

Japanese Labor-management Relations in an Era of Diversification of Employment Types: Diversifying Workers and the Role of Labor Unions

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1. Japanese Labor-management Relations Respond to Diversification of Employment Types

Since the 1990s, Japanese companies have embraced a new management environment that has been shaped by globalization of the international economy and a long-term recession, allowing them to make use of new and various kinds of workers. There has also been increasingly different ways to use labor — such as part-time workers, dispatched workers and subcontractors — while progress is being achieved in reforming personnel management, whose pillars include the introduction of MBO (management by objective) and performance-based wages. The trend toward individualization and diversification is expected to grow due to the combined effects of changes in how people perceive work as well as the rising number of people who choose diverse working conditions and employment patterns.

The increasing diversification of employment patterns in recent years has brought to the fore major issues concerning working conditions and labor-management relations. In terms of working conditions, the key issue is the difference in the working conditions of regular employees and non-regular employees. The wage gap between regular employees and part-time workers, who account for almost 70 percent of non-regular employees, has long been considered a problem, but recently it is attracting attention because this gap is widening. The renewed interest was spurred by the quantitative problem in which an increasing number of people are working under poor conditions amidst advancements in diversification of employment types, as well as the possibility that the wage gap is a significant reason for the sense of unfairness and dissatisfaction felt by workers as an increasing number of part-time workers take on work similar to that of regular employees.

Since this is a major policy issue that symbolizes the era of diversification of employment types, government, labor and management have made various attempts to solve this problem, and these attempts have simultaneously demonstrated the difficulty in solving the issue. Even though labor-management relations should play a critical role in deciding working conditions, one problem is that Japanese labor-management relations centered around company-based labor-management relations are not fully functioning in the current situation.

This article, therefore, will attempt to clarify the recent trends and issues in labor-management relations that are related to the diversification of employment patterns by reviewing the results of studies and research conducted in Japan, and to examine the future direction studies and research should take.

2. Advancements in Diversification of Employment Types and Declining Rate of Unionization

2.1 Widening Wage Gap

Let us review the wage gaps between regular and non-regular employees, as this is an issue resulting from diversification of employment types. Looking at employment patterns, the wages of non-regular employees are lower than that of regular employees in all categories excluding *shukko* (temporary transfer between companies) workers. A similar trend is apparent even after wages have been adjusted for working hours (Ministry of Health, Labour and Welfare (hereinafter referred to as MHLW) 2003, p.161 and p.295).

Furthermore, the gap in the hourly wage rate of part-time workers widened throughout the 1990s. According to the MHLW (2003), if the wages of regular employees is set at 100, then the wage gap between female regular employees and female part-time workers was 58.9 in 1990 and 54.3 in 2001. The larger the company, the wider the wage gap. The gap is larger in the tertiary sector than the secondary sector, and, with the exception of some industries, continues to grow.

The most frequently cited reason why companies hire part-time workers, dispatched workers and subcontractors is to cut personnel costs,

while the most often cited reason for hiring contract workers and *shukko* workers is job content. The percentage of companies that cited cutting personnel costs as the reason for hiring part-time workers grew significantly from 21 percent in 1990 to 65.3 percent in 2001 (The Japan Institute of Labour 2003). The percentage is also increasing for contract workers as well as dispatched workers (MHLW 2003, p.120, p.275; Ministry of Labour 1994 and 1999).

As described above, while, on the one hand, employment types have diversified as a result of companies adopting a personnel strategy to place the right people in the right jobs, on the other hand, companies have recently been making even greater use of diversification of employment types as a way to cut personnel costs. The widening wage gap in recent years can be attributed to such developments on the corporate side.

2.2 Declining Rate of Unionization

The proportion of workers joining labor unions in Japan has been declining for a long period of time. The estimated unionization rate calculated by the MHLW reached a peak of 55.8 percent in 1949 and hovered around 30 percent from the 1950s to the 1970s. In the early 1980s, the figure fell to the 20 percent level. In 2003, the estimated unionization rate dropped below 20 percent, 19.6 percent, for the first time since the survey began in 1947. Union membership hit a peak in 1994 with about 12.7 million people and has continued to decline since, with the figure being 10.53 million in 2003 (*Basic Survey on Labor Unions*, MHLW, annual report).

Previous studies have examined factors for the decline in unionization, and can be broken into two approaches (Tachibanaki 1993; Tsuru 2003). The first seeks to locate factors leading to the decline in unionization in the long-term changes in the industrial and employment structure, while the second approach looks for factors within the unions themselves.

