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General Survey

Labor Surplus Diminishes: Survey on Labor Economy Trend

According to the Management and Coordination Agency, Japan's GDP (seasonally adjusted) increased 0.2 percent in the second quarter of 1999 (April - June) over the previous quarter (January - March), an increase of 0.9 percent, in annual terms. A Survey on Labor Economy Trend conducted in August by the Ministry of Labour corroborated those findings, showing that over-employment of regular employees seems to have eased somewhat.

The survey provides a picture of production and sales activities and their influence on employment, working hours and so on. The survey is mailed out nationwide four times a year to 5,342 private businesses with 30 or more regular employees in industries such as construction, manufacturing, transportation and communication, wholesaling and retailing including food and drink establishments, financing, insurance and real estate, and services. The results shown here are as of August 1, 1999 with 3,190 or 60 percent of the enterprises responding.

The diffusion index (DI) is a diagnostic measure of the excess in regular employment, and is calculated by subtracting the percentage of establishments which answer that they have "excess in the number of regular employees they hire" from the percentage of firms which claim they are experiencing a "shortage of regular employees." The survey found that the DI in manufacturing, in wholesaling and retailing (including food and drink establishments), and in the service sector indicated that enterprises in those sectors were beginning to feel that they had less "excess labor" than before.

The DI for regular employees as of August averaged a minus 15 percent for these five industries taken together, five points up from the previous quarter. The figure for manufacturing and the service sector was up six points. The index for these industries rose for the first time since February 1997.

Thirty-one percent of firms had adjusted their employment levels during the April to June quarter, three points down from the previous quarter. This was the first time for this figure to decrease since May 1997.

Working Conditions and the Labor Market

Job Vacancy Rate of High School Graduates Hits Record Low

A survey by the Ministry of Labour has revealed that the ratio of job vacancies to job seekers among high school students due to graduate in March 2000 was 0.62 as of the end of July 1999.

The number of young job seekers totaled 264,000, 6.1 percent down from the same time a year earlier. However, the number of job vacancies was 166,000, a drop of 40.4 percent over the same period. The job vacancy rate stood at 3.08 for students graduating in March 1992, when the economy was booming. Last year the rate dropped to 0.98, below 1.0 for the first time in 11 years. At 0.62, the rate was the lowest since the collection of such statistics began in 1984. The situation was particularly serious in Hokkaido and southern Kyushu where the rate was 0.22 and 0.21, respectively.

The Ministry of Labour has provided several reasons behind the low job vacancy rate for high school graduates: the deteriorating employment situation, which has made it easier for enterprises to employ university graduates and two-year college graduates instead of high school graduates, and the general reluctance of firms to hire new employees while the future of the economy is uncertain. Another line of reasoning attributes the low rate to changes in the industrial structure which has limited job opportunities for high school graduates to certain service sectors and manufacturing. According to the School Basic Surveys released by the Ministry of Education, Science, Sports and Culture, the employment rate of high school graduates has been declining over the years, standing at only 20.2 percent in March 1998.

The recruitment system for high school graduates in Japan is fairly institutionalized. Enterprises wishing to hire high school graduates are obliged to submit job order cards concerning vacancies to a public employment security office, which checks them and then passes them on to high schools. A job-seeking student receives advice from school counselors or his class teacher regarding the enterprises seeking graduates. The student then takes an examination conducted by the company to which he or she wishes to apply in September. Until recently, it has been the practice that one student applies for each job vacancy, and the schools have played a significant role matching job seeking students to employing firms.

However, now that there are only six vacancies for every 10 young job seekers, high schools can no longer play the role of job placement coordinators. In rural areas, the deficiency in the absolute number of job vacancies is a serious problem, while in large cities attractive vacancies are becoming scarcer. As a result, job-seeking high school students tend to choose part-time or non-regular employment, thus creating a new social problem.

In most years, the employment rate of high school graduates seeking work after graduation has been around 98 to 99 percent. The remaining one or two percent have actually switched course and decided to go onto higher education. This result has no doubt reflected the efforts of schools and public employment security offices to match graduates to job openings. Nevertheless, the employment rate for high school students graduating in March 1999 dropped to 96.8 percent.

Salaries in Private Companies Decrease for the First Time in Five Years

The average salary paid to employees in the private sector in 1998 was ¥4.658 million, a drop of 0.5 percent or ¥25,000 from the previous year, according to a statistical survey of salaries in the private sector conducted by the National Tax Administration Agency. This was the first drop since 1993. The total amount paid to all salaried employees was ¥211.2088 trillion, the first drop (minus 0.5 percent) since 1949 when the survey was first conducted.

The number of salaried employees who worked for private companies throughout 1998 totalled 45.446 million (an increase of 0.4 percent over the previous year). Male employees numbered 28.602 million (up 0.5 percent) and female employees 16.694 million (up 0.2 percent). The average total salary for male employees was ¥5.72 million, a decrease of 0.9 percent from the previous year, while that for female employees was ¥2.8 million, an increase of 0.4 percent over the same period. This reduced the difference between the average salaries for men and women by ¥61,000, to ¥2.92 million. The average age of salaried employees was 42.6 (42.8 for males and 42.3 for females) and the average tenure to the present was 11.9 years (13.4 for males and 9.2 for females).

The survey has been conducted by the National Tax Administration Agency every year since 1949. The purpose of the survey is to provide information on the annual salaries of employees in private companies. The survey has provided a basis for estimating tax revenue and the relative tax burden, and administering the tax system as a whole.

