
Labor-Management Relations during High Economic Growth: Japanese-Style Labor-Management Relations

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This research paper defines the concept of labor-management relations broadly as “relations between a corporation (management) and workers (worker class),” and carries out a comparative analysis of labor-management relations during the period of high economic growth and the present. Generally, labor-management relations are often treated as relations between a corporation (management) and a labor union. However, in these times when the rate of unionization has declined to a low 17.7%, a variety of labor problems arise that fall outside the framework of that relationship. Compared with the present, the fact that the relationship between labor unions and corporations can be used as the framework for analysis in many cases is itself a characteristic of the high economic growth period.

The fountainhead of labor-management relations during the period of high economic growth is “The Three Guiding Principles of the Productivity Movement” publicized in 1955. The Japanese economy had recovered to the level where the country was “no longer in the postwar period,” and striving for future growth through modernization was sought by national consensus. Corporations (management) and workers, who heatedly confronted each other repeatedly, constructed a labor-management mechanism to strive for modernization by instead transforming the incompatibility between productivity improvement and employment preservation into an opportunity for progress as each side raised the respective goals. This was “harmonious labor-management relations” as a collective with the shared fate of growing together as they persevered to achieve goals in their respective interests.

I. Introduction: Research Objective and Perspective

This paper describes the characteristics of labor-management relations during the period of high economic growth, based on a comparison with the present and taking a broad view of labor-management relations. Although there are many reasons for looking back at history, the reason for analyzing labor-management relations during the period of high economic growth in this paper is to search for the root of the problem of truly confused current labor-management relations and use it as the first step in finding a clue to a solution.

Labor-management relations during the high economic growth period brought forth stable employment relations and became one of the pillars supporting the high economic growth. Lifetime (long-term) employment, seniority wage system and enterprise unions have received high praise as the distinctive features of Japanese-style business management. However, when taking into consideration the labor situation in Japan at the present time, conditions have changed completely and present day labor-management relations have brought about employment instability and caused many new and grave labor problems.

Nevertheless, today's labor-management relations are the result of both rejecting and inheriting labor-management relations from the period of high economic growth. Therefore, it is greatly meaningful to study history when ascertaining their current state. Consequently this research paper presents what was learned about the new by studying the past, such as what changed in labor-management relations and whether it will be possible to recover the type of labor-management relations from the period of high economic growth that produced the formation of stable employment relations and produced labor-management relations responsible for the growth of the Japanese economy, in order to search for a prescription for the present to remedy its truly serious labor problems.

II. The Concept of Labor-Management Relations

In ascertaining the characteristics of labor-management relations in the high economic growth period from comparisons with the present, the stipulation of its concept will first be noted to determine how to best grasp labor-management relations as the subject of analysis.

1. Corporations (Managers) and Labor Unions

Generally speaking, the concept of labor-management relations is frequently understood as the referring to relations between corporations (managers) and labor unions. However, the percentage of organized members for labor unions in many countries today has declined, and in Japan as well the situation is such that unionization of less than 20% of the employed has become a constant, and in 2013, this percentage fell to a new record low of 17.7%. It is for this reason that limitations have as a matter of course arisen to analyzing the variety of labor problems that occur at present using the relations between corporations and labor unions organized with only a small percentage of workers.

Heretofore, those qualified to be union members were mainly regular employees. However, the percentage of non-regular employees has increased to account for 36.7% of the employed (in 2013), and is briskly closing in on 40%. In spite of the unionization of non-regular employees progressing, the rate of unionization of part-timers is still only 6.5% and represents only a small portion of the total. People working unwillingly as non-regular employees are also not few in number, and since their wages are low and their employment situation is unstable, there even arises a situation where these people bear considerable disadvantages in how they live their lives as individuals, such as not being able to build families and having to give up on marriage, childrearing, etc. Even if they have such grave labor problems, those who are not union members are not few in number.

In addition, the number of welfare benefit recipients has reached a postwar high and now surpasses 2.1 million people. While there are serious problems deeply related to labor, such as people who have lost their job and people who are labeled as NEET (not in education, employment or training), since such problems arise at a stage where an employment

relationship cannot be formed, it is difficult for labor unions to stand at the front, directly deal with them and become liaisons for problem resolution. Furthermore, individual labor disputes are increasing sharply, and there arise many disputes that are unrelated to labor unions. In other words, there are also many issues that are difficult to deem or be seen to be subjects of concern from the standpoint of relations between corporations and labor unions. Amid the frequent occurrence of serious labor problems that shake the foundations of people's livelihoods and the need to analyze these problems, there are not a few areas that are overlooked when examined using the general theory of labor-management relations to date. The academic field of the study of labor-management relations theory itself is feared to be in danger of decline.

Accordingly, here we would like to begin by taking a look back at and studying how the concept of labor-management relations had been understood in Japan's history following World War II.

2. Various Theoretical Concepts of Labor-Management Relations

Labor-management relations materialized along with the arrival of the industrial sector in modern society, and are one of the basic social relationships in industrial society. It is for this reason that after the war Japan, strongly influenced by John T. Dunlop, made progress in the study of Japanese labor-management relations. However, the concept of "labor-management relations" is not in any way interpreted uniformly, but was understood in a multi-faceted way.

Dunlop (1958), who was the foundation of the theoretical backbone for constructing postwar Japanese labor-management relations, in "Industrial Relations Systems" saw industrial relations (labor-management relations) in a broad sense as not being limited to the relationship between the employer and the worker and being "one of the frameworks for macro-analysis." Furthermore, Dunlop mentioned the necessity of the academic approach from not only the field of economics, but from a variety of fields of the social sciences, such as sociology, business administration, jurisprudence and politic science. In addition, Ichiro Nakayama, who played a large role at the time of the formation of Japan's stable labor-management relations, used a broad interpretation and noted that "the labor-management relationship itself is from the first a relationship between one human being and another human being, or, a relationship between one group of human beings and another group of human beings (Nakayama 1974, 121). Goro Mori as well stated that "the labor-management relationship is one of the overall structural social relationships that creates social order between the employer class and the worker class in industrial society at the stage in history when employment relations become common, and how this social relationship should be is prescribed by the cultural, social, economic, technological and other various environmental factors that affect that industrial society and also by the government's social and labor policies" (Mori 1981, 5). Mori generalizes that the labor-management relationship is a social relationship broadly between the employer class and the worker class.