With respect to the decline in the unionization rate, attention was first focused on the relationship between the unionization rate and macro changes in the social structure as demonstrated by the industrial and employment structure. According to Kuwahara (1981), who looked at changes in the labor unionization rate by industry, union membership in

manufacturing declined because of the shift in industrial structure from secondary to tertiary industry. Kuwahara also noted that a factor behind the decline in the unionization rate was the shift in employment to tertiary industry, where unionization is difficult due to high liquidity, corporate size and the existence of part-time workers.

As for the relationship between changes in the macro structure and unionization rate, Koshiro (1988) focused on the changes in employment structure and conducted a quantitative factor analysis based on the composition of workers. Koshiro identified five variables influencing the employment structure: (1) the ratio of employees in wholesale and retail services, (2) the ratio of female employees (feminization), (3) the ratio of part-time workers (increasing number of part-time workers), (4) the ratio of employees of major companies and (5) the ratio of white collar workers (white-collarization). Among these variables, Koshiro found that the ratio of female employees and the ratio of part-time workers have influenced the declining rate of unionization.

In contrast to the approach of highlighting changes in the macro structure, Freeman and Rebeck (1989) used a flow stock analysis to demonstrate the importance of new developments to explain the decline in unionization because changes in industrial and employment structure offer only a partial explanation for the decline in unionization. In addition, the unionization rate has not fallen in other countries that are also experiencing similar changes. Freeman and Rebeck noted that the most significant reason for the decline in the unionization rate is the falling percentage of labor unions that organize new workplaces. According to Freeman and Rebeck's studies, it is the substantial decline in organizing new union members since the mid-1970s, namely the decline in the "birth rate" of labor unions, that is the basic factor behind the decline in the unionization rate.

Furthermore, while acknowledging that the feminization and increasing number of part-time workers are reasons for the decline in the unionization rate, Tsuru (2003) stresses the fact that labor unions have made only weak attempts to unionize both in companies with unions as well as in companies without them. In regard to the unionization process, Tsuru noted that it is unlikely that resistance from employers will lead to a

decline in the unionization rate. He also indicated that unionization of non-unionized workers, who are the target of unionization, is not very popular and has been declining in recent years.

3. Different Kinds of Workers and Issues in Unionization

3.1 Current Situation of Unionization

As mentioned above, one reason why the unionization rate has fallen in recent years is the increased number of non-unionized, non-regular employees such as part-time workers.

The percentage of non-regular employees compared to all employees has increased from 30.7 percent to 50.7 percent for women and 7.6 percent to 14.8 percent for men in the past 20 years (1982-2002). In particular, this proportion has grown remarkably in recent years, especially in the past five years, as illustrated by the 8.5 percentage point increase for women and 4.7 percentage point increase for men (*Employment Status Survey*, Ministry of Public Management, Home Affairs, Posts and Telecommunications).

While the number of non-regular employees is rising, little progress has been made in unionizing them. Even though the number of short-term employees increased by 1.41 million (from 9.57 million to 10.98 million people) in the past five years (1998-2003), union membership among part-time workers only grew by 90,000 (from 240,000 to 330,000 people), and the estimated unionization rate edged up 0.5 percentage point from 2.5 percent to 3 percent (*Basic Survey on Labor Unions*, MHLW).

3.2 The Will and Pressure to Unionize

A major factor for the low unionization rate among part-time workers is that unions are not eager to organize these workers. Looking at data from the late 1980s, the number of labor unions that have already organized non-regular employees and the labor unions that intend to carry out further unionization account for only 25 percent, a mere one-fourth, of the total labor unions in companies that hire non-regular employees (Nakamura, Sato and Kamiya 1998). According to the Ministry of Labour (1991), less than one-fourth, or 23.3 percent, of all unions have already organized part-time workers or have plans to do so (Boyles 1993).

As shown in the 1998 survey (Ministry of Labour 1998), among companies that employ part-time workers, only 4.9 percent companies (totals based on industry and corporate size) unionize part-time workers, and the rest of all labor unions (95.1%) do not treat part-time workers as members. Looking at the breakdown of these figures, the most frequent response was “we do not take measures to unionize part-time workers” (84.7%). Other responses included “we are working to unionize them” (9.7%), “we treat them as quasi-members” (4.8%) and “we coordinate with organizations of which part-time workers are members” (0.9%).

The trend is also reflected in the membership criteria for part-time workers. According to the *Survey on Labor-Management Communication* (Ministry of Labour 1999), 13.9 percent of workers employed at a company with a labor union have not joined, and the figure for part-time workers is more than half, or 53.6 percent. Moreover, about 82 percent of part-time workers who have not joined a labor union said that they were not eligible to become members as their reason for not joining.

