

# Labor-management Relations in Japan

## Part I: Characteristics of the Collective Labor Relations System

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### I. Organization and participation

The systems of labor-management relations around the world can be broadly categorized into three in terms of their different stances toward the collectivity of workers' interests—that is, the non-recognition, recognition, or facilitation of workers' collectives and collective activities. There are systems that are so intent on perceiving labor-management relations solely as individual relationships that they reject such collectives and collective activities, and systems that seek to solely perceive labor-management relations as collective relationships such that they recognize and/or facilitate such collectives and collective activities. At the same time, the orientation of the systems that do not recognize collectivity and the orientation of the systems that recognize and/or facilitate collectivity can also be broadly divided into two conceptual orientations.

#### 1. Non-recognition of the collectivity

The orientation of those systems that do not recognize collectivity consist of the following two models: a market-oriented individual bargaining model and a state-oriented individual command model. In the market-oriented individual bargaining model, labor-management relations are reduced to the individual bargaining relationships between the sellers of labor and the purchasers of labor within the labor market. In such a model, workers' collectives and collective activities are seen as none other than cartels that seek to manipulate labor market transactions. This has been a typical stance

in the UK, the US, and other such Anglo-Saxon countries, and as a result, laws on collective labor relations in these countries have been developed amid the removal of legislation that prohibited organization in the sense of worker cartels. Even today, the main points of contention surrounding labor-management relations systems are disputes between the market model, which rejects organization, and the organization model. The clearest evidence of this has been recognized in Australia and New Zealand. The legal policy developed in New Zealand from 1990 onward and in Australia from 1996 onward sought to rectify the manipulation that can result from organization by reducing industrial relations to agreements made on an as far as possible individual basis. Both countries subsequently made a backward swing in such legislation and have settled on frameworks centered on collective labor relations at the enterprise level.



The second type of model, a state-oriented individual command model, that do not recognize collectivity reduces labor-management relations to the individual supervision and command relationships between those who manage and those who carry out the work within the state as a vast structure. In such a model, workers' collectives and collective activities that are formed and take place at certain locations within the state structure are deemed rebellious activity that seeks to distort the composition of labor within the state as a whole. This view was taken to the extreme in Stalin's regime, such that labor unions became state bodies. On the

other hand, in former Yugoslavia, there was a trend toward utilizing workers' collectives as a means of *participation* in business management in the workplace. In that sense, labor-management relations models in socialist countries have shifted between state models that do not recognize participation and participation-oriented models.

## 2. Recognition/facilitation of the collectivity

The orientation of the systems that recognize and/or facilitate collectivity also consists of two models: the "organization-oriented" collective labor relations model and the "participation-oriented" collective labor relations model. The organization-oriented collective labor relations model can be described as the "democratization of the market" model, as it seeks to conduct the relations between the sellers of labor and the purchasers of labor in the labor market as collective bargaining as opposed to individual negotiations. The UK and US labor unions are based entirely on this model. A report by the Clinton administration's Dunlop commission in 1994 (The Dunlop Commission on the Future of Worker-Management Relations: Final Report) readdressed the provision prohibiting employer domination or interference that had been in place since the enactment of the National Labor Relations Act, or Wagner Act, and recommended the introduction of programs for employee participation, but strong opposition from labor unions deterred the Democratic administration from pursuing such amendments, and the labor relations bill known as the Team Act was also consigned to oblivion by a presidential veto; this fact demonstrates the deeply-rooted nature of the pure organization-oriented model. In contrast, the participation-oriented collective labor relations model can be described as the "democratization of organizational structures" model, as it seeks to determine the composition of labor within the structured bodies that are enterprises in the context of collective consultation between those who manage and those who carry out the work.

While these two orientations have their contrasting elements, legal policy in mainland European countries has combined them as required.

These approaches can be broadly divided into three types of models, although there are more.

The first of these models that combine organization and participation is the German system. In Germany, workers form labor unions at the industry level that are organization-oriented worker collectives and engage in collective bargaining on terms and conditions of employment such as salary or working hours. On the other hand, at the enterprise level, workers form *Betriebsrat* (a works council) at their workplace that is a *participation*-oriented worker collective, which is involved in decision-making as well as coordinating various aspects in the enterprise. This system is unique in that there is a clear distinction between the levels on which the collectives responsible for organization and the collectives responsible for participation exist.

The second type of combined model is the French system. Although it coincides with the German system in that there are organization-oriented labor unions at the industry level and participation-oriented *comité social et économique* (works councils) and employee representatives (*délégués du personnel*) at the enterprise level, the French system is unique in that workers also form organization-oriented labor unions at the enterprise level and allow them to conduct collective bargaining at the enterprise level. While the model tentatively distinguishes between the collectives responsible for organization and the collectives responsible for participation, these two types may exist on the same level.

The third of the combined models is the Swedish system. In Sweden, only labor unions operate as worker collectives, on the industry level, the national level, and also the enterprise level. That is, labor unions pursue collective bargaining as *organization*-oriented collectives at the (state and) industrial level as well as the enterprise level, while also being involved in decision-making as *participation*-oriented collectives at the enterprise level. In this model, the participation of labor unions in policy decisions is also prominent even at the national and the industrial level, and in this sense, it is a form of what is referred to in the study of politics as corporatism.

It is also important to note the model adopted in Austria—a variant on the German system—which has, in addition to labor unions, a participation-oriented national *Arbeiterkammer* (Chamber of Labour). This is also a form of corporatism.

## II. The nature of the Japanese collective labor relations system

Now let us consider how the Japanese collective labor relations system can be interpreted in terms of the system