Human Resources Management

Percentage of Women Directors at Listed Firms Stands at 0.25 Percent

A "Survey on Corporate Officers of Listed Companies" conducted as of the end of July by Toyo Keizai Inc. shows that there was only 99 female directors at Japan's 2,430 companies listed on the nation's eight stock exchanges. This represents a mere 0.25 percent of all the

directors at these firms. The proportion of women among members of the Diet is 4.8 percent (24 women out of 500 members) in the House of Representatives and 17.1 percent (43 out of 251) in the House of Councilors. This suggests that the advance of women into company management lags behind that into the political world.

Among the 40,111 non-executive directors at the listed companies, females accounted for only 99 positions with two of them serving as directors of two companies. The survey in question is conducted every two years. In 1995, the number of female directors was 62 (0.15 percent of all directors), whereas in 1997 the figure was 83 (0.19 percent), showing a tendency to rise, though very gradually.

By industry, the service sector had the most female directors (18), followed by the retail sector (14), the wholesale sector (10), and the textile industry (9). Thirty female directors were in companies owned by their founders. Another 13 were in companies in which the majority of shares were owned by one family. These figures suggest that in many cases women had a better chance to be promoted in family-owned businesses. Quite a few female lawyers and certified public accountants had also been promoted as auditors, but it is fairly rare for female employees to come up through the ranks to be appointed as directors.

Labor-Management Relations

Zensen-domei Forms a Union for Non-employees and Former Employees

Zensen-domei (ZENSEN), an organization of enterprise labor unions in the textile, transportation, service and other sectors, has decided at its regular conference in September to establish "Union Mate," a labor union composed of individuals who have lost their jobs and are no longer members of an enterprise union.

The present slump in consumption has thrown industries such as transportation into recession. During the past year, 8,240 members of ZENSEN lost their jobs due to labor cuts and so on. This was 2.3 times the figure in the previous year

ZENSEN sent a questionnaire to its members who had left their companies during the past two years. Nearly half of them were still unable to find a new job, and one-fourth remained unemployed even after the termination of their unemployment benefits. Those in their 20s and 30s who had found a new job experienced an average drop in their income of about ¥30,000. For those in their 40s and 50s, the figure was about ¥100,000. The survey results generated several harsh opinions about labor unions.

ZENSEN has thus decided to set up a scheme whereby membership is open not only to employees but also to those who have lost their jobs *f*€ and hence membership of their enterprise union *f*€ due to labor cuts or company failure. In Japan, where enterprise unions are the rule, it is unusual for a union to experiment with unemployed members.

Union Mate is a single, unified labor union which an individual can join on his/her own. There are a considerable number of part-time, temporary and other unorganized workers in the business and commercial areas, underground shopping malls and the like. ZENSEN now aims to organize these workers. Apart from this, ZENSEN has also decided to expand its free job placement services now located in Tokyo, Osaka and Nagoya to the whole nation.

With unemployment increasing, a growing number of labor unions have started to consider new policies which go beyond the present framework of safeguarding the jobs of workers who are already union members and employed. One example is the establishment of an “Unemployment Union” in October, organized largely by individual-based unions of employees in managerial posts. The union is composed of unemployed people and its members together provide the funds to set up business enterprises to create jobs for themselves. Another example is unions which have launched job placement businesses for temporary workers. It seems that labor unions are beginning to experiment in various ways.

New Labor Union Federation in Metal, Machinery and Manufacturing: Toward Unifying Japan's Industry-based Federations

On September 9, Zenkin Rengo (Japanese Federation of Metal Industry Unions), a Rengo affiliate, and Kinzoku Kikai (Metal Machinery Workers' Union of Japan) formed a new industry-based union known as “JAM.” “JAM” stands for the Japanese Association of Metal Machinery and Manufacturing Workers. With around 500,000 members, this is the biggest merger since Rengo (Japanese Trade Union Confederation) was founded in 1989. JAM is the fifth largest of Rengo's affiliates and the fourth largest federation of enterprise unions in the private sector. Its say and influence will inevitably increase, and its formation will affect efforts to reorganize and merge among other industry-based organizations.

Kinzoku Kikai was formed in 1989 with the merger of Zenkoku Kinzoku (National Trade Union of Metal & Engineering Workers) formerly associated with Sohyo (General Council of Trade Unions of Japan) and other small- and medium-sized union federations. Until 1950 Zenkoku Kinzoku and Zenkin Rengo had been a single organization affiliated under Sodomei

(Japanese Federation of Trade Unions) which was the largest national peak organization for trade unions. However, the two factions broke with each other over the establishment of Sohyo. For the next 49 years the two industrial federations *f*€ one affiliated with Sohyo and the other with Domei (Japanese Confederation of Labour) *f*€ stood in opposition to each other.

When the two national centers disbanded to form Rengo as a new united national center, to which both federations were affiliated, reunification of the two federations seemed inevitable and was soon on the agenda. The reunification has emerged out of a shared sense of the need to maintain employment and labor conditions in the midst of the rapidly changing economic situation. This was seen as an important step in strengthening their financial base, and in increasing their influence on employers' associations, on political parties, and on the government itself.

The labor movement is organized on three levels in Japan. First is the independent, single union, the majority of which are enterprise unions. At the next level are the industrial federations. Then at the national level come the national centers, of which Rengo is the largest. In this three-tiered structure, the enterprise union has an overwhelmingly strong influence. At the industry level, 74 federations are affiliated with Rengo, some having only a few tens of thousands of members. Quite a few lack their own exclusive staff and do not have sufficient funds to function properly in terms of research, unionization at lower levels, and in influencing the formulation of industrial policy.

