

JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

Vol.34 No.01

January 1995

CONTENTS

Working Conditions and the Labor Market

- ▶ Shorter Hours Progress

Human Resources Management

- ▶ Female University Graduates' Job Selection Behavior and Working Life

Labor Management Relations

- ▶ 1995 *Shunto* Coming Up- Labor Decide Upon Wage-Hike Target

Public Policy

- ▶ The Pension System Reform Bill Passed

Special Topic

- ▶ Union Participation of Workers in Managerial and Supervisory Positions

Statistical Aspects

- ▶ Recent Labor Economy Indices
- ▶ Trends in Average Scheduled Weekly Working Hours Per Enterprise by Size of Company (All industries surveyed)

Working Conditions and the Labor Market

Shorter Hours Progress

Scheduled weekly working hours per worker in 1993 amounted to 39 hours and 51 minutes on average, falling below 40 for the first time on record, according to a Ministry of Labour survey. This is the first time that scheduled work hours were less than 40 since the Ministry started taking statistics.

The Ministry's annual survey, the General Survey on Wages and Working Hours System, was conducted in December 1993 on 5,300 firms with 30 and more employees. The poll inquired about working hours, retirement allowances and realities of retirement allowance payments. Replies came from 94.4 percent of the 5,300.

The 5-day workweek inched forward from a year earlier, with the proportion of workers benefitting from the scheme standing at 52.9 percent, up 1.6 point from 51.3 percent the year before. Scheduled work hours per firm totaled 41 hours and 46 minutes on average, 15 minutes less than the previous year, and those per worker 39 hours and 51 minutes on average, down 12 minutes. By industry, working hours in finance and insurance were the shortest as work hours per firm and per worker totaled 37 hours and 31 minutes and 36 hours and 41 minutes on average, respectively. The numbers were followed by public utilities (39 hours and 1 minute per firm and 38 hours and 5 minutes per worker). On the other hand, working hours were longer at firms in construction (42 hours and 46 minutes per firm and 41 hours and 9 minutes per worker) and in transport and communications (42 hours and 27 minutes per firm and 40 hours and 49 minutes per worker). By company size, meanwhile, work hours totaled 39 hours and 1 minute on average at large companies with 1,000 and more regular employees. The number for medium-scale firms with 100-999 regular employees came to 40 hours and 35 minutes and for smaller firms with 30-99 employees 42 hours and 20 minutes. The average worker spent 38 hours and 37 minutes on the job at major firms, 40 hours and 5 minutes at medium-sized companies and 42 hours and 8 minutes at small ones. The gap in working hours between large firms and smaller-scale ones was 3 hours and 19 minutes per firm and 3 hours and 31 minutes per worker (cf. Statistical Aspects).

In recent years the issue of shorter work hours has been much discussed, particularly in relation to productivity. Rengosoken (Research Institute for Advancement of Living Standards) recently published the results of a survey which focused on the issue. According to "the Survey and Research Report on Working Hours, Productivity and wages", almost all the 60 labor unions interviewed answered that they witnessed progress in shortening working

hours in the past five years. Furthermore, 50 unions said that they have some form of forum for discussion with management on shorter hours and productivity, suggesting a tendency to discuss reduction in work hours in its relation to the issue of productivity. On the other hand, what they discussed varied considerably, depending on progress made in shortening working hours. The tendency seems to be that the more the total annual working hours, the less unions discuss the issue of productivity.

Human Resources Management

Female University Graduates' Job Selection Behavior and Working Life

The Metropolitan Research Institute of Labour compiled a report titled "Female University Graduates' Job Selection Behavior and Working Life." Nearly 10 years have passed since introduction of the Equal Employment Opportunity Law (EEOL) to encourage equal opportunities between the sexes in fields of employment, including recruitment, hiring, assignments and promotion. The report compares working lives of women university graduates after the implementation of the EEOL, thus probing the effects of business fluctuations and legal regulations on women university graduates' working life. These women include those who graduated from colleges and universities in March 1987 when the economy had not yet emerged clearly from the first high-yen slump, those who did so in March 1991 when the "bubble economy" triggered the worker shortage and those graduating in March 1993 when bursting of the economic bubble led to the second high-yen slump.