On the other hand, Masumi Tsuda noted that “the nucleus of labor-management relations is collective bargaining between corporations (organizations) and labor unions, and the conclusion of an organizational agreement and its observance are the products of this collective bargaining” (Tsuda 1980, 59). Tsuda understands relations between a corporation and labor union to be the main part of labor-management relations. Taishiro Shirai also noted that “of the relationships between individuals and groups and between organizations that are created by industrial activities, the labor-management relationship refers to the social relationship in general between workers and employers (managers), the most basic of relationships; however, at the core of such a relationship is the relationship between labor unions and their counterpart employers or managers and their organizations” (Shirai 1993, 2). Shirai places the relationship between labor unions and employers at the center of labor-management relations. It is conceivable that due to the growing size and influence of the role in society of labor unions, what are called labor-management relations came to be seen as the relationship between corporations and labor unions. In addition, labor laws are broadly divided into these categories such as laws on labor market, individual labor relations and collective labor-management relations. What are called labor-management relations fall in the domain of group labor-management relations, and from the standpoint of the law it is common that labor unions are the main organizations concerned (See Sugeno [2003], for example) .

Looking at the various analytical frameworks, a framework greatly depends on the social background of the times concerned or the analytical point of view used, and the concept that can most directly analyze the characteristics of the labor problem that has arisen is adopted. Accordingly, in the comparison with the present, this paper as well uses the concept of labor-management relations in a broad sense as the concept that can most clearly analyze the characteristics of labor-management relations during the period of high economic growth. Limiting the research subject to relations between a corporation and labor union, which was the common practice heretofore, would mean that problems arising at present that fall outside the framework of labor unions and serious problems that arise prior to the formation of employment relationships might not be central subjects of study. Furthermore, the fact itself that labor unions were able to become synonymous with the word “labor” in labor-management relations to begin with during the high economic growth period is a characteristic of labor-management relations in the period of high economic growth, and this is a great difference with the present. It is recognized that studying labor-management relations by focusing on the main players of their formation is important in analyzing the characteristics of labor-management relations during the period of high economic. Based on this awareness, analysis will be advanced by using the concept of labor-management relations in the broad sense. In other words, developing on the thinking of Dunlop’s ‘Industrial Relations,’ and with Goro Mori’s concept of the labor-management relationship, that is the social relationship between the employer class and the worker class, as the central concept, the relations will be as described by “Corporations (management)

and Workers (worker class)” (Ebisuno 2006, 2010) in a broad sense.

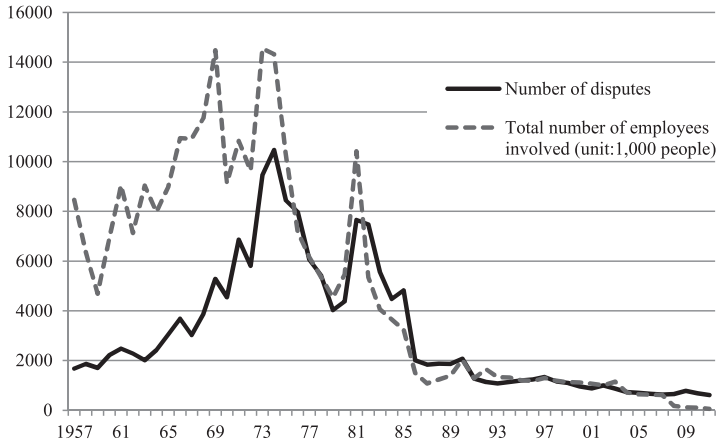
III. Theories

Japan’s labor-management relations during the high economic growth period were labor-management relations that supported the economic growth of Japan, a country that achieved economic development that was truly unprecedented in the world, and this has attracted attention both inside and outside Japan and has been the subject of a variety of analyses. The characteristics of this phenomenon are frequently labeled as being “typically Japanese,” and therefore their uniqueness is pointed out. Since, among the characteristics concerned, the following two are mentioned often, brief comments on them follow here.

First of all, there is the characteristic of being “cooperative.” Viewed historically, Japan experienced a period of intense labor-management disputes following the war. However, unlike that period, during the high economic growth period, disputes subsided and harmonious relations could be built. In addition, comparative studies of labor-management relations in various foreign countries, particularly comparisons with labor-management relations in Western countries, show that labor-management disputes in Japan are few in number and labor unions and employers have formed relatively cooperative relationships. Studies carried out abroad, such as by Abegglen (1958) and Dore (1973), are also not few in number, and there is research that looks at what is distinctive about Japan compared with other countries and whether other countries as well could realize the same kind of labor-management relations as Japan. Furthermore, as Japanese corporations advanced in making inroads overseas, there was also the progress of research into whether Japanese-style labor-management relations, one of the strengths of Japanese corporations, could be duplicated in local production and local management, and which areas of Japanese-style labor-management relations could be duplicated abroad (e.g. Abo 1988; Shimada 1988).

Research analysis based on these perspectives to be sure found that the fact that labor and management were cooperative was one of the characteristics of Japan’s labor-management relations during the high economic growth period. However, has this characteristic been passed on to the present as well? Or, instead, can it be called a distinctive characteristic particular to its time when comparisons are made with the situation at present?

As an example, looking at the number of labor strikes (Figure 1), during the high economic growth period in 1965 there were 3051 cases and in 1970 there were 4551 strikes. In comparison, the number of strikes has been far fewer recently, only 708 cases in 2005 and 612 cases in 2011. In addition, the number of employees involved in strikes has also declined greatly at present compared with the high economic growth period (8,975,000 employees involved in 1965, 9,137,000 in 1970; 646,000 in 2005, 58,000 in 2011). Unlike the high economic growth period, there are a variety of problems at present, such as the implementation of great numbers of early retirements as a result of streamlining through



Source: Ministry of Health, Labour and Welfare, *Survey on Labour Disputes Statistics*.

Figure 1. Number of Labor Disputes and Total Number of Employees Involved

rationalization, the unemployment rate not dropping below 4% even in periods of prosperity and real wages falling after 1997. Accordingly, individual labor disputes are also increasing rapidly. However, there are far fewer labor strikes compared with the high economic growth period. Nevertheless, the small number of strikes does not necessarily enable one to say that labor-management relations are satisfactory. If compared with the present, it can be said that while the high economic growth period produced a number of disputes, labor and management had built stable employment relations.

There are not a few studies that see what is called Japanese-style business management based on “the three sacred treasures of lifetime (long-term) employment, seniority wage system and enterprise unions” as the second characteristic of labor-management relations during the period of high economic growth. However, there exist various opinions as to whether it can be said that such employment relations can be called “typically Japanese.” It is pointed out that long-term employment exists not only in Japan, but in Western countries as well, and seniority wage system is also seen frequently among white-collar workers in foreign countries (e.g. Koike 1991, 1993; Gordon 2012). In addition, regarding the question of whether the long-term employment and seniority wage system have collapsed in the present day, a great variety of views crowd the scene as regards the subjects of analysis, such as should only regular employees be the target of study, should it be the pay system debate or is it the problem of the pay curve. Therefore, there is no consensus of opinions regarding employment relations in Japan.