Since its establishment, Rengo has stressed the importance of strengthening the industry unions in order to make up for the inherent weaknesses associated with Japan's enterprise unions. To that end, Rengo has actively pushed for the unification of industrial federations. Besides the formation of JAM, a new union federation with around 200,000 members will be set up in the commercial sector in July 2000. Moreover, industrial federations in land transportation recently formed a committee to work towards unification in 2003.

Special Topic

Role of Labor Unions in the Recent Change in White-collar HRM Practices in Japan

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1.0 Introduction

As Japanese firms attempt to restructure and modify their white-collar human resource management (HRM) practices, many of the traditional employment rules are being renegotiated. In some cases, rules regarding employee evaluation and reward are being shifted from a practice based on seniority and competence development to one based more on employee performance and contribution. In other cases, the implicit understanding of long-term employment is being replaced by a new realization among employees that their employment may not be so securely protected. In yet other firms, responsibility for employee development is slowly passing from employers to employees, making employees, instead of employers who had previously invested heavily in employee development, responsible for maintaining and upgrading their skills.

All these changes could potentially be a new source of conflict between employers and employees. Replacement of employee evaluation criteria, weaker protection of employment security and employees' increased responsibility for skill development may all lead to a fear among employees that their employment conditions might worsen in the future. More importantly, since these employer-initiated changes are often introduced by firms attempting to increase efficiency and improve corporate performance, they are likely to put pressure on employees to contribute more for the same (or even less) reward while facing an increasingly uncertain future. It may also become more difficult for employees to maintain their standard of living or to rely on long-term employment in making plans in their lives.

We might have expected these HRM changes to provide a new impetus for labor union activities and for discussion over employment conditions to become a focus of labor-management conflicts again. We might also have expected dwindling union membership (Tsuru, 1994) and decreasing commitment to labor movement activities (Fujimura, 1998) to be reversed.

However, this does not seem to be happening. Instead, enterprise unions in Japan have taken a collaborative position in the introduction of new white-collar HRM practices. As will be shown, unions are often consulted in the process, but their participation does not seem to have a strong impact on employers. In this sense, the position taken by Japanese enterprise unions is consistent with past patterns of labor-management relations in large Japanese firms. The traditional ways of labor-management cooperation are carefully being followed, both to protect the interests of union members and to meet the competitive challenges faced by their employers.

In this note, using a unique data set obtained by the Joint Labor-Management Commission organized by the Japan Productivity Center for Socio-Economic Development (JPC-SED), I will document how Japanese labor unions have responded to recent employer modifications in Japanese employment systems. I will show that the traditional pattern of labor-management cooperation and existing conflict resolution mechanisms, such as individual grievance and complaint handling procedures, may no longer be effective in protecting membership interests or in increasing union attractiveness. Finally, I will also suggest that Japanese labor unions should engage in more proactive and systematic involvement in the design and implementation of new HRM practices⁽¹⁾.

1.1 White-collar Employees in Japanese Enterprise Unions

One institutional detail that needs to be clarified before proceeding to the issue of the role of labor unions in HRM changes is the status of white-collar employees in Japanese enterprise unions. As has been suggested by previous observers (e.g., Morishima, 1995), one of the major characteristics of Japanese enterprise unionism is its diversity of membership. Unlike unions in many other nations, an enterprise union in Japan includes all types of *seiki* (permanent and regular) non-managerial employees of a single firm and represents their diversified interests. Although the law prohibits managerial employees from participating in labor union activities, the definition of non-managerial employees is broad enough so that in most firms, both blue- and white-collar employees in first-line supervisory and managerial positions are usually part of the relevant enterprise union(s).

One particularly distinguishing feature, therefore, is that most Japanese unions include both white-collar and blue-collar employees in the same bargaining units. Moreover, a number of different white-collar occupations (e.g., administrative, research and development, computer programming and engineering) are also included. Such membership diversity presents a difficulty for Japanese unions, as the needs that employees expect to be served by their unions differ, depending on their occupations. Employees' attitudes toward unions may also vary depending on the degree to which they believe their particular needs are being satisfied.

This situation is unfortunate. Several observers have cited loss of worker support as one of the causes for substantial decline in Japanese union coverage during the 1980s (Tsuru, 1994), and one of the major causes of declining support for labor unions is the lack of attractiveness to white-collar members. Morishima (1995) finds that one important reason for the lack of union support among white-collar employees is that they perceive little possibility of labor unions improving their working conditions. Since recent changes in HRM practices are mainly targeted at white-collar employees (see Morishima, 1999 for details), the lack of active participation by the unions in this process may further weaken support for organized labor.

2.0 Union Participation in the Design and Development of White-collar HRM Changes

An important question then is: how much do Japanese enterprise unions influence firms' efforts to modify their white-collar HRM practices? Data collected by the JPC-SED examine the extent to which Japanese unions participated in the introduction of new HRM practices in four areas: (1) compensation, (2) employee evaluation, (3) promotion and (4) employee development. With regard to employee compensation and evaluation, questions were specifically asked about changes to increase the weight attached to employee performance and contribution. No specifications regarding the content of HRM changes were used for the remaining two areas: promotion and development

Also included in the employer survey were questions regarding the methods and effectiveness of labor union participation when employers did introduce new HRM practices for white-collar workers in one or more of the four areas covered. In the following analyses, employers without unions were excluded, reducing the sample size to 287. Because sample firms were large, labor unions existed in 86.4% of the total sample (N=304). Results are shown in Tables 1 and 2.