1. Changes in Female University Graduates' Job Selection Behavior

Women university graduates' career behavior has undergone change in the period from 1987 to 1993. First, in selecting jobs, female university and college graduates have come to stress "consolidation of a system which allows women to work with ease." Second, social job-information systems, such as job-information magazines and job-placement programs in colleges and universities, have replaced personal channels, such as personal connections and have come to play a significant role in job-search activities. Thus, the satisfaction of women graduates with their first job has certainly shown improvement, clearly indicating that following enactment of the EEOL, the job-placement system for new female college and university graduates has been developed fully.

2. Changes in Career Experience in the Initial Stage-More Female University Graduates on the Frontline

Several notable changes have taken place in the positions women with college diplomas assume as their first job. First, special education programs for new recruits necessary to

enable them to do these jobs have been substantiated. Second, regarding content, jobs of an auxiliary nature, such as serving tea, have decreased, while opportunities to take up core positions have increased. Third, fewer women with college education are thus aware of sexual inequality among peers in the workplace.

3. Business Fluctuations and Female University Graduates' Job-Hunting Behavior

The labor market for female college graduates and their vocational behavior are also affected by business fluctuations. Women who graduated from colleges and universities in March 1991 when the nation enjoyed business expansion, tended to find work in major firms which highly valued them. When the economy slackens, however, they tend to find jobs at smaller-scale firms. Besides, female university graduates who found employment during the business expansion period have more opportunities to take on core jobs in the initial stage of their careers as firms scramble to place them on the frontline amidst the paucity of workers.

Thus, the better shape the economy is in, the better chances there are for women to obtain good jobs. This does not necessarily enhance their professionalism, however. In fact, women university graduates of 1991, the year of economic expansion, have lower enthusiasm to develop their own careers than those who graduated in other years.

Labor-Management Relations

1995 *Shunto* Coming Up -Labor Decide Upon Wage-Hike Target-

At a meeting of its November 25, 1994, Central Committee, Rengo (Japanese Trade Union Confederation) decided to demand monthly pay hikes of around 14,000 yen during *shunto*, the annual wage hike talks, next spring. The federation moved away from its traditional stance of asking for percentage-based increases and toward one based on amounts. The 14,000 yen wage hike will be equal to an increase of about 5 percent, or almost the same level as a hike ranging between 5 and 6 percent for 1994.

Rengo traditionally stressed winning a pay-raise percentage for the average union worker. This led to pace-setting wage levels. Wage bases, however, varied among individual industries and enterprises. Smaller-scale firms in particular, where wage bases are lower than at large firms, saw the gap in amounts of wage increases between them and large firms continue to widen despite the same pay-raise percentage. To pave the way for this situation, the federation adopted a new strategy of placing greater emphasis on negotiating with management in terms of wage-hike amounts. The proposal would increase the standard model monthly salary of 280,000 yen for employees aged 35.7 with 14.6 years of service.

At the same time, the organization decided to adopt the "individualized wage system" under which the standard 35-year-old worker is an indicator. A wide gap in basic wages between workers engaged in similar jobs in the same industry and having the same job experience just because they work for different firms is irrational from the standpoint of workers. Therefore, the federation believes that spread of the individualized wage system, which aims to set wages for standard workers in the same industry at the same levels, would greatly serve to rectify the difference between the firms. Even 20 years ago, Tekkororen (Japan Federation of Steel Workers' Unions) adopted the individualized wage system and Denryokusoren (Confederation of Electric Power-related Industry Workers' Unions of Japan) implemented the system in the spring of 1994, Denkirengo (Japanese Electrical Electronic and Information Unions) will also switch to the system in the spring of 1995.

In light of Rengo's decision, Kinzokurokyo (IMF-JC; Japan Council of Metal Workers' Unions), which acts as a pace setter for spring wage talks, decided to demand a 12,000, yen or 4percent, pay raise. Considering the fact that the metal industry is plagued with declining international competitiveness stemming from the strong yen, labor demanded a slightly lower pay increase.