It is in this way that many theories exist in the study of the various aspects of employment relations. However, there has been virtually no research carried out regarding the subject of the various relationships between corporations and workers as the main players that give birth to such employment relations; that is, labor-management relations in the

broad sense. In addition, there are few comparisons with the present that explain this characteristic. Therefore, this paper would like to tackle the subject of the various relationships between corporations and workers directly as relationship theory and study the characteristics of the high economic growth period.

IV. The Background to the Formation of Japanese-Style Labor-Management Relations

“The Three Guiding Principles of the Productivity Movement” is a work that markedly pointed out the characteristics of labor-management relations during the period of high economic growth. Since these characteristics are commonly commented upon as being typically Japanese, hereafter they will be referred to as Japanese-style labor-management relations.

“The Three Guiding Principles of the Productivity Movement,” publicized in 1955, is the fountainhead from which Japanese-style labor-management relations arose. The productivity improvement movement advanced based on Japanese methods, while receiving technological assistance from the U.S. and using Europe’s productivity improvement movement as a model. First of all, why did “The Three Guiding Principles of the Productivity Movement” arise? That is, this paper will first briefly organize postwar labor-management relations in order to outline a general view of the historical background to the formation of Japanese-style labor-management relations in the high economic growth period.

1. New Phase of Economic Development

Although it is needless to say, the Japanese economy fell into a state of ruin as a result of World War II, and Japanese society was in a state of chaos. The industrial production of the mining and manufacturing sectors was at about 30% of the prewar level, there continued to be delays in or non-delivery of food rations that the government distributed, and the Japanese people were reduced to living impoverished lives and enduring hunger.

Thereafter, the Japanese economy rode the course to recovery due to the opportunity presented by the special procurements resulting from the Korean War of 1950. Furthermore, consumers, who had had austerity forced upon them for the long period of time since wartime, finally were able to purchase the necessities of their lives and this gave rise to a “consumption boom.” Consequently, in 1953, per capita personal consumption surpassed the prewar level (1934–36). However, thereafter there developed a cloud even over this consumption boom that had continued for 27 months, and, coupled with the policy of monetary tightening, business conditions suffered a setback.

The Economic Whitepaper of 1956 noted that “It is no longer in the postwar period. The country was about to be confronted by a different situation. Growth through recovery had ended. Growth hereafter would be supported by modernization. In addition, the advancement of modernization would f be possible only through economic growth that was

fast and moreover stable” (Economic Planning Agency 1956, 42). A mere 10 years since the end of the war, the economy had recovered to reach a stage that surpassed the prewar level. Nevertheless, as deep as the depth of the valley into which the country had fallen as a result of losing the war had been, so was the speed at which it recovered swift and the purchasing desire of consumers and the investment desire of corporations striking.

However, it was emphasized that this buoyancy was exhausted as demonstrated by the declaration that “It is no longer in the postwar period,” and that there was a limit to future growth with the route taken so far. The Whitepaper noted that as a result, “modernization” came to be sought and striving for economic growth through modernization came to be asserted; furthermore, that modernization would be possible through economic growth. Therefore, at that time, when the economy had recovered to the level where “It is no longer in the postwar period,” the formation of the growth mechanism, whereby striving for modernization would lead to economic growth and that growth would promote the next phase of modernization, became the supreme task for Japanese society.

2. Intense Labor-Management Conflicts

Let us now shift our attention to labor-management relations, one of the pillars that had supported the postwar social economy. “The Labor Union Law” was instituted in 1945, giving official recognition to the formation of labor unions and to their activities. As mentioned earlier, workers were living lives of extreme poverty; therefore, there developed intense labor movements, whose slogans were “wage hikes” and “democratization of the workplace” to protect people’s livelihoods and “no firings” to protect workers from dismissals. There were some unions that carried out production management on their own as a way to “protect our livelihood with our own power” and also a highly political labor movement based on an ideology that was linked to opposition to the free economy system.

Meanwhile, the management side experienced difficulties in carrying out their activities, as a result of the authorities of the Occupation Forces ordering measures such as the dismantling of the *zaibatsu* (financial combines) and the purging of financiers from public office. However, the business world responded constructively to rebuild corporations, establishing as their own missions the restoration of order to business management and the reconstruction of the Japanese economy. Upon the foundation of the Japan Federation of Employers’ Associations in 1948, the organization put forth that “we declare that ‘management, act fairly and forcefully’ as we must work to save the nation together through mutual respect for management rights and labor rights and with each carrying out their respective duties.....we devote ourselves to unwavering efforts towards establishing management rights, securing peace in the industrial world and reconstructing the Japanese economy.....”

Under the harsh economic circumstances following the war, labor and management laid out their respective claims and thereby intense disputes arose. In 1949, when the Dodge

Table 1. Major Strikes

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

Line¹ was implemented, a reduction in the number of government workers was carried out; in particular, there were mass dismissals in public corporations overseeing the railroad, postal and telegraph and telephone services. In addition, over 1,000 major private sector corporations also made cuts in their personnel. As a result, as many as about 490,000 workers were the targets of job reductions through the simplification of government administration and corporate reforms. Furthermore, as very great numbers of workers lost their jobs due to bankruptcies among small and medium-sized companies, workers organized labor unions and went on labor strikes. Accordingly, in this year 1949, the rate of labor union organization recorded a postwar high of 55.8%.

Thereafter, as a result of the special procurements arising for the Korean War in 1950, the economy began a revival in earnest. However, this did not calm labor-management disputes, and it was a time of one strike after another (Table 1). The causes of labor disputes arising were certainly not all similar; rather, they were truly wide-ranging. Several representative ones among these causes are listed below.

- (1) Although corporate profits had begun to rise as a result of the business recovery, the standard of living did not reach the halfway point of the prewar level (Economic Stabilization Agency 1949, 44–45) and wage hike demands spread.
- (2) There were disputes between labor and management concerning the massive dismissals that arose because of rationalization. Strikes became prolonged at companies such as Amagasaki Seiko and Nikko Muroran, resulting in the unfurling of “opposition strikes” involving entire communities and families.
- (3) There was intense worker resistance to the problem of dismissals that arose along with the switch in the type of fuel used to produce power brought on by changes in the indus-

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

trial structure, especially resistance to the closing or curtailment of mining operations.

- (4) There remained a considerable number of cases of pre-modern employment relations of the kind at Omi Kenshi. In addition, disputes spread at small and medium-sized companies as well, where there were obvious differences in worker treatment compared with large corporations.
- (5) Under the severe state of cold war that existed between free world and socialist countries, there were ideological conflicts that were labor disputes to realize a socialist revolution; that is, labor-management disputes that were highly political in nature.

These kinds of intense labor-management disputes inflicted great damage upon both corporations and workers and their effect on the economy was immeasurably large.

