

Abstracts

Aging, Globalization, and Technological Change as Stressors for Wages

Hiroshi Ono (Hitotsubashi University)

How do macro-level changes in the economy and society affect wages? In this paper, I examine three factors—aging, globalization, and technological change—and their effects on wages and the wage structure in Japan. These macro-level changes are akin to stressors that test the resilience of the Japanese employment system. I review the literature and available evidence, and identify the current weaknesses in the current wage system that have become exposed due to this stress test, and explore the future of wage systems in Japan.

Compensation Management and Organizational Performance: Implications from a Review of Pay for Performance Studies

Ikutaro Enatsu (Kobe University)

Though the effectiveness of Pay for Performance (PFP) has been questioned, many empirical studies have shown positive effects of PFP on employee performance. Actual PFP structures are diverse and differentiated. Each organization must constitute its PFP system according to its expectations for employee contributions. Today, more and more PFP studies discuss the causal relationship between PFP and organizational performance. To clarify this, more focus on Pay for group-level performance is needed. Furthermore, it is necessary to specify how many stakeholders such as HR staff, executives, line managers, and employees are involved in designing and implementing PFP. Coordinating the interests of stakeholders and triggering the development of PFP are functions of social interaction concerning PFP. In this paper, based on a summary of PFP studies, we suggest directions for future PFP studies.

Wage Determination in France: The Delicate Relationship between Industry-wide and Enterprise-level Collective Bargaining

Hiromasa Suzuki (Professor Emeritus, Waseda University)

This article reviews recent trends in wage determination in France. In contrast to Japanese practices, French enterprises have much less scope for deciding their own wage policy, because they are constrained by high legal minimum wages, which are fixed each year by the government and industry-wide collective agreements. In the latter, minimum wages are fixed for different jobs or occupations in an industry which are made binding on all enterprises in the industry concerned. At enterprise level, enterprises are required by law to undertake annual collective bargaining with trade union representatives on major issues such as real wages, job classifications, working time, training, and so on. Enterprise-level collective bargaining has gained in importance in recent years with the active encouragement of successive governments, but the principle of favorable treatment remains a rule in wage determination. Relations between industry-wide collective bargaining and that at the enterprise level are not clear-cut, depending on the sector and the size of the enterprise concerned. Recent studies indicate that even if enterprise-level collective bargaining is dominant in large enterprises, industry-wide collective agreements are still influential in certain sectors and in regard to job classifications. One of the most fascinating facts concerning job classification is the long-standing grade structure. In the metal industry, the Parody classifications, which were established just after the Second World War, have been reformed only once, in 1975, and the same classifications are still in use today. This durability is partly due to their flexibility in application, but also it seems to suggest that the social value attached to professions and occupations changes very slowly, in spite of radical transformations of technologies and work organizations. An illustrative case is the strong social value attached to intellectual work, such as that of engineers, whose education is entrusted to “Grandes écoles,” and the low value given to physical jobs.

Corporate Performance and Wage Determination: Focusing on Changes in Bonuses and Lump-sum Payments

Noboru Ogino (The Japan Institute for Labour Policy and Training)

It is natural for corporate performance to affect bonuses and lump-sum payments, but the degree of its impact changes with the times. This paper traces the evolution of bonuses and lump-sum payments, and provides an overview of how they have reflected corporate performance. Bonuses and lump-sum payments were established as a system from the Meiji to Taisho periods (1868-1926), but at that time they were more like a charitable benefit in a master-servant relationship, and their significance as a return on profits was greater than it is today. Subsequently, during the war, the institutionalization of bonuses strengthened their character as part of a worker's livelihood. In the postwar period, when bonuses and lump-sum payments became a matter of negotiation with the increase in the number of labor unions, their character as a living wage was further strengthened as a response to rising prices. The number of months of bonus and lump-sum payments continued to grow from the post-war reconstruction period to the period of rapid economic growth. The annual lump-sum wage system was introduced to stabilize these trends. When Japan entered a period of stable growth after the oil shock, progress was made in leveling within industries that did not depend on corporate performance as well as equalization in individual assessments. Later, after the collapse of the bubble economy, export industries such as steel and electric appliances were affected by the strong yen, and it became difficult to maintain the unified demands and responses that had been tackled in labor union negotiations. This led to a transition to a performance-linked decision-making system. This method has been adopted by many companies, but it is at a crossroads at both the macro and micro level. Firstly, the level of payments is expected to drop significantly amid the economic recession due to the COVID-19 pandemic, which is said to be worse than what followed the 2008 financial crisis. Secondly, regarding different treatment of bonuses and lump-sum payments for regular and non-regular workers in the same company, there is a demand for rational handling on the basis of equal pay for equal work.