IMF-JC plans to set approximately March 23 as the reply date on which labor unions in four major industries-steel, shipbuilding, auto and electrical machinery-ask for final wage-hike offers. In past years, unions of electrical power and private railway companies settled on wage-hike talks between the date on which IMF-JC received a final wage increase offer and the following date. In the 1995 negotiations, Rengo plans to set the wage-talks climax during the third and fourth weeks of March. The federation's strategy is to try to set a pace-setting wage level just a little higher than those for public-interest industries, such as private railway companies, by preceding wage-increase settlements for export industries which are struggling due to the strong yen. However, management of such industries as private railway companies which require wage increase rates to be authorized by the government and in which market principle does not work adequately, strongly resist to present wage-hike offers before the metal industries do. Thus, it will not be simple to achieve this change. Unions of major industries had an all-time low wage hike rate of 3.13 percent in the 1994 wage negotiations. Although the economy is moving toward recovery, employers of firms in export industries which act as pace setters for deciding wage increases have a strong sense of crisis due to the strong yen and the withering of domestic Japanese industry. Thus, the prevailing view is that the wage increase rate for 1995 will not be higher than the year before-level.

Public Policy

The Pension System Reform Bill Passed

A Pension System Reform Bill which incorporates raising the age at which people will be eligible to draw employees' pension in full and other matters, was passed in a recent Diet session. Reform of the pension plan, undertaken once every 5 years, aims to prevent a disaster in financing the pension plan in the 21st century when the in proportion of elderly people in the overall population will peak. The new law features a plan to gradually raise the age at which persons will be eligible to receive the annuity in full from the present 60 to 65, at the same time raising premiums for all adults who are active in society to institute a fairer allocation between retiring employees and active ones. The outline of the new law is as follows.

Table 1 Schedule for Raising of the Pensionable Age

1. Age at which the pension is drawn

Considering the fact that the employment system for those aged 60 and older has yet to be established, the pensionable age will be 61, starting in 2001 and will be raised by one-year once every three years to 65 in 2013 (See Table 1). The pensionable age for women will be 5 years later than that for men.

	Date of Birth	Pensionable Age
Men	Before April 1, 1941	60
	April 2, 1941-April 1, 1943	61
	April 2, 1943-April 1, 1945	62
	April 2, 1945-April 1, 1947	63
	April 2, 1947-April 1, 1949	64
	After April 2, 1949	65
Women	Before April 1, 1946	60
	April 2, 1946-April 1, 1948	61
	April 2, 1948-April 1, 1950	62
	April 2, 1950-April 1, 1952	63
	April 2, 1952-April 1, 1954	64
	After April 2, 1954	65

2. Partial pension

The partial pension will be paid to those in their early 60s before the employees' pension is drawn in full. They will receive the earnings-related portion of the employees' pension excluding the flat rate portion. For example a male who has begun to receive the pension recently (approximately 200,000 yen in full) will be eligible to draw half of the 200,000 yen as a partial pension. If they find themselves short of the partial pension, they will be able to receive the basic pension on request before they reach 65. In this case, however, they will have their pension progressively reduced throughout their lives.

3. Benefits

Benefits payable under the employees' pension were automatically adjusted in accordance with the fluctuating CPIs and with the wage increase rate of active employees.

The revision is undertaken every 5 years. The pension amount was revised in relation to an increase in gross wages including taxes and social insurance premiums. However, the new law features revision of the pension in accordance with net wages excluding taxes and social insurance premiums. This is intended to stabilize allocation of the public pension pie to further strengthen relationships of trust between generations. Introduction of the system of revising the pension amount according to a rise in net wages will lower the rate of increase in the pension amount by approximately 1 percent, reducing the increment by 1,000 yen-2,000 yen.

4. Old-age pension for those still working

The employees' pension payable to those who earn wages between the ages of 60 and 64 is called the old-age pension for those still working. Currently those who earn a monthly salary more than 250,000 yen are not eligible to receive pension and those who earn under 250,000 yen a month have their pension deducted by 20-80 percent according to their earnings. This, however, is likely to affect the elderly's will to work. Accordingly, the revised law features a system under which the total amount of wages and the pension will increase with a rise in wages. Specifically, an amount equal to half of rising wages will be deducted from the pension for those who receive the sum of wages plus the pension between 220,000 yen and 340,000 yen. Those who receive a salary plus the pension of over 340,000 yen will have their pension reduced by the increment of wages.