Two major reasons for the delay in unionizing part-time workers is that labor unions themselves have not attached importance to expanding their membership, and unionization is primarily geared toward regular employees. According to the *Report on the Survey of Labor Unions* (Ministry of Labour 1998), 23.9 percent of all unions are “tackling union expansion as a priority,” while 75.9 percent of unions are “not necessarily tackling union expansion as a priority.” Of these unions which are “tackling union expansion as a priority,” target groups are regular employees (72.2%), which is the highest, followed by part-time workers (22.3%). Other target groups include “management and professionals” (15.9%) among regular employees, in addition to “retirees upon reaching the retirement age” (11.6%), “temporary workers” (14.9%) and “dispatched workers from other companies” (3.0%) among non-regular employees.

There are a number of reasons why labor unions are not interested in unionizing non-regular employees. According to a questionnaire sent to labor unions, the most difficult obstacle they face when organizing or forming unions among part-time workers is the view that there is little need to join or form unions (Nakamura, Sato and Kamiya 1988; Boyles

1993). It has also been pointed out that if part-time workers are unionized, the unions will have to respond differently to their needs than they do to the needs of regular employees, such as lowering union dues and flexibly scheduling union activities. It appears that regular employees think this will increase the burden on them.

One obstacle that labor unions will face in advancing unionization is the trend among employers who are avoiding the unionization of non-regular employees. According to Nakamura et al. (1998), 46.3 percent of employers are either “strongly opposed to the unionization” of non-regular employees or believe that “unionization should be avoided if possible.” This figure exceeds the responses, “I am not sure of my company’s policy” (40.6%), “unionization is inevitable” (7.1%), and “I support unionization” (2.6%). Employers tend to avoid unionization because they do not believe unionization will bring about any concrete benefits for their company. While 59.3 percent of companies responded that “unionization brings absolutely no advantage to the company” in a corporate survey, 23 percent said “unionization will enable us to capture the opinions and dissatisfaction of non-regular employees” and 14.2 percent said “unionization will enable us to gather the diverse requests and opinions of non-regular employees,” both of which are low percentages (Nakamura, Sato and Kamiya 1988, with multiple responses for each).¹

It has been noted that the proportion of non-regular employees functions as a kind of “unionization pressure,” serving as a critical driving force for labor unions which are mainly geared toward regular employees. Nakamura et al. (1988) notes that unions with a high percentage of non-regular employees also tend to have a strong desire to unionize these workers. It is very likely that this trend became stronger after enactment of the amendments to the Labour Standards Law in 1999. Because these amendments clarified the standards for worker representatives concluding labor-management agreements, unionizing a majority of employees became a critical condition for labor unions to fulfill in order to maintain their influence.

¹ According to data compiled by Rengo (The Japanese Trade Union Confederation) (2002), discussing with employers the unionization of part-time workers is an important step toward unionizing them.

3.3 How Part-time Workers Perceive Unions

In understanding the nature of part-time workers as “workers,” or in other words, the image of the worker, no clear-cut conclusions are presented. Various studies have confirmed that part-time workers possess a different perception than male regular employees do, but there is no unanimity when it comes to interpreting the reality.

The classic image of part-time workers is that they are “non-union-oriented” as well as that they are passive toward or opposed to labor union activity. A study conducted by Zensen (Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers’ Unions) confirmed that part-time workers are not familiar with unions and that they have a low opinion of and little desire to participate in them (Labor Policy Department, Zensen 1980; Industrial Policy Bureau, Zensen 1991; Furugori 1985).

In contrast, a study conducted by Rengo showed that part-time workers are not necessarily non-union-oriented and are actually more positive about unions and make greater use of them compared to male regular employees (Tachibanaki 1993; Boyles 1993). For example, among union members, female part-time workers had a more positive evaluation than male employees of words such as “lightness,” “novelty” and “innovativeness” to describe the image of union organizations. Rengo also found that non-unionized employees and female part-time workers tend to be more positive about the image of unions compared to male employees.

Looking at how union members make use of labor unions, 41.2 percent of female part-time workers responded that union officials were the first person they consulted when they have a complaint about their workplace. This is characteristic when compared to the fact that less than 10 percent of male and female regular employees consulted union officials (about 40% of male regular employees answered they first approached their supervisor and colleagues, while about 20% of female regular employees responded they first consulted their supervisor and 60% answered their colleagues). Where an employee goes to discuss complaints about his or her workplace reflects the personal relationships at the workplace. In Japan, it is known that employees traditionally bring their complaints more often to their supervisors than to labor unions. Since this trend points to the weakness of

labor unions, the fact that female part-time workers seek out their union to settle their complaints is intriguing in understanding the nature of these workers.