**Table 1. Method of Labor Union Participation
(N=287)**

	Percentage of firms that introduced changes in white-collar HRM	Method of union participation					
		Established special L-M committees	L & M discussed in joint L-M committees	M explained the plan in L-M committees	Discussed the changes only in collective bargaining	Employee opinions were obtained via channels outside unions	No solicitation of employee-side opinions
Change in compensation practices	78.3%	34.1%	30.1%	13.9%	1.7%	9.2%	11.0%
Change in evaluation practices	68.3%	30.7%	26.2%	17.6%	2.0%	13.7%	9.8%
Change in promotion practices	55.2%	30.3%	29.5%	13.1%	3.3%	9.0%	14.8%
Change in HR development practices	30.0%	16.4%	29.5%	11.9%	1.5%	22.4%	17.9%

Note: L and M stand for "labor" and "management," respectively.

Table 2. Effectiveness of Labor Union Participation

	Effectiveness of participation Management accepted some union demands for modification
Change in compensation practices	50.3%
Change in evaluation practices	51.0%
Change in promotion practices	48.4%
Change in HR development practices	39.4%

The left column in Table 1 shows that in this sample, 78.3% of the firms had adopted new practices in employee compensation. Similarly, 68.3% of the firms had adopted new practices in employee evaluation. Changes in promotion and employee development practices were less frequent than in the first two areas: 55.2% in promotion and 30.0% in employee development.

Next, using those firms that had changed their HRM practices as the sample, the methods and effectiveness of labor union participation were examined. The results regarding union participation are shown in Table 1. According to these results, in approximately two-thirds of the firms that had introduced changes in performance-based practices, labor unions participated either through specially established labor-management committees or through standing labor-management joint consultation committees. Employers that only explained their plans, without soliciting labor-side views, were in the minority (14 to 18%). About 10 percent of the firms surveyed gathered employee reactions through channels outside of labor unions. Firm management unilaterally introduced changes in HRM practices without soliciting any labor-side opinions in approximately 10 percent of cases examined.

Results regarding HRM changes in the next two areas are quite similar. In both evaluation and promotion practices, about two-thirds of employers sought labor-side reactions to changes through special or standing labor-management committees. However, with regard to employee development practices, employers sought no opinions in about 18 percent of cases, and when employees' reactions were solicited, the use of channels outside labor unions was much more likely (22.4%). Thus, employers appear much more likely to view employee development practices as a management prerogative.

It can thus be concluded that when large Japanese employers attempt to introduce new HRM practices for non-managerial white-collar workers, they are quite likely to solicit union views through standing or special labor-management committees. Results in Table 1 show that the proportion of employers that use only the collective bargaining framework for this purpose

is in the two to three percent range (although this does not exclude the possibility of simultaneously using both joint consultation committees and collective bargaining).

In contrast, however, results in Table 2 indicate that the impact of labor union participation in providing employee-side reactions to employers is limited. Only in about half of the firms were union views incorporated when employers revised their plans. Thus, our data indicate that although employers seek union views, most commonly through joint consultation committees, the impact of this type of union participation is modest at best. In sum, union participation in the introduction of new HRM practices may be widespread, but ineffective in changing employer plans.

3.0 Employee Perception of Labor-side Participation

Table 3. Individual Union Member Participation in the Introduction of New HRM Practices (N=1,986)

Whether individual union members participated in the introduction of performance-based compensation	Employees had an opportunity to express their views	35.5%
	Management plan was explained without any solicitation of their views	24.2%
	No consultation in any form	40.3%
Impact of member participation*	Changes were made reflecting employee views	18.2%

Note: *Percentage was calculated using those who had an opportunity to express their views as the sample.

Although about 85 percent of employers reported that they solicit labor-side reactions to management's plans through joint labor-management committees or channels outside of existing labor unions, our data also indicate that individual union members have a weak sense of participation in this process. According to the results shown in Table 3, only about 35 percent of union members in our employee survey indicated that they had opportunities to express their views regarding a change to a performance-based compensation practice. More than 40 percent indicated that they were not consulted at all.

In addition, similar to the results obtained in the employer-side survey, the impact of employees' participation, when employees did have opportunities to voice their concerns, was

quite limited. Only about 18 percent of union members reported observing a difference between the original and implemented plan for HRM practice changes.

One reason for this difference between union participation and members' perception of their own participation may be because consultation took place in joint consultation committees. One major difference between collective bargaining and joint consultation is that the proceedings of joint consultation committee meetings may not be widely shared among individual union members. In reality, most Japanese unions attempt to inform their membership about the proceedings and outcomes of joint consultation meetings, through union newsletters and other channels, but member interests may not rate as highly as those in collective bargaining contexts. Moreover, some union leaders use the confidentiality of joint consultation meetings to increase their flexibility in labor-management talks.

Table 4. Union Solicitation of Employee Input

	Means through which union members provided their reactions to changes to performance-based compensation	Employee satisfaction with newly-introduced performance-based compensation (% satisfied)
Union sought individual opinions	18.4%	43.2%
Union sought opinions through workplace meetings	67.5%	29.0%
Union conducted an opinion survey	14.3%	35.4%

Another reason individual union members have such a weak perception of their participation lies in the methods used by unions to collect employee-side reactions. When enterprise unions seek employees' opinions, they often use workplace meetings conducted in group situations. Results in Table 4 show that among union members who reported having some input into proposals to increase the weight attached to employee performance in compensation, close to 68 percent reported that their opinions were gathered in workplace meetings. A small minority of unions directly sought individual employees' opinions (18.4%). An even smaller proportion of unions conducted a systematic opinion survey (14.3%).