5. Premiums to be borne

The premium rate is currently 14.5 percent of monthly wages for insured workers (borne by both employers and employees on a 50-50 basis). It is predicted that with the ongoing aging of society, the rate, if no adequate measures are taken will jump to 34.8 percent in 2025. The new law projects raising the rate by 2.5 percent (currently 2.2 percent) every five years thereby to keep it to 29.6 percent in 2025. To reduce the burden, the premiums will be raised in two phases by 2 percent to 16.5 percent at the time the Law goes into effect and to 17.35 percent two years later. Furthermore, starting in fiscal 1995, those on child-care leave will be exempt from paying for premiums for the employees' pension to improve the child-rearing environment and to counteract the declining birthrate. Meanwhile, premiums will be collected also from the bonus at a rate of 1 percent (borne by the employer and the employee). So far, premiums have been collected only from monthly wages. The premiums for the national pension will increase by 600, yen 117,000 yen in total a month, beginning in 1995 and will be raised by 500 each year until 1999.

In the Diet deliberations on the pension reform bill, the major point at issue was the proposed increase in the government's basic pension spending rate. The ruling and opposition

parties debated on whether the government should increase its share of the basic pension spending from the present one third to one half. The public pension schemes consist of individual schemes, such as the employees' pension for employed persons, and mutual aid associations for civil servants, and the national pension designed to cover both types of workers. Among the national pensions is the basic old-age pension benefit pension payable to those over 65, with two thirds of contributions paid by insured workers and one third by the government. The percentage of revenues shared by the government is called the state liability rate. The revised law only states in a supplementary provision that the liability rate of the government will again be studied in 1999. But the Diet voted for a supplementary resolution, though non-binding, that states the government will try to increase its basic pension payment share up to one half. The government will give the matter a full-fledged comprehensive review at a later date because it will need to define revenue sources for the share increase, such as the consumption tax increase.

Special Topic

Union Participation of Workers in Managerial and Supervisory Positions

Michio Nitta
Professor
Institute of Social Science
University of Tokyo

Anxiety over employment security of employees in managerial and supervisory positions has recently been a growing social concern, and people have been engaged in a vigorous debate on whether these employees should be allowed to join labor unions (Y. Suwa, *Japan Labor Bulletin* Vol. 33, No. 7; H. Sato, *Japan Labor Bulletin* Vol. 33, No. 2; EPPC and Rengosoken, 1994). In this paper, I will approach the issue from the viewpoint of industrial relations.

One of the important clues to discussing the issue is to elucidate the uniquely Japanese circumstances in which negotiations and consultations between labor and management define the organizational extent of a labor union, an independent organization. Study of the three basic rules pertaining to industrial relations which regulate the scope of union membership-laws, labor union rules and collective agreements-will make it clearer.

First of all, let us take up the nation's law as a framework which constrains the behavior of both labor and management concerned. Article 2 of the Trade Union Law (TUL) defines the labor union. Clause 1 of this Article, which stipulates an exception of "representatives of

employers' interests," refers to "workers in supervisory positions having direct authority with respect to hiring, firing, promotion or transfers." Clause 1 is designed to secure labor unions' autonomy (independence from the employer). In this respect, there seems to be consensus in view among legal scholars (University of Tokyo's Labor Law Study Group, 1980, Sugeno, 1985).

The problem is how the TUL is interpreted and how much it actually affects decision of the extent of union membership. There are only a few judicial precedents available, and they include old ones. Judging from those small number of cases, though, the court the scope does not seem to interpret of workers representing the company's interest in a strongly restrictive way regarding a decision of the extent of union membership. Generally, the scope of those in managerial positions who are actually non-unionists is considerably wider than that of those who represent the interests of the employer as judged by the court.