4. The Role and Challenges of Labor Unions

4.1 Clearly Defined Jobs and Responsibilities for Non-regular Employees

As employment types continue to diversify, the “reversed workplace,” wherein the number of non-regular employees exceeds the number of regular employees, is no longer an unusual phenomenon in service industries such as retailing and food.

How have labor unions responded to this situation? Sano (2000, 2002) used case studies conducted in the service industries, which are making greater use of non-regular employees, to show how labor unions have set conditions for the scope of work which non-regular employees undertake. In department store A, the increasing number of part-time workers — whose knowledge of products and ability to service customers was limited, and their hours were restricted — contributed to the growing burden on regular employees. As a result of consultations with the employer, full-time, non-regular employees became contract workers under the union’s direction, and tasks were officially decided according to type of employment, with the aim of continuing to employ regular employees. At the same time, a flexible approach is allowed to decide the actual scope of the tasks. In some cases, in order to carry out work smoothly, non-regular employees assumed tasks that had been assigned to regular employees, and have gone beyond the non-regular employees’ scope of responsibility as agreed by labor and management.

4.2 Internalization and Externalization of Part-time Workers

Labor unions are responding to the growing number of non-regular employees mainly by organizing part-time workers and taking other steps for improving working conditions. How has this impacted workers and labor-management relations in the long run? Kamuro (2001) looked at labor-management relations in the manufacturing industry, which has a long history of using non-regular employees, to demonstrate the

consequences of the internalization of part-time workers.

Major electronics manufacturer A switched to using part-time workers instead of temporary workers in the 1960s, which led to an increase in the number of part-time workers. As the number of part-time employees grew, the union filed a complaint to introduce strong control over hiring and the work assigned to each type of employee, rejecting the employment of more part-time workers. Through this action, the union succeeded in creating a system whereby part-time workers who surpassed certain standards became “regular employees” and were unionized. The system offered greater employment security for these workers. They were “internalized” in the company in the sense that their working conditions and ways of working became closer to that of regular employees.

Nonetheless, as a result of increased mechanization and automatization since the 1980s, this manufacturer perceived the part-time workers who became regular employees as a rigid labor force due to the limitations placed on their scope of work and the restrictions on their working hours. With the appreciation of the yen beginning in 1985, this company made increasing use of outsourcing and external contractors.

5. Conclusion: Future Research on Labor-management Relations in an Era of Diversification of Employment Types

The prevailing view in recent discussions has indicated that the declining rate of unionization can be attributed to the unionization process of labor unions rather than changes in industrial and employment structure. What is required in the future studies includes case studies and quantitative studies that specifically intervene and elucidate the difficulties that labor unions encounter as well as the unionization process itself. Moreover, the desirable form of unionization is one where labor unions represent the interests of non-regular employees and improve their conditions. On this point, further research on the economic impact of labor unions is needed.

Furthermore, it must be assumed that the progress achieved by labor unions in organizing part-time workers will lead to shifts in employment toward other non-regular employees. In recent years, a growing number of

subcontractors and dispatched workers in lieu of part-time workers have been employed, particularly in the manufacturing industry. While it is difficult to imagine that these changes are the result of improved conditions for part-time workers in light of the current situation where wage gaps are widening between regular employees and part-time workers, previous research does show cases when companies made greater use of an external, atypical labor force instead of “internalized” part-time workers. Responding comprehensively to non-regular employees as a whole would pose a future challenge .

In addition, it is necessary to explore the image that labor unions have of workers as one of the themes in understanding labor-management relations from a long-term perspective. The fact is that there are workers who do not necessarily wish to become regular employees, which will be a major challenge to labor unions when they carry out their activities. Japanese labor unions have held onto an archaic image of workers —male, regular employees with an awareness of their rights and commitment to their work — and it has been difficult for them to take an active approach toward workers who do not fit this image.

As long as many Japanese labor unions are company unions, the issue of the diversification of workers, triggered by diversification of employment types, is unavoidable. In future research, analyzing the approach that labor unions should take in responding to diversification is an important research topic for understanding the basic nature of Japanese labor unions. Diversification of employment types is a perfect theme for studying the fundamental issue of diversity faced by labor unions.

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