INTRODUCTION

Changing Corporate Governance and Labor-management Relations

The revision of the Commercial Code in 2002 enabled Japanese firms with a certain number of employees to choose one type of corporate governance from among various options. The revision and the responses toward it by Japanese firms lead certain conclusion to the argument concerning corporate governance which had been discussed since the late 1990s. This issue of Japan Labor Review features articles addressing corporate governance in Japanese firms to discuss the influence of changes in corporate governance on labor-management relations.

The first article by Professor Hiroyuki Itami provides his logical inferences concerning the possible impact of the revised Commercial Code on the corporate governance of Japanese firms. Itami stated that the revision itself does not have any substantial direct impact, and that the newly provided option where governing structure is concerned will not trigger any considerable change in the corporate governance. According to him, it is the risk of hostile takeovers by foreign firms that will have a certain influence on corporate governance.

The second article by Professor Takashi Araki deals with features of share ownership, management and employment relations in Japan. In his article, he characterizes the traditional Japanese corporate governance system as an employee-centered stakeholder model which relies heavily on practices. After examining recent changes that might affect the traditional governance model, he argues that, in spite of these changes, there are counterrtrends and countermeasures against the one-sided progress towards the shareholder value model. He concludes that stakeholder model in Japan is not likely to be drastically morphed into the shareholder value model at least for the time being.

The third article by Professor Hiroshi Osano and Mami Kobayashi, postdoctoral fellow of the COE program, points out possible future direction of corporate governance in reaction to ongoing external changes. This article aims to clarify which company-employee relationship is compatible with such changes. Professor Osano and Kobayashi argue that changes in corporate governance in response to these external changes can
be classified as either changes in external or internal governance. This article concludes that company-employee relationship should be reformed in line with these changes.

The fourth article by Fujikazu Suzuki, Deputy Director General for RENGO-RIALS, focuses on the role of employees in corporate governance. A constant theme in the debate surrounding reform of corporate governance in recent years has been how to include “voices outside the company” in corporate governance. Suzuki argues that it is important to establish systems to reflect “voices within the company” in corporate decision-making and monitoring mechanisms. He is concerned about the voices of employees, whose vocational lives depend on decisions made by management. This article examines the changes in the role of employees as members of corporate society and the issues labor unions raise on behalf of employees.

Considering that the mechanism of corporate governance in Japan is still in the process of being reformed, it is difficult to say that the model of corporate governance has been established. It seems that Japanese firms will continue to seek the compatible model with each firm. I believe corporate governance structure exercises great influence on labor-employee relations, thus future developments should be carefully monitored.

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