It is the Labour Relations Commission that is the actual organ determining the primary interpretation of Clause 1 of Article 2 through authorization of qualification of labor unions. It is inconceivable, however, that the Commission would adopt a wider interpretation of the Clause than does the court, and this strongly affects the decision of the actual extent of union membership.

Of course, legislation not only regulates social life through the direct application thereof by administrative organs and courts, but also has the indirect effects of affecting changes in formation of social norms. Looking back on the historical development of the TUL, it is quite possible that clearer and more detailed description of representatives of employers' interests as a result of revision in 1949 of the TUL (listing of officials in Clause 1) affected subsequent management-led reorganization of industrial relations).

Second, examination of labor union rules shows that collective agreements, rather than labor union rules, substantially stipulate the extent of union membership and the latter ratifies in practice what is provided for in the former. Even when the union rules independently stipulate formal exceptions regarding the extent of union membership, it does not transcend the extent of the collective agreement enough to affect decision of the substantial scope of union membership.

The above rough consideration makes it possible to confirm that the collective agreement provides the most important rule that determines the extent of union membership in Japan. This, however, holds a contradiction in the common sense that defining the scope of membership of the labor union which is an autonomous and independent organization is

entrusted to the labor union itself. Why is the extent of union membership regarded as a matter pertaining to labor-management negotiations? The following may be cited as reasons.

First comes the fact that employees of Japanese corporations are not clearly stratified. In the corporate organization to which the principle of single status is largely applicable, stratification of employees within the organization (blue-collar workers and white-collar workers, for example), which is often observable in other countries, is not clear. Under these circumstances, employees' sense of unity tends to be nurtured, making it difficult to differentiate between management and labor. It thus is possible and is actually observed that without the employer's intervention, employees would not have doubts about those in managerial posts joining labor unions.

Management seems to have judged, for the following two reasons, that this situation, if no adequate measures are taken, will work against them.

First, it is necessary to secure active core employees who clearly side with management in the face of confrontation between labor and management. Simply stated, there is a need to secure core managerial employees who do not come under control of the labor union and who act for management with a sense of loyalty at a bargaining table or in disputes.

Second, there is a need to secure control of personnel decisions regarding managerial employees. Take in-house personnel reshuffles with reassignments as an axis, for instance. Labor unions are involved in personnel management of unionists in a wide variety of ways. If higher managerial employees are union members, union would try to intervene in the personnel process. Personnel decision regarding managerial employees is, however, a matter of vital importance which affects hierarchical control and business success of the corporation. To avert labor unions' involvement in this, it is necessary to exclude these people from union membership.

Of course, labor unions do not think that in order to ensure their autonomy, it is better to keep senior managers as union members. Historically, however, the extent of union membership which labor consider proper, tends to be broader than that considered as such by management. This makes it necessary to solve the problem through negotiations and consultations between labor and management. The scope of union membership as provided for in the collective agreement grew out of a trial and error-based compromise made between labor and management in these situations and therefore seems to be convincing. In a recent survey conducted by Rengosoken (Rengo Research Institute for Advancement of Living Standards) (EPPC and Rengosoken, 1994), about 9 percent of labor unions questioned

recognized some section chiefs on the line as members, and 13 percent treated employees equivalent in status to section chiefs who usually are positioned off the line as such. On the other hand, approximately 90 percent organized chief clerks both on and off the line (See Figure). However, overhauling the rules concerning the scope of union membership, which has been established based on long years of experience, is now being called for. This is due to changes in the socioeconomic environment and resultant change in personnel management.