However, from these disputes arose the germs from which labor-management relations during the period of high economic growth were born. This is detailed in Section VI.

V. The Three Guiding Principles of the Productivity Movement

Although the Japanese economy had recovered to the prewar level by the mid-1950s, Japan's per capita GNP was only 11% of the U.S.'s and it lagged markedly behind developed countries. In addition, in 1954, Japan's average export amount was 76% of its import amount, its trade balance continued to record a current deficit and the country was not competitive in international markets, thereby putting the country in an inferior position. Although economic development was the most important task for Japan, being at the economic level that was no longer in the postwar period, it could not hope for the economic development that was produced by postwar reconstruction. It is for this reason that modernization was a vital task. However, labor and management, the main players bearing the burden of this modernization, had been repeatedly in intense conflict over diverse issues for a long time since the postwar period for the various reasons noted heretofore. As these disputes caused extremely great wear and tear to both labor and management and hindered modernization, both sides came to look forward to a way out. It is for this reason that the 1955 Japan Productivity Center was established and "The Three Guiding Principles of the Productivity Movement" were put forth (See Japan Productivity Center 1965, 1985, 2005).

To begin with, the Japan Association of Corporate Executives, influenced by Commercial Service Officer Haroldson of the U.S. Embassy, began moves to accept the "productivity improvement movement," and in 1954, four economic organizations (KEIDANREN, NIKKEIREN, the Japan Association of Corporate Executives and the Japan Chamber of Commerce and Industry) established the Japan-U.S. Productivity Enhancement Committee (renamed the Japan Productivity Council). Thereafter, it became the "Japan Productivity Center," a private sector organization composed of people from labor and management and academic experts. The establishment of this organization was greatly influenced by events in the early 1950s, such as the discussion in the ILO regarding "productivity improvement and human relations" and the establishment of the 16-nation productiv-

ity headquarters and the development of the European productivity movement and its accompanying achievement of economic reconstruction.

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

1. Productivity improvement ultimately increases employment. However, regarding excess personnel arising transitionally, from the point of view of the national economy, the government and the private sector shall cooperate to devise appropriate measures, such as through as much as is possible personnel redistribution and other ways to prevent the loss of employment.
2. Regarding specific methods to achieve productivity improvement, labor and management shall cooperate to study and discuss this, based on the circumstances of the individual corporations.
3. The various fruits of productivity improvement shall be distributed fairly to managers, workers and consumers, according to the actual condition of the national economy.

It is here that is found the model for labor-management relations during the period of high economic growth, that is, Japanese-style labor-management relations. Figure 2 depicts the relationship of labor and management that would be developed based on the Three Guiding Principles. The contents of these principles will be studied in a concrete manner hereafter.

It goes without saying that striving to improve productivity is necessary in order to realize modernization. However, productivity improvement causes an accompanying excess of labor to arise. As noted earlier, this resulted in dismissals and intense labor-management disputes. In response to this, Principle 1 asserts that “from the point of view of the national economy, the government and the private sector shall cooperate to devise appropriate measures, such as through as much as is possible personnel redistribution and other ways to prevent the loss of employment.” Corporations are called upon to act from the standpoint of the national economy and continue to employ excess personnel resulting from improvement of productivity. In order to reconcile the improvement of productivity and the securing of employment, two things that are incompatible, corporations, departing from conventional business management principles, came to place a priority on share expansion rather than the maximization of profits. They expanded their business through market creation and thereby sought to secure employment. At the time, there were the prevalent practices of stocks held unchanged by stable stockholders and stocks held by stable institutional investors. Corporations were not greatly pressed to return high short-term profits to stockholders; therefore, they could carry out large sales at small profits instead of pursuing profit motive and were able to devote their efforts to acquiring market share and strive to create work.

Regarding specific methods to realize this improvement of productivity and the securing of employment, as described by Principle 2, cooperation between labor and management, corresponding to the circumstances of individual corporations, is sought. Here is found the cornerstone of enterprise labor unions becoming the center of Japan’s

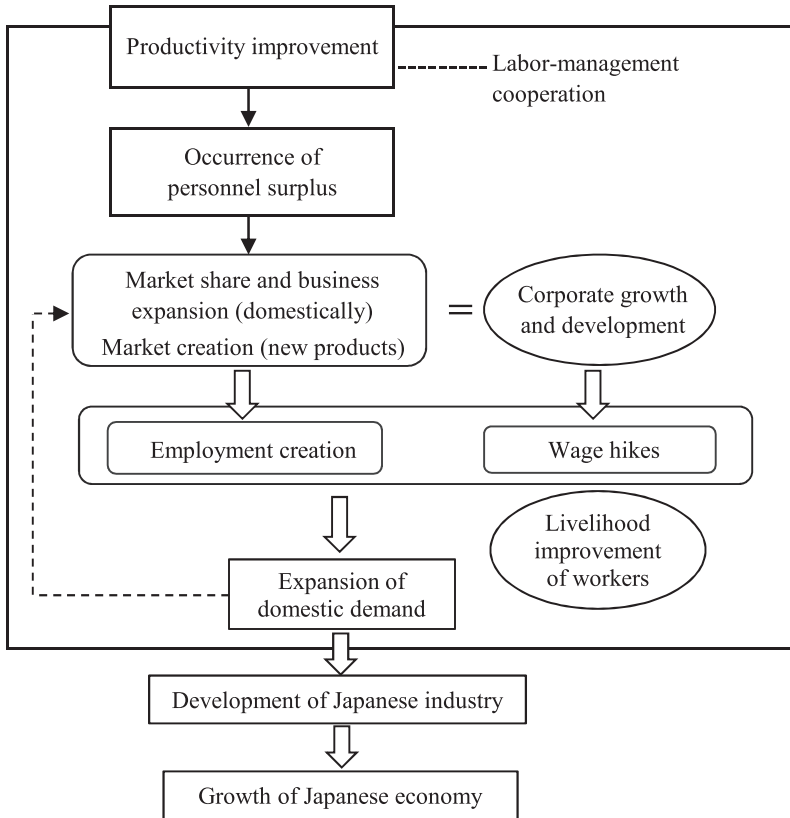


Figure 2. Japanese-Style Labor-Management Relations (Labor-Management Relations during the Period of High Economic Growth)

labor-management collective bargaining. In addition, as stated by Principle 3, a fair distribution of the fruits of productivity improvements is demanded. That is to say that demand is produced and markets are created through the appropriate distribution of the fruits of productivity improvements to workers and consumers as well. In other words, share expansion, which is indispensable to the securing of employment, is realized through implementing appropriate wage hikes for workers.