Similar to their counterparts in other countries, Japanese enterprise unions, being

collective voice institutions, often use workplace meetings to get a sense of employee opinions. Whether collective opinion gathering via workplace meetings is suited to white-collar employees is, however, questionable. White-collar employees tend to be more differentiated in their preferences and varied in their expectations. Thus, unions may not be able to capture their preferences and opinions accurately by gathering opinions through work groups. White-collar employees may prefer to express their opinions as individuals. When their views are sought in workplace meetings, they may perceive that they did not have an opportunity to express their views.

In partial support of this argument, the right column in Table 4 indicates that when employee opinions are sought individually, satisfaction levels tend to be higher than when member opinions are gathered by more collective means, such as workplace meetings. Thus, the possibility of a mismatch between the methods through which unions seek employee reactions to management plans and the characteristics of white-collar workers needs further investigation. White-collar employees may prefer to be treated as individuals by their labor unions

4.0 Individual Grievance and Complaint Handling Procedures

If white-collar employees seek individualized expression of their opinions, one mechanism that allows individual-level resolution of employee-employer conflict under the current collective voice institutions is the use of individual grievance and complaint handling procedures. One possible way in which Japanese unions could take an active role in labor-management relations involving white-collar employees, therefore, is through the implementation of individual grievance handling procedures. In addition, as some observers have indicated (e.g., Morishima, 1999) the introduction of many of the performance-based HRM practices in compensation and evaluation may be characterized as a move toward a more individually based model of HRM. In this type of HRM system, there is a clear need for procedures that resolve conflicts and handle grievances at the individual level.

According to the JPC-SED employer survey, individual grievance handling mechanisms are available in 51.4 percent of the 304 firms in the sample. When divided by union status, 56.3 percent of unionized firms had individual grievance handling mechanisms and only 22.3 percent of the nonunion firms had similar institutions. Thus, unions tend to increase the possibility that these grievance handling mechanisms are available to firm employees. In addition, when unions exist, 100 percent of the grievance handling mechanisms are established through union-management contracts. Mechanisms that do not have any contractual basis tend to be concentrated in nonunion firms. Thus, unions do appear to encourage the establishment of formal, individual grievance handling mechanisms.

**Table 5. Coverage of Grievance Mechanisms by Employee Type
(N=146)**

Available to:	Total sample	Mechanism based on union-management contracts only
Union members only	55.6%	80.2%
All regular-status employees excluding managers	7.3%	5.5%
All regular-status employees including managers	23.2%	9.9%
All employees including contingent employees	13.9%	4.4%

Moreover, one important characteristic of grievance handling mechanisms in Japanese labor-management relations is its coverage. Table 5 shows the coverage of individual grievance handling mechanisms by type of employee. Results indicate that in many firms, even when unions establish grievance handling procedures, these procedures are available not only to unionized employees, but also to other types of employees, including managers. Thus, the procedures show good potential for dealing with issues arising out of changes in white-collar HRM changes⁽²⁾.

One important issue, however, is how these grievance handling procedures are viewed by individual white-collar employees. Tables 6 and 7 are calculated to answer this question using the JPC-SED employee-side survey. To begin with, results in Table 6 indicate that only a small minority (about 10%) of white-collar employees have used individual grievance handling procedures. The proportions do not show a different pattern when the sample is restricted to those employees whose firms introduced performance-based compensation practices. This finding is consistent with previous studies that have found use of individual grievance handling procedures to be limited.

Table 6. Existence and Use of Individual Grievance and Complaint Handling Procedures

	Total sample (N=1,986)	Employees who experienced introduction of performance- based compensation practices (N=1,285)
A procedure exists in the firm and the respondent has used it	9.4%	10.5%
A procedure exists in the firm but the respondent has never used it	40.5%	41.6%
No procedure exists	26.9%	25.1%
Do not know whether a procedure exists	23.2%	22.7%

When those employees who had used grievance handling procedures were asked whether their use had any impact on resolving the conflict, about 55.5 percent of respondents reported at least some effect. However, when employees who had never used grievance procedures (although they were provided in their firm) were asked why they had never used the system, close to one-quarter responded by saying that it was not likely that their problems would be solved. This response was the close second to a response that they had no problems about which to complain.

Table 7. Preferred Method of Handling Grievances and Dissatisfaction

	Total sample employees (N=1,986)	Employees whose unions provide grievance formal handling procedures (N=922)
Talk with my supervisors	58.2%	59.2%
Talk with the personnel department	2.1%	2.2%
Talk with labor unions or employee organizations	14.9%	17.8%
Will use grievance handling procedures	0.7%	1.2%
Talk with people outside firm	3.5%	2.9%
Quit the job	12.7%	10.1%

Even more striking are the findings shown in Table 7. When employees were asked what they would do if they had problems or experienced levels of dissatisfaction they could not tolerate, less than one percent of union members surveyed reported willingness to use individual grievance handling procedures. The rate does not change much when the sample is restricted to employees whose unions provided formal grievance handling procedures. Thus, although about 50 percent of unions provided formal individual grievance handling procedures based in union-management contracts, non-managerial white-collar employees are very

reluctant to use them, and have only modest expectations that their problems would be solved. Individual grievance and complaint handling procedures, which could prove most effective in protecting employee interests in the individualized white-collar HRM system, are not likely to be an effective means for individual conflict resolution simply because white-collar employees are not likely to use the procedures. Thus, the provision of grievance handling procedures is not likely to be a major avenue for Japanese unions to demonstrate their usefulness, or improve their appeal to white-collar employees.