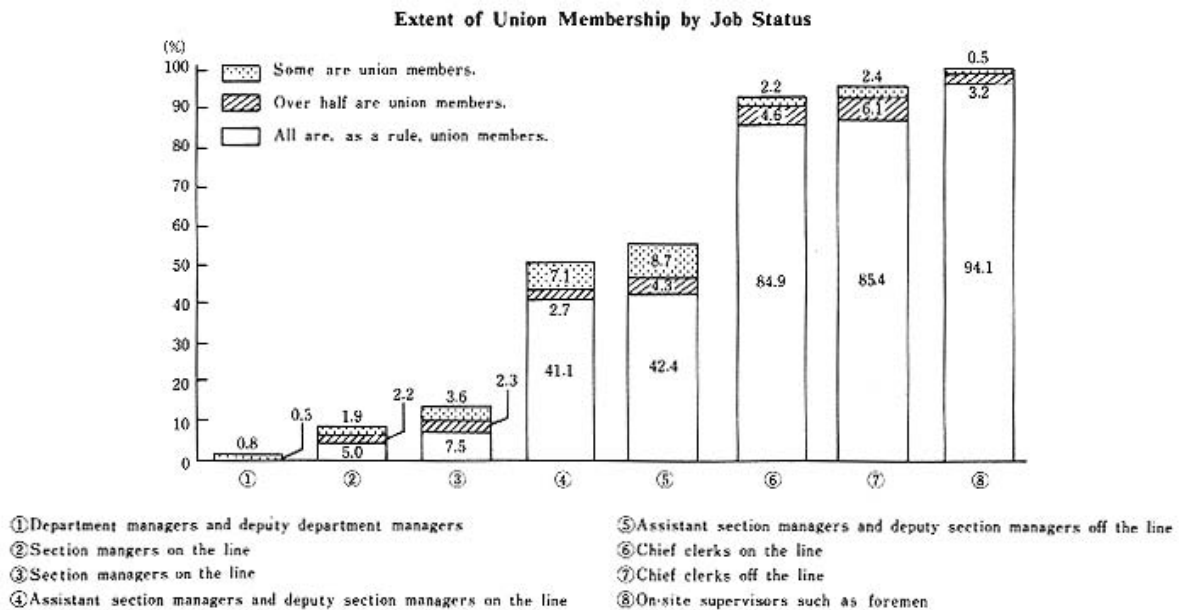
The following are especially significant points. First, corporate reorganization and changes in personnel management have blurred the line organization, such as the department manager, the section manager and the chief clerk, allowing for a more flexible organizational structure close to the project system. In some cases, job-skill qualifications, which were initially established as the remuneration system, have been utilized to replace names of positions within the firm.

Second, the number of "those in managerial positions" who work as *de facto* staffers is increasing regardless of whether they are clearly recognized as professionals or specialists under the personnel system. This was generally regarded as a problem in personnel management because those positions could have been created as the response to lack of positions for senior white-collar employees stemming from seniority-based promotion practices. (The term "managers without subordinates" is a plain description of the problem.) But this does not give a full and satisfactory explanation of the term "managers or *kanrishoku*." The Japanese concept of "managers" is broad-based and is not necessarily the same as the concept of "managers" generally construed in the English-speaking countries. In Japan, "managers" include those who do work similar to that done by professionals. The scope of discretionary work which is not subject to time management (to which overtime is not paid) is narrow under the Labour Standards Law, and this fact is perhaps responsible for treating many employees engaged in highly discretionary work as "managers", who are exempted from time management.

These changes have brought about the phenomenon of a growing weight of those in "managerial" status within a company and a relatively narrow scope of union membership. Also, it has become difficult to classify union members in terms of positions, and it has thus become necessary to determine the extent of union membership by job-skill qualification, or by a combination of job-skill qualification and position.

In addition, today there are calls for reviewing personnel management of white-collar workers and introduction on an experimental basis of the annual salary scheme and discretionary work. This trend, whatever shape it may take, will eventually cause the

traditional division of managers vis-a-vis non-managers to be further blurred. Thus, it is predicted that this issue will become much more of a concern for management and unions alike in the years ahead.



Note

- 1) The University of Tokyo, Institute of Social Science carried out a survey on the realities of postwar labor unions in 1947. The survey said that of labor unions which responded, 26.7 percent had union members who were section managers or above (excluding such special chiefs as the labor section chief). What is more, considerable numbers of respondents said "other" or "unknown," and many had unionists who were officials in a high position (Okochi, 1956, pp. 99-106). In many firms these managers in relatively high positions left the union around 1949.