At the time when the Three Guiding Principles were publicized, a variety of actions were underway within both labor and management. The Japan Association of Corporate Executives published “The Awareness and Practice of Social Responsibility by Managers” in 1956. This notes “the fair distribution of corporate earnings” as a new business management issue and presents what the way of thinking and ideal behavior should be as managers, going beyond rationalization based on increasing profits and touching upon the importance of labor’s meaning of existence. In order to actively strive to promote the Three Guiding Principles, the publication points out what the ideal manager should be like, as it also pre-

sents the points of reflection to date regarding how managers are.

Meanwhile, there were opposition moves within labor unions, and initially the resistance of the General Council of Trade Unions of Japan (SOHYO) and others was great, as the productivity improvement movement began, led by managers. However, the Japanese Confederation of Labor Unions (SODOMEI) had decided on “The Case Concerning SODOMEI’s Stance toward the Productivity Improvement Movement,” what is called “SODOMEI’s 8 Principles.” In this it indicated its stance towards the productivity improvement movement. The beginning of this is included here. “We will deal with the productivity improvement movement based on the following course to promote the development of the right movement and correct what needs to be changed, such as the capitalist centric ideology apparent in the current productivity improvement movement.....(i) The productivity improvement movement differs from individual rationalization movements and efficiency improvement movements and is a movement that runs through the comprehensive measures that aim for the self-reliance of the Japanese economy and the improvement of people’s lives. (ii) The productivity improvement movement is not a movement that aims to increase corporate profits by strengthening labor, but, on the contrary, brings about the improvement of labor conditions and real wages. (iii) The productivity improvement movement should be a movement that brings about an increase in the volume of employment through the expansion and development of the economy. Therefore, employers and the government must devise effective measures to eliminate the danger of the loss of employment and strive for employment stabilization.....” That is, SODOMEI exhibited understanding, while having criticisms and making demands of managers, and setting forth a stance of active participation towards the productivity improvement movement.

There was understanding for the productivity improvement movement not only by managers, but also within labor unions as well in this way. As a result, it penetrated throughout society gradually. Government and municipal offices also exhibited understanding that the productivity improvement movement was more significant than the rationalization movement and assessed the importance of this movement on the point of having “the character of being for all people” as it related to “the interests of managers, workers and consumers as a whole” (Ministry of International Trade and Industry Enterprise Agency Director Hisatsugu Tokunaga).

Along with admonishing labor unions that “Labor unions.....have an obligation to fulfill a responsibility that corresponds in size to the greatness of their presence in society,” it is noted that regarding managers as well “.....It is desired that the conservative leadership class, which as ever will not change their old ways at all, reflect and reconsider seriously.....For the near future, at the least, sincerity and effort must be expressed to ensure that productivity improvement does not invite sacrifices by labor (Ministry of Labor’s Labor Administration Agency Director Minoru Nakanishi).

Furthermore, Senior Managing Director Kohei Goshi notes that “after fattening the chicken, gather the eggs” (Asahi Shimbun, February 21, 1955). This truly makes the social

appeal for labor and management to move away from the immediate and short-term competition for the pie between labor and management and strive to enlarge the pie by improving productivity through labor-management cooperation and then, receive a portion distributed from an even bigger pie. Ichiro Nakayama also responded to the criticism from the “Marxist Theory” camp by explaining the importance of the productivity improvement movement. In this way, the significance of the productivity improvement movement was communicated to society from diverse standpoints by the government, labor, management and academic experts, and thereby came to penetrate widely throughout society.²

VI. Japanese-Style Labor-Management Relations

Using the mechanism indicated by Figure 2, it will be made clear what the characteristics of labor-management relations were as presented by the Three Guiding Principles of the Productivity Movement, that is, labor-management relations during the period of high economic growth.

1. The Structure of the Conflict between Corporations and Workers and Their Unification

Corporations grow through enlarging their business and through this is realized the securing of employment by workers. Furthermore, because wages rise as a result of fair distribution, corporate growth also works to improve the lives of workers. Therefore, there is the characteristic that the vectors of prosperity for both corporations and workers are the same. Put in other words, for workers to protect their employment and improve their lives themselves, the prosperity of the corporations that employ them is indispensable. That is to say, corporations and workers are in a relationship where they share the same fate and want their company to be victorious in the competition for market share.

To begin with, corporations and workers have different goals and are actors that develop their movements based on different principles. As looking back at history makes clear, these conflicting interests have produced fierce disputes. Since productivity improvement and the securing of employment generally are incompatible, labor and management are mutually in conflict. Labor-management relations that convert this conflict into an opportunity for growth are indeed “Japanese-style labor-management relations.”

This labor-management structure was not something that labor and management agreed upon from the beginning. While weathering the various kinds of opposition as noted earlier, after many complications, the labor-management structure spread gradually. Labor and management are in principle in mutual conflict. This conflict structure has the structural characteristic of the cooperative relationship between labor and management being built

² In 1964, talks were held between Prime Minister Hayato Ikeda and SOHYO Chairman Kaoru Ota.

using conflict as an opportunity for growth. Therefore, during the high economic growth period as well friction developed as a matter of course and labor-management disputes existed.

Certainly as compared with the period prior to high growth and also as compared with other countries, disputes decreased during Japan's high economic growth period and labor-management relations were cooperative in character. However, the important fact is that this structure was the cooperative relationship between labor and management using conflict as an opportunity for growth. In addition, it was a mechanism whereby both labor and management persisted in asserting their respective movement principles and both persisted in carrying through their asserted objectives of seeking their own growth. It was a structure in which, although self-restraint and cooperation would be at work for the short-term, labor and management would cooperate and seek further growth in the long-term and neither would have to make sacrifices. That is, it can be said that it was not "a conciliatory relationship that denied conflict," but was "a cooperative relationship that included conflict and stood upon it."

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

A major characteristic is that productivity improvement was a popular national movement. Japan did not have international competitiveness and was an economically minor country. Amid pronouncements that economic growth from reconstruction had ended, it was clear to everyone, managers and also workers, and regardless of position it was the national consensus that the country would have to strive for the growth of the Japanese economy through modernization. Furthermore, both labor and management understood that the repeated intense labor-management disputes were an obstacle to modernization and wished to find a way out. That is, in spite of differing positions, they sought the same thing, the growth of the Japanese economy and the cultivation of industry in Japan to achieve this goal.