5.0 What Should Unions Do?

My analyses of the JPC-SED data indicate that Japanese unions' role in employers' efforts to change their white-collar HRM practices may be quite small if they follow existing methods of union participation. First, the traditional method of labor-management collaboration through standing and special joint labor-management committees does not appear to be effective since the data indicate that employers often only “consult with” union representatives, but do not take their concerns into consideration by revising proposed plans. Union influence is judged to be marginal by both employers and the unions' own membership.

Similarly, another traditional method of union participation — providing individual grievance handling procedures — is not likely to be effective. Here, white-collar union members tend to have little expectation that these grievance handling procedures will be effective, and thus are not likely to use them. Then data do indicate that when employees actually use these procedures, about half find them somewhat useful. However, their expectations and levels of willingness are so low that not many white-collar union members are likely to experience the effect.

What, then, should unions do? An answer may lie in the activities of some progressive enterprise unions in Japan. These unions, without waiting for employers to start the process of HRM restructuring, propose their own plans to revise white-collar HRM practices and increase the value of white-collar employees to their employers. One good example is Zendentsu (Japan Telecommunication Workers' Union), one of the unions in NTT. In the 1998 *shunto* (spring wage offensive), the union announced that its goal in the 1998 spring wage negotiations was the establishment of more performance-oriented evaluation and reward practices for its membership. A shift from the seniority wage system to one that accurately reflected employees' contribution was proposed.

In addition, to protect membership interests, Zendentsu also demanded that the evaluation system be modified to increase transparency and objectivity, in particular through employer investment in evaluator training and through the provision of a third-party

complaint handling system. For relatively senior employees, the establishment of management-by-objective practices was also sought. By proposing a shift toward contribution-based compensation, the union both collaborated with employers and attempted to appeal to its relatively young members who prefer to see their wages reflect their short-term performance differences. However, at the same time, Zendentsu also made sure that its members were treated fairly in evaluation procedures that determine levels of contribution-based pay.

Unions in Japan are currently facing a difficult time for many reasons, including decreasing membership and membership loyalty, and increases in white-collar areas of employment where, historically, unions have not been strong. If they fail to take an active role in the current employer efforts to modify white-collar employment practices, their position will be further eroded. Traditional methods of labor-management cooperation and individual grievance handling procedures do not seem to be the answers. More creative and proactive plans and actions are necessary for unions to play a key role in this period of change.

Notes:

- (1) In the JPC-SED study, two separate surveys were conducted: one with employers and the other with employees in each firm. The employee survey included 2,111 white-collar, non-managerial employees in 128 large firms; the employer survey data were obtained from 304 large manufacturing and nonmanufacturing firms. The surveys were conducted in September and October of 1999 by regular mail. Response rates were 57.9 percent for the employee survey and 12.4 percent for the employer survey.
- (2) Although I have only discussed changes regarding non-managerial white-collar workers up to this point, more intensive efforts to restructure managerial HRM practices are also underway in most large firms in Japan (Morishima, 1999).

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Opinion

A View on the *White Paper on Labour*

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The employment situation in 1998 was the most serious Japan has ever experienced. The ratio of job openings to job applicants was the lowest since comparable data had become available in 1963, and the number of employed people declined for the first time since 1954. Reflecting the sharp increase in the number of involuntarily unemployed people, the unemployment rate reached a postwar high.

With this situation in mind, this year's *White Paper on Labour* analyzes qualitative changes in unemployment, changes in the employment behavior of enterprises, and trends in industrial sectors where employment is growing. With regard to medium- and long-term changes in the structure of the labor market, the white paper considers the long-term effect of the growing tendency among young people to switch jobs, the increased re-entry of women and older people into the labor market, and the growing range of employment statuses that includes more part-time and temporary workers. It cites several points, such as the need to develop further the skills and ability of workers, to improve the job placement system, to reinforce "safety-nets," and to create more jobs as future policies.

It is necessary for workers, employers, and the government to grapple with structural changes in the labor market. However, as far as the role of the government is concerned, the white paper goes no further than broad outlines and references to past policy performance such as unemployment insurance and public vocational training. In this sense, government policies set forth in the white paper are not precise enough to cope with the structural changes now occurring in the employment situation which the white paper documents in such detail.

Let us look at an example of governmental support for the development of skills and abilities. A survey on education and training outside the company conducted by Nikkeiren in 1997 showed that 76.5 percent of enterprises were satisfied with educational programs at various types of private educational institutions, and 44.3 percent for education run by non-profit organizations. On the other hand, the figure was only 18.3 percent for vocational training through national administrative organizations, and 15.1 percent for educational opportunities and support provided by local governments. Dissatisfaction with public educational institutions stemmed from a lack of specialities and the fact that the education they provide is outdated.

As the skills and abilities needed for white-collar workers change rapidly, private educational institutions seem to keep up with the demand by offering timely and flexible curriculums. Public support, such as the Training Benefit System, should be further expanded to make the most of the private sector and to meet the individual need of workers.

The white paper also mentions the importance of enterprises investing in human resource development. Ways to deduct such investment costs from taxable income deserve consideration and would surely be a practical and attractive way to promote enterprises to invest in human resources.

In addition to providing a macroeconomic analysis of the present situation, the White Paper on Labour should propose more concrete government measures and an analysis of their effect. Nowadays, job creation is a critical issue in Japan. It is desirable that there be a more precise analysis on current trends in employment, including new types of self-employment such as small office/home office, freelance work, and so on.

Note:

For details on the *White Paper on Labour*, see “The 1999 White Paper on Labour: A Summary of the Analysis” in the September 1999 issue of the *Japan Labor Bulletin*.

