine Workers' Unions. The National Council of Government and Public Workers' Unions joined the organization in the following year. Thereafter, it has become customary to conduct annual spring negotiations for wage increases on a national scale. Up to the present day, the major labor unions and businesses have been holding to this model.

The main objectives behind the establishment of Shunto in the first place were to compensate for enterprise unions' lack of bargaining power as individual entities and to distribute wage increases proportionately across companies and industries through simultaneous wage negotiations. Taking the wage increase rate set by the top firm in a major industry (or pattern setter) as the standard, the influence on wage increases spreads to the other large companies in the concerned industry, followed by large firms in other industries, government agencies, medium- and small-scale businesses, and finally to workers who are not union members. Wage levels are thereby standardized nationwide.

### Pattern Setter

Initially, the pattern setter role rotated among businesses such as private railways, the Council of Public Corporations and Government Workers Unions, and

firms in the coal and steel industries. However, the formation of the IMF-JC (International Metalworkers' Federation—Japan Council) in 1964 served as a turning point, and four of its member industries (steel, shipbuilding, electric machinery, and automobiles) became central figures in determining the market wage rate. With the entry of the era of low economic growth—and the relative loss of competitiveness for businesses in industries like steel and shipbuilding—we can no longer find an industry capable of the strong leadership once seen in setting the wage rate of Shunto. However, the four above-mentioned metal industries producing goods for export still wield important influence in shaping the Shunto rate.

### The Effect of Shunto

During the era of rapid economic growth, labor unions won substantial wage increases through Shunto, and an attempt was made to create level wage increases. Shunto was instrumental in raising the low standard of wages in industries and sectors that paid poorly. Annual negotiations between labor and management helped determine an appropriate wage level in the context of changing economic conditions. Consequently, management was able to adjust to those economic changes rather flexibly, and as a result Japan began to enjoy excellent economic performance.

### Debate Over the Rethinking of Shunto

However, nominal wages in Japan today are among the highest in the world because of slow economic growth and the strong yen, and we can not count on Shunto for sizable wage increases. Moreover, differences in the business performance of Japanese companies have become conspicuous, a trend hindering the industry wide wage increases that could be expected in the past. Under conditions like these, there is considerable debate over the rethinking of Shunto. Since the huge amount of time and money devoted to Shunto yield only minor wage increases, there are also cases in which Shunto is carried out

every other year (multi-year arrangement). From the viewpoint of making corrections for age group, business, and regional differences, there is also an attempt to reconsider Shunto while maintaining Shunto's wage standardization function. This may be accomplished through such changes as a revision of the former "system of average wage increases," by moving toward an "individual wage system" that will clearly express how much the wage level of the model worker is raised.

### Shift of Shunto Policy

Given today's austere economic climate in which wage increases are difficult, Shunto is also making a large shift from its former policy of wage increases as the highest priority matter, to job security as the matter of utmost importance. Japan Business Federation is advocating work sharing as an important link in job security. The contents of the work sharing program consist of such things as reduced working hours along with lower wages, and the introduction of hourly wages for permanent employees, and this is being discussed in all fields.

Further, to confront the step-by-step increase of the age to begin receiving pension benefits (began in April 2001) to 65, requests such as "an extension of employment after age 60" were made by many unions at the 2000 Shunto. There were negotiations

on these requests, and as a result many agreements were made between labor and management for things like the introduction of a re-employment system.

Notes: 1) System of Average Wage Increases

One method of request for higher wages by a labor union, also called the "base-up system." A method of requesting a wage increase amount (or wage increase rate) based on a broad increase in average payment per employee, dividing the total payment by number of employees or by number of union members.

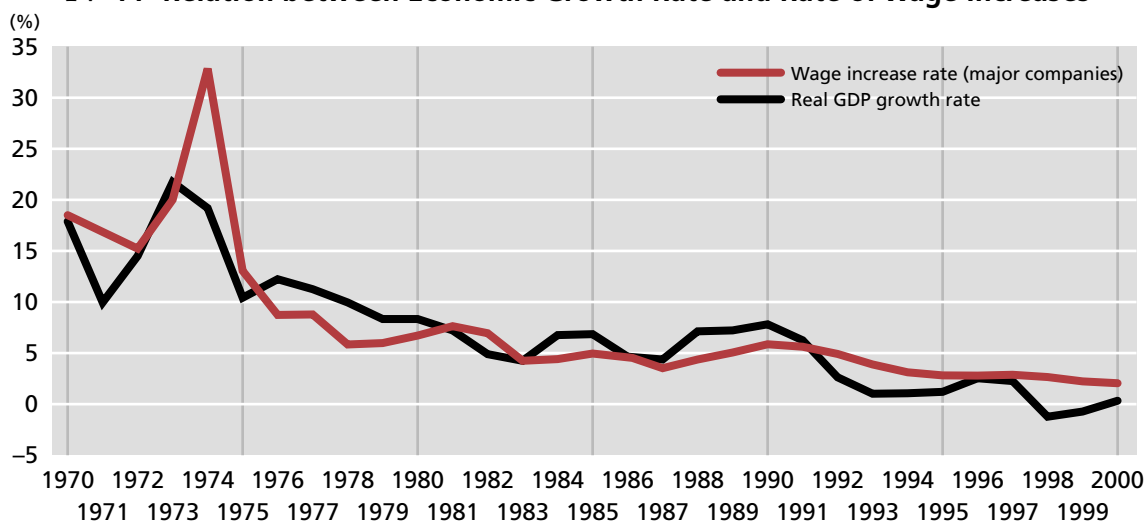
2) Model Worker

Model workers are established based on the ideal of a person who serves at one company for a long period of time after graduation, with no experience of service at another company. During Shunto the labor unions create model wages, and model workers are the workers for whose benefit these model wages are created.

3) Individual Wage System

One method of request for higher wages. When making the wage request, the request is not for an average raise in the wage amount or an average increase in the wage rate; rather, it is a system for requesting wage increases for either workers on an individual basis or for established groups of workers. Generally this method involves requests for wage increases of a certain yen amount or percentage, and for a fixed group of model workers sharing a certain age or number of years of service.

IV-11 Relation between Economic Growth Rate and Rate of Wage Increases



Sources: Ministry of Health, Labour and Welfare; Cabinet Office  
 Note: GDP takes 1990 as standard.