Since the economic base in Japan at that time was extremely weak and Japanese corporations were utterly unable to compete internationally, their business base was naturally Japan's industrial society. That is to say, without first cultivating industry in Japan, a corporation's business management would not be viable. The government strove to cultivate industry by efficiently distributing the country's limited and meager capital and improve the industrial base. Due to limited space, only a few examples are presented (Table 2) here. For one, in 1951, the Japan Development Bank was established using national capital and an important route for supplying funds for public finance to private sectors was secured. In addition, in 1952, "the law for the promotion of corporate rationalization" was instituted, and selective cultivation of industrial sectors was carried out by giving tax reductions to particular industries. From around 1953, the government prepared respective promotion plans for each emerging industry, and in 1956, it instituted "the law for temporary measures

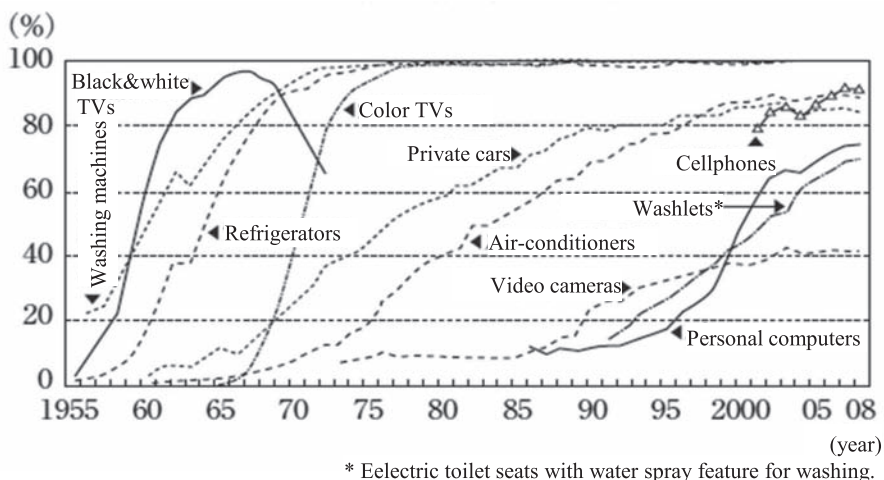
Table 2. Major Industrial Policies

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

to promote the mechanical engineering industry” and also tailored other laws to the existing conditions. Japan thereby cultivated the leading industries of its economic growth, such as iron and steel, petrochemicals and mechanical engineering. Furthermore, beginning with the 1955 five-year plan for economic independence, Japan’s many economic plans, such as the 1960 national income doubling plan, went about promoting economic growth.

Since individual corporations could realize their own growth only when the industrial base improved and other industries also experienced growth, the productivity improvement movement did not only concern individual corporations, but developed as a popular national movement. Consequently, domestic demand arose in Japanese society, the market was created in Japan and corporations achieved business expansion. Furthermore, as a result of fair distribution leading the way to the securing of employment and rising of wages, it also led to improving the lives of the people of Japan as a whole. Looking at the rate of the spread of electric household appliance ownership in urban areas during the period of 1960–65, ownership rates rose dramatically: from 55% to 95% for black and white television sets, from 16% to 69% for refrigerators and from 45% to 78% for washing machines. The rapid expansion of domestic demand for familiar durable consumer goods in national life and market creation are apparent from this (Figure 3).

In addition, it was from this year, when there was a declaration of “The Three Guiding Principles of the Productivity Movement,” that the annual spring labor negotiations began. It is pointed out in the Three Guiding Principles that the specific measure for productivity improvement is left to each corporation’s labor and management acting in cooperation and in accordance with the corporation’s circumstances. The base upon which this labor and management stood included the various industrial measures for the purpose of industry cultivation, and it also included the goal of the cultivation of industry in Japan to achieve



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

Figure 3. Rate of Popularization of Durable Consumer Goods

economic growth, which was a priority for both labor and management. Therefore, industry-based labor unions promoted the productivity improvement movement aggressively, carried out educational activities in order to have the movement penetrate into enterprise unions and devoted themselves to the improvement of the lives of workers by striving for industry cultivation and by promoting the growth of corporations.

Labor-management relations like this had a great effect on corporations without labor unions and workers who were not union members as well, and its social impact was great. For example, the wages determined through the spring labor negotiations were an important index not only for the members of the labor unions concerned, but also for small and medium-sized corporations and workers who were not yet organized. They were a social standard to attain in Japanese society. In this respect, the various relationships between corporations and labor unions were the basis for relationships within society.

3. Market Creation and Inter-Corporation Competition

For a corporation, business expansion was indispensable in maintaining jobs and market share expansion came to have priority over profit maximization, which had been generally considered a corporation's ultimate purpose. For workers, the expansion and growth of their corporation were also indispensable to securing of their own employment. Workers needed to actively participate in business management at their workplaces and to work for the growth of their corporation. The only place that Japanese corporations which did not have international competitiveness could expand their business was the domestic market. However, in Japan postwar reconstruction had already ended with the awareness that it was "no longer in the postwar period," and market creation was the only way for

corporations to expand business. In order to achieve this, fair distribution of the pie was also indispensable. This would realize the securing of employment, wage hikes and life improvements that workers sought.

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

However, it is also important that it was not a mechanism where corporations came to ruin together because of fierce competition. As corporations formed groups of affiliates and the competition took place between corporate groups, a variety of cooperative systems existed between corporations, such as regarding capital. In addition, this competition could be said to have been "managed competition" carried out under Japan's industrial policy aimed at economic growth (Yasuba and Inoki, 1989, 92), and there was also government intervention in the case where the competition became dangerously "destructive." That is, since there was public consensus on fostering Japanese industries and developing the Japanese economy, even while making use of the market mechanism it was not a situation where market principles alone reigned. Furthermore, it was a realistic policy that was beyond ideological conflicts.

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

These labor-management relations were built by going through the prolonged and intense labor-management disputes of the postwar period. Exhausted from the repeated conflicts, eventually (i) they came to place priority on job stability and better working conditions to protect the livelihood of workers, over ideologies seeking political reforms and (ii) through these disputes, pre-modern labor management and violations of basic human rights seen in labor-management relations were eliminated, and democratization progressed within corporations. As a result, workers came to do their jobs with corporate loyalty and with a conscious awareness of the development of the corporation where they were employed. Furthermore, (iii) although labor disputes were internal problems for respective corporations, because prolonged disputes spread nationwide, as social problems they went beyond the framework of one corporation. This led people to recognize that corporations and labor unions were "vital players in a society," and consequently, corporations and labor unions become aware of themselves as social institutions and acted accordingly striving for the development of the Japanese economy as expected of them by national consensus. Through this process, the mechanism described in the Three Guiding Principles (shown in Figure 2), was realized.

In addition, labor-management relations had an impact on the high economic growth period. It was not because it was a period of high economic growth that labor-management relations that could form stable employment relations were realized. Labor and management, while harboring conflicting structures, realized stable employment relations based upon this conflict and shouldered the responsibility of achieving high economic growth.