Adjustment of Policies Seen in the *White Paper on Labour*

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This year's *White Paper on Labour* revealed a slight modification in labor market policy, with a shift in emphasis from maintaining long-term employment practices to encouraging labor mobility. What kind of issues are likely to arise from this modification?

It is interesting to note the timing in the announcement of this shift. The white paper claims that “it is desirable that steps to change long-term employment practices should be made when the economy is booming, not when it is in recession.” However, the shift occurs at a time when the economy is not booming.

The second question involves the view taken of “excessive employment.” With no rational justification, this year's Economic Survey of Japan estimated that there are firms in a macroeconomic sense employing 2.28 million people in excess to requirements. It claims that this excessiveness is part of a larger picture in which physical plant and debt are also excessive. On the other hand, this year's White Paper on Labour states that any estimate of excess labor

is affected by views on the future of business, and the figure may represent a simple process of hoarding labor in anticipation of the economy recovering in the near future. If that is the case, then the “excess” is not excessive. It also suggests that “there has been a strong tendency for firms to adjust downward their level of employment owing to pressure from global capital markets. In the equities market, for example, the value of shares of many companies planning to make massive cuts to their labor force tends to rise.”

A third point concerns possible causes of the rise in the unemployment rate. The *White Paper on Labour* analyzes the recent fluctuations in the unemployment rate in terms of structural factors and of demand deficiency. It concludes that a sharp rise in the unemployment rate is due to demand deficiency pushing up the overall unemployment rate to more than four percent.

If the rise in unemployment is actually caused by the reasons cited in the white paper, then “excessive employment” will recede as the economy recovers and future prospects improve. The view that “excessive employment” is hindering recovery of each enterprises' competitiveness has got the flow of causation going in the wrong direction.

In practice, the policies of the government give precedence to the view expressed in the *Economic Survey of Japan* (protecting the more inefficient elements in the economy will not be sufficient to bring about the recovery of Japan's economy) over the view in the *White Paper on Labour*. As a result, the government's policies are actually aggravating the employment situation and making workers feel more insecure. It promotes “excessive employment” adjustment and the deregulation of temporary workers at the height of the economic recession. The implementation of such policies signifies that the government is under the thumb of employers' associations such as Keidanren (Japan Federation of Economic Organizations).

The *White Paper on Labour* expresses concern that long-term employment practices may “hinder change in the industrial structure” or that they may deter enterprises from changing their management structure or type of business in response to changes in the environment. But are these in fact “drawbacks” in Japan's long-term employment practices? Has the Japanese economy not already experienced changes in the industrial structure with the existing practices? Rather, the problem lies in the fact that the economy has been unable to create a new leading sector. Unless this problem is solved, simply increasing “labor mobility” will put job-searching workers into a labor market with few stable jobs and will serve only to increase the number of workers who feel uncertain about their employment prospects.

In this sense, the “small” modification of labor market policy seen in the *White Paper on*

Labour is likely to end up with unexpectedly large change.

JIL News and Information

Briefing on Foreign Workers in Japan

On September 7, the Japan Institute of Labour held one of its briefings on labor issues for foreigners who are concerned with labor affairs. About 20 people attended, mainly from foreign embassies, foreign chambers of commerce and industry, and foreign news agencies. Such briefings are held several times a year to provide information on labor issues, including background explanation, in Japan.

The theme of the September briefing was “Foreign Workers in Japan.” Professor Shinobu Nogawa from Tokyo Gakugei University spoke about the legal condition of foreign workers, explaining, among other matters, Japan's immigration system, how labor legislation and other related laws apply to both foreigners living and working in Japan, and problems concerning illegal immigrants. Foreigners may enter Japan to work under one of 27 categories authorized by the Immigration Control and Refugee Recognition Act. These categories are confined to professional or technical fields. In addition to these categories, Technical Intern Traineeship Programs (which are primarily overseen by the Japan International Training Cooperation Organization [JITCO]) allow foreigners to work in Japan as trainees for a maximum of two or three years (see the October 1998 issue of the *Japan Labor Bulletin*). In principle, the protective labor laws are applied to all workers regardless of their status, even including illegal workers.

Another speaker was Mr. Koichi Ogawa, officer at the Shinjuku Labor Administration Office. He discussed counseling cases brought by foreign workers to labor administration offices in the Tokyo Metropolitan Area. In Tokyo the number of foreign workers asking for help or advice began to increase around 1986. In response to this demand, some offices started to employ English interpreters in 1989. At present, labor advisory services are available in English at five offices, and in Chinese at four offices. In fiscal 1998, there were 1,492 “conciliation” cases and the number of such cases is increasing. Conciliation at labor administration offices is to settle labor-management conflicts when the two parties concerned fail to reach agreement on their own. Such services are offered only at labor administration offices in a few prefectures such as Tokyo and Kanagawa. A unique feature of such offices in Tokyo is that they offer advisory services even to illegal foreign workers.

Mr. Ogawa then discussed counseling cases involving both legal and illegal foreign workers.

One case concerned a teacher at an English school who, after serving for some years, had been refused an extension of his employment contract because of his involvement in labor union activities. Such foreign workers are usually employed on the basis of a one-year contract which is specified in the length of stay shown on their visa. Since companies are free to renew or not renew their contracts, any refusal makes it difficult for a foreigner to stay in Japan. In the case of this English teacher, his labor union filed a suit, claiming that it was unfair labor practice to refuse to renew the contract on account of the employee's involvement in union activities. The case is presently pending at a court.