Methods and Limitations of Collective and Individual Disadvantageous Changes in Wages in Japan: Why Is It So Hard to Reduce Wages?

Hyosook Park (Kanagawa University)

In collective and individual labor relations, it is not uncommon for disputes to arise over disadvantageous changes in wages (severance pay) and other working conditions. First of all, in collective labor-management relations, there is the question of how far a change in working conditions in a collective agreement or employment regulation can be binding on workers who have not agreed to it. For example, the issue of procedural defects in the process of concluding a collective agreement and the necessity of examining the reasonableness of the collective agreement have been debated in the case of disadvantageous changes in working conditions due to collective agreements. With regard to disadvantageous changes to working conditions due to employment regulations, if the adverse change in the employment regulations is reasonable, the doctrine of reasonable change has been established in judicial precedents and was enacted into law in the Labor Contract Act of 2007, which recognizes the binding force of an adverse change even if the workers do not agree to it and even oppose it. This has led to a lively debate over how to understand the relationship between workers' consent to a modified employment regulation and the reasonableness of the change. In recent years, individualized human resource management and new wage systems have been introduced and applied, and disputes over individualized changes in wages have increased. When an individualized wage change is at issue, the basis for dealing with it is whether an agreement on the change was reached between the employer and the worker. On the other hand, the applicability of Article 20 of the Labor Contract Act (Article 8 of the Act on Part-Time Workers and Fixed-term Workers) to workers rehired under a fixed-term labor contract as a measure to ensure employment of older workers after retirement is also an issue that needs to be considered. The purpose of this paper is to analyze and summarize recent and noteworthy judicial and academic

debates on these collective and individual disadvantageous wage changes.

Job Remuneration for Japanese Workers: Do They Want to Be Rewarded with Financial Rewards?

Hideki S. Tanaka (Doshisha University)

In this paper, we analyze what kind of remuneration employees want to be rewarded for their work. Our statistical analysis indicates that many Japanese workers take jobs because they want to obtain intrinsic rewards, such as by utilizing their own abilities and the nature of the work itself. Also, they seek some remuneration as a reward to provide support that contributes to their work-life balance. On the other hand, there are few workers who strongly desire financial rewards. In a comparison of job types, the results show that many professionals simultaneously seek both intrinsic and extrinsic rewards. Also, many women and clerical workers want to obtain time for daily life activities and days off. In addition, the results suggest that many professionals may seek intrinsic rewards that promote their professional development and self-development, and that they feel it is an intrinsic reward to have the opportunity to exercise their professional expertise as they grow older.

How Do Flexible Working Arrangements Affect Wages?

Masayuki Morikawa (Hitotsubashi University; The Research Institute of Economy, Trade and Industry)

This study, based on past empirical studies and survey-based evidence from Japan, discusses the relationship between flexible working practices—such as flextime, options to work shorter hours, and work from home—and wages, from two viewpoints: the balance of productivity and wages, and compensating wage differentials for flexibility in working styles. There is limited empirical evidence of productivity-enhancing effects arising from flexible work, so it is unlikely that the diffusion of flexible working arrangements increases wages for a wide range of workers. Flexible working tends to widen economic inequality, because highly educated white-collar workers employed in large firms have benefited more from such arrangements. Empirical studies have generally found that there is willingness to pay (WTP) for work flexibility among workers—they are willing to sacrifice 10% to 20% of total earnings in exchange for flexible working practices—although WTP is quite heterogeneous by individual workers. This implies that the rate of increase in wages may be suppressed if workers come to highly value flexibility. In evaluating workers' welfare, not only wages, but also nonpecuniary job amenities should be considered.