5. The Relationship with the Three Sacred Treasures (Lifetime Employment, Seniority Wage System and Enterprise Unions)

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

Consequently, employment practices which were said to be the features of Japanese business management inevitably emerged, that is, lifetime employment, seniority wage system and enterprise unions (Three Sacred Treasures). The first of the Three Guiding Principles paved the way for the customary practice of lifetime employment. It was not left to chance, but in order to achieve lifetime employment for the Japanese people, the government, labor and management collaborated to secure employment and realized it as much as was possible. Regarding wages, at the base was the idea of lifetime benefits in response to lifetime employment. Considering what kind of system would be socioeconomically appropriate for lifetime benefits at that time, a seniority wage system seemed to be desirable in terms of maintaining livelihoods and the development of occupational skills. Concerning enterprise unions, as noted earlier, the specific methods for improving productivity while maintaining employment depended on the ingenuity of each corporation's labor and management (the second of the Three Guiding Principles). Under close mutual cooperation between labor and management in each company, the corporation made progress in business by winning in the fierce competition among corporations on the one hand, and the workers came to make a decent living on the other. That is why enterprise unions became mainstream in Japan.

VII. Present Day Labor-Management Relations

The characteristics of labor-management relations during the period of high economic growth were studied by defining labor-management relations in the broad sense and keeping

in mind comparisons with present day labor-management relations. The purpose of this paper is to ascertain the characteristics of labor-management relations during the high economic growth period as part of the analysis of current labor-management relations problems. Finally, to highlight the difference with the present, the characteristics of labor-management relations will be described briefly and examined for comparison, and then, the characteristics of labor-management relations during the period of high economic growth that were described earlier will be reviewed again.

In spite of experiencing harsh economic conditions recently, Japan is currently one of the world's leading economic powers. This is quite different from the environment in which Japan found itself in 1955. This is an age of progressing globalization and a borderless world for goods, money, people and information, and the overseas expansion of Japanese corporations knows no bounds.

As a result of this environmental change, labor-management relations have also undergone great changes. The characteristics of today's labor-management relations are briefly put "estranged labor-management relations" where the fruits of a corporation's productivity improvement are not always returned to the workers and corporate growth does not necessarily lead to an improvement in workers' lives. When Japanese-style labor-management relations had a significant impact on high economic growth, there was a clear national consensus on the development of the Japanese economy, and in order for Japan, which did not have international competitiveness at that time, to realize economic growth, the creation of a domestic market was indispensable. Currently, the domestic market is one of the markets in the world for the Japanese corporations gaining the international competitiveness, and it is worriedly expected to be reduced its size because of a decline in population in Japan. Meanwhile, as developing countries are achieving remarkable growth, their markets have become far more appealing for the Japanese corporations.

With more globalization, Japanese corporations expanded their business overseas for such purposes as to reduce labor cost and to avoid the foreign exchange risk, and as a result they developed labor-management relations overseas as well. Labor-management relations in Japan are but one among many labor-management relations and their presence has become of relative importance. Furthermore, even in Japan, non-regular employees represent over one third of workers and short-term employment relations have increased. Accordingly, it has become difficult for both corporations and workers to pursue mutual interests by striving for medium and long-term growth while keeping short-term profits in check; and, as noted earlier, Japanese-style labor-management relations are becoming of relative importance even in Japan.

Here, "estranged labor-management relations" based on the mechanism shown in Figure 4 have come to the fore. This is not the case with all relations between corporations and workers in Figure 4, but the mechanism in Figure 2 has become of relative significance, it did not have popular movements to promote in Japanese society, and the mechanisms shown in Figure 2 and Figure 4 coexisted in a chaotic manner. As indicated by Figure 2,

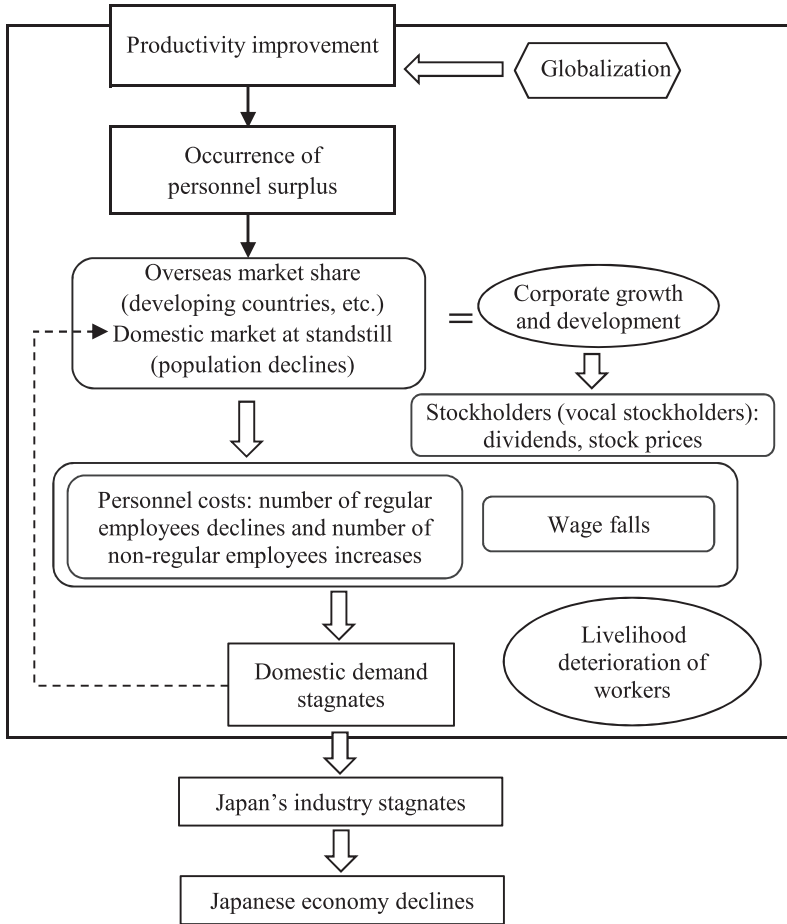
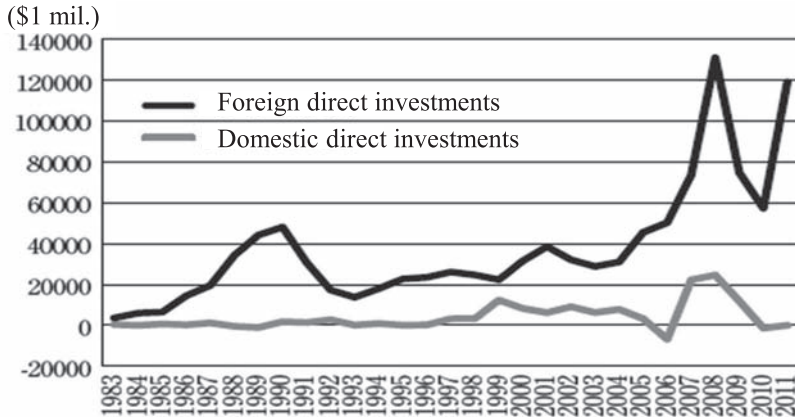


Figure 4. Estranged Labor-Management Relations

when productivity improvement generated surplus personnel during the high economic growth period, in order to overcome this problem, Japanese corporations had no way but to create domestic market, expand their business and increase domestic demand; otherwise, they could not continue to grow. In addition, it was also inevitable for them to expand domestic demand through fair distribution. However, with increasing globalization, markets other than the Japanese market became accessible, and not a few markets including ones in developing countries were more attractive than the Japanese market. Furthermore, today's Japanese corporations have the strength to make inroads overseas. In the present day, when even technology and people can flow out the country, it has become possible for corporations to realize growth even if the domestic market does not expand, by undertaking overseas business development.