The second case concerned a computer engineer who came to Japan under a contract between a local governmental organization and a Japanese dispatching agency. He was posted to a major computer company. Learning that the costs for the job advertisement for his placement had been deducted from his salary as “contract guarantee money” and that the payment for his overtime work had been left unpaid, this person asked to resign but was not allowed to do so. In this case, the company was persuaded to accept his resignation, to return the “contract guarantee money,” and to pay the outstanding amounts entitled to overtime.

The majority of illegal foreign workers are found at workplaces that Japanese tend to shun, doing jobs characterized as the “three Ds” (difficult, dirty and dangerous). The most common problem faced by such workers is the employer who violates labor laws concerning dismissal, nonpayment of wages, workmen's accident compensation, and so on. Most cases concerning dismissal involved dismissal without a proper reason. However, even when companies admit that they are at fault and withdraw the dismissal, emotional conflict between the employer and the employee often remains. The results can then become a settlement involving the lump sum payment for settlement or the payment of 30-days notice allowance.

The second type of problem occurs when an employer does not pay the salary for the last month of the contract or does not pay wages on the pretext that the company is experiencing financial difficulty. Some firms claim they need to seize the employee's wages to cover damage caused by the worker's style of work. The policy of the labor administration offices in such cases is to have the employer pay the sums involved where nonpayment was due to company cash-flow problems or where it is found that there was no actual problem or loss caused by the workers.

Advice and assistance regarding workmen's accident compensation are in high demand. In some cases workers involved in accidents while working have been fired because they cannot continue to work. In such cases the labor administration office advises the dismissal to be withdrawn. In other cases employers have not subscribed to the workmen's accident

compensation insurance scheme. In such cases the office could explain that workers are entitled to compensation since the Workmen's Accident Compensation Act is applied even when the employer failed to join the insurance. In still other cases, employers are sued for neglecting workplace safety. When the workers in question are illegal immigrants from developing countries, the nature of the problem will vary depending on whether they have come to Japan via some kind of broker.

Symposium on Aging Societies

On September 21 and 22, the Ministry of Labour and other organizations held a symposium entitled "Active Aging." At this symposium, policymakers and researchers from Europe, the U.S. and Japan engaged in discussions of the present situation and various issues concerning aging societies.

In his keynote speech, Professor Akira Takanashi, Chairman of the Japan Institute of Labour, reported on the present situation in Japan. The country now has a life expectancy of around 80, with a high proportion of elderly people willing to work. The aged in Japan have a higher labor force participation rate than do their counterparts in other countries. However, society has been aging, with fewer children, and the pension system is coming under pressure. Professor Takanashi stressed the necessity of positively employing older people. In Japan this would require a revision of the existing pension schemes, as well as an improvement in the working environment for such people.

Many countries in Europe and North America have adopted policies which facilitate early retirement as the means of making employment opportunities available to younger workers. Such policies, however, have often failed to alleviate unemployment among young people while increasing the financial burden which public pension schemes place on governments. However, when such schemes come under pressure, the elderly are pushed into some form of work. At the same time, age discrimination in employment has become a big issue. Professor Alan Walker of the University of Sheffield in the U.K. stressed that legal steps should be taken to prohibit age discrimination, and that the government should take the initiative in encouraging the employment of older workers.

In Japan, various unique measures have been adopted which impinge upon the employment of elderly people. One is a subsidy for firms which employ older people. The "silver" human resources centers (in which 500 thousand people are presently registered) would be another. However, as societies continue to age, it is necessary to improve on such measures. Not

all elderly people wish to work full-time. Many presenters at the symposium spoke about the need to arrange more flexible and varied alternatives concerning working hours, employment contracts, and types of work to meet the varied requirements of older workers.

Certain schemes which discourage elderly people from re-entering the labor market need to be reconsidered. At the present in Japan, a worker who has retired at the mandatory retirement age is eligible for unemployment benefits for 300 days provided certain conditions are met. As pension schemes have become fully developed, workers have increasingly chosen early retirement. This negative side of existing schemes was also mentioned as a reason for the decline in the desire of older people to work.

The sense of belonging to society and the importance of having a purpose in life were cited as keys to invigorating an aging society. Reports from the U.S. and the U.K. suggested that the elderly were living satisfying lives through associations of retired people and participating in society even after retirement. In relation to these reports, Tsutomu Hotta, President of the Sawayaka Welfare Foundation, commented that the strong willingness to continue to work even after the mandatory retirement age in Japan is partly attributable to the fact that people do not know how to live without work. He felt that it was useful to promote meaningful voluntary activities with or without payment.

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Statistics Aspects

Recent Labor Economy Indices

	September 1999	August 1999	Change from previous year
Labor force	6,831 (10 thousand)	6,831 (10 thousand)	10 (10 thousand)
Employed	6,514	6,511	-12
Employees	5,355	5,345	8
Unemployed	317	320	22
Unemployment rate	4.6%	4.7%	0.3
Active opening rate	0.47	0.46	0.01
Total hours worked	153.9 (hours)	149.7 (hours)	-0.2
Total wages of regular employees	(¥ thousand) 263.7	(¥ thousand) 263.0	0.2

Note: * Denotes annual percent change.

Source: *Rōdōryoku Chōsa* (Labour Force Survey), Management and Coordination Agency; *Shokugyō Antei Gyōmu Tōkei* (Report on Employment Service), *Maittsuki Kinnō Tōkei* (Monthly Labour Survey), Ministry of Labour

Provisional Report on the Labor Economy (August 1999)
Trends in the Diffusion Indices for Regular Employees