References

- Employment Promotion Projection Corporation and Rengosoken (Rengo Research Institute for Advancement of Living Standards), *Rodo Kumiai ni okeru Kumiaiin no Han-i ni tsuite no Chosa Kenkyu Hokokusuo, (A Report of Study on Scope of Union Membership in Labor Unions 1994)*.
- Okochi, Kazuo ed., *Rodo Kumiai no Seisei to Soshiki. (Formation and Organization of Labor Unions)*, University of Tokyo Press, 1956.
- Sugeno, Kazuo, *Rodoho (Labor Law)*, Kobundo, 1985.
- University of Tokyo Labor Law Study Group, *Chushaku Rodokumiaiho (Labor Union Law Commentary)*, Vol.1 Yuhikaku, 1980.
- Sato, Hiroki, "Employment Adjustment of Middle-aged and Older White-collar Workers," *Japan Labor Bulletin*, Vol. 33, No. 2, February 1994.
- Suwa, Yasuo, "Will the Union for Middle Management Expand?," *Japan Labor Bulletin* Vol. 33, No. 7, July 1994.

Statistical Aspects

Recent Labor Economy Indices

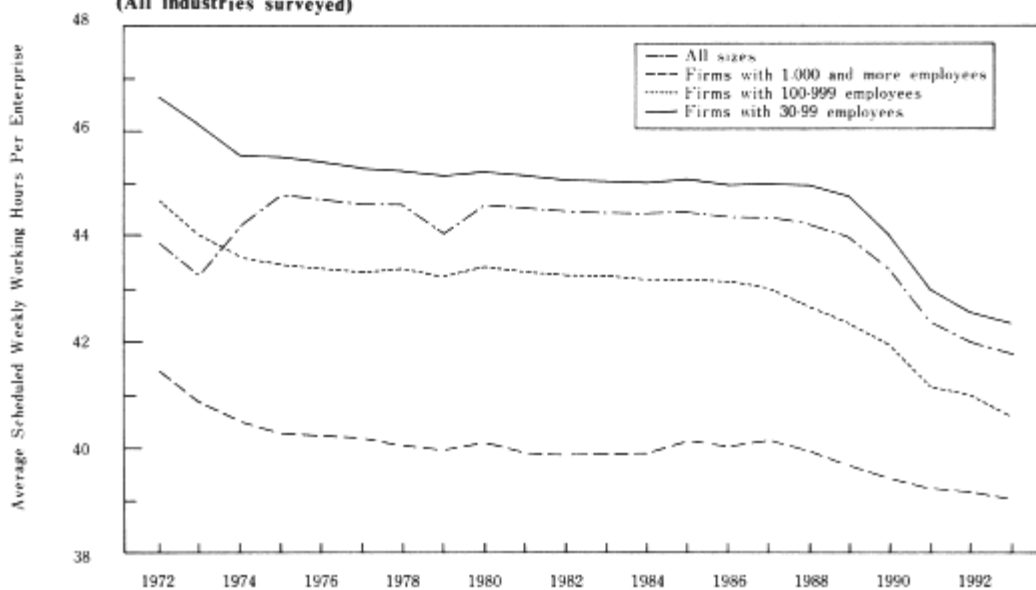
	September 1994	August 1994	Change from previous year
Labor force	6,685 (10 thousand)	6,690 (10 thousand)	20 (10 thousand)
Employed	6,484	6,490	-9
Employees	5,243	5,249	28
Unemployed	198	200	29
Unemployment rate	3.0%	3.0%	0.4
Active opening rate	0.64	0.63	-0.06
Total hours worked	159.8 (hours)	154.5 (hours)	-0.2
Total wages of regular employees	277.2 (¥thousand)	276.4 (¥thousand)	2.1

Source: Management and Coordination Agency, Ministry of Labour.

Notes: 1. *denotes annual percent change.

2. From February 1991, data of "Total hours worked" and "Total wages of regular employees" are for firms with 5 to 30 employees.

Trends in Average Scheduled Weekly Working Hours Per Enterprise by Size of Company
(All industries surveyed)



Source: Ministry of Labour, *General Survey on Wages and Working Hours System*

Notes: 1. Both the 1972 and 1973 figures are not comparable as they are the average worker.

2. Figures for 1974 and after are available, but those for 1972 and 1973 are not.

There are no mean values for 1971 and before, either.