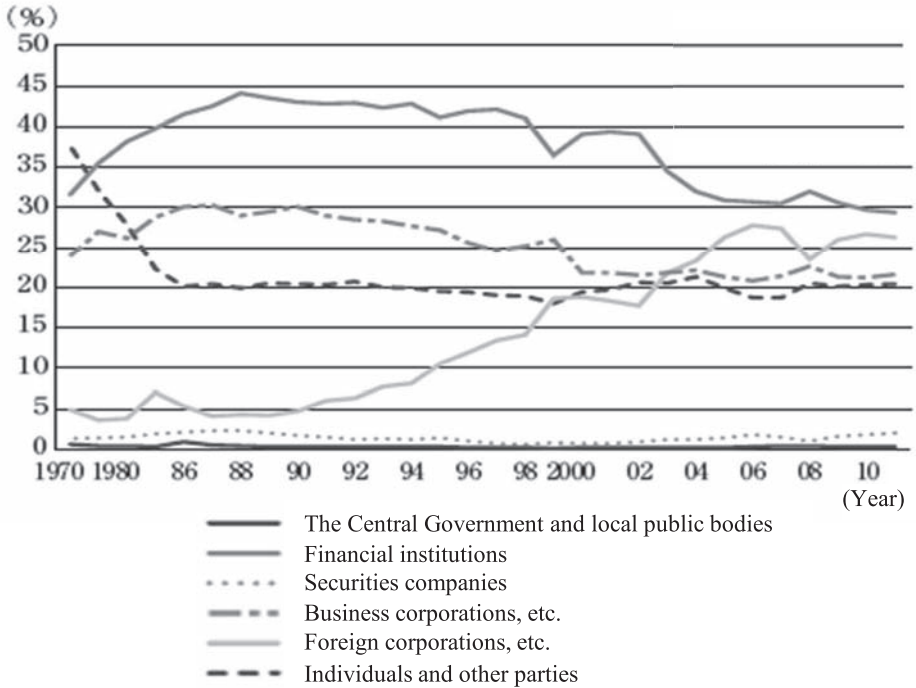
Moreover, as personnel cost in Japan is much higher than the rest of the world, under harsh economic conditions Japanese corporations sometimes have to streamline their



Source: Prepared by JETRO based on the Ministry of Finance's *State of the Balance of International Payments*, the Bank of Japan's *Foreign Exchange Market*, etc.

Figure 5. Foreign and Domestic Direct Investments

workforce in Japan and move operations overseas. While the unemployment rate has risen following the collapse of the asset-inflated bubble economy, overseas investments have been in a rising trend over the medium and long-term (Figure 5). Amid intense international competition, Japanese corporations have found the road to survival in overseas expansion as they streamline and restructure their domestic workforce. As a result, there has spread in Japanese society the situation where even regular employees cannot necessarily be guaranteed their employment until mandatory retirement age, and non-regular employees with low labor costs have increased in number. It is here, with corporations aiming for their own growth through overseas expansion and Japan's workers losing their jobs or being relegated to low-paying, unstable jobs, that "estranged labor-management relations," where corporations and workers are alienated, have arisen. Therefore, regardless of the economy prospering, only some corporations produced favorable business results and workers' real wages declined. Because of the effects of globalization, the impact of stockholders, who did not appear in the Three Guiding Principles, grows. Nowadays, foreign corporations and other parties who have been growing in number demand short-term distribution of profits, they have a strong tendency to respect the market mechanism, and there is much that runs counter to the principles of Japanese-style labor-management relations, where both labor and management practice self-control regarding short-term profits and work for further growth by expanding the pie in the medium and long-term (Figure 6). Today, the principle of investment, which is different from the principle of workers' livelihoods and the principle of corporate management, has crept into the labor-management relations mechanism. The "unified labor-management relations" of the high economic growth period has been overtaken by "estranged labor-management relations."



Source: Securities Exchanges nationwide, *Share Distribution Survey*.

Figure 6. Stock Investment Ratio by Investment Category

Incidentally, labor-management relations based on the mechanism in Figure 4 are a result of structural change mainly brought about by globalization, which will not fundamentally be changed by economic trends of the time. I finally mentioned it as a characteristic seen recently, in order to highlight the labor-management relations during the high economic growth period and to make the differences in the labor-management relations of the past and the present easier to understand. The current issues of labor-management relations, including what generated the relationships in Figure 4 and why the mechanism in Figure 4 presents ever-increasing labor problems, will be further reviewed some other time.

VIII. Summary

The previous study shows that labor-management relations were understood in a great variety of ways and used the analytical methods thought to be the most appropriate for analyzing the labor problems at the time. When considering the labor situation in postwar Japan and global trends, by placing corporations and labor unions—the main parties involved in forming employment relations to date—at the core of labor-management relations, their characteristics and problems are most markedly revealed. Taking the annual spring labor

negotiations noted earlier as an example, they indicate the social standard in terms of wage determination in Japan and in this sense the relationship between corporations and labor unions has a presence in society. However, from the viewpoint of the present day, it must be said that it was indeed a characteristic of the labor-management relations in the high economic growth period that labor unions could be regarded as one of two parties in the relations.

Labor-management relations during the period of high economic growth were a labor-management framework in which corporations and workers could grow together and have a mechanism to reconcile conflicting principles in a general sense, productivity improvement and employment security, which were gained after long years of intense disputes. These Japanese-style labor-management relations played an important role during the high economic growth period. It was not that they could realize labor-management relations which enabled them to have stable employment relations because it was such a particular time of high economic growth, but that they could achieve the high economic growth as a result of their effort to build stable employment relations on often-antagonistic labor-management framework. History indicates that labor and management will continue to play important social roles in Japan. What kind of society it will be the aim to build in Japan from an industrial point of view and in terms of a community where people can live stable lives is closely related to what kind of labor-management relations will be formed and what kind of mechanism will be constructed there in order to overcome a variety of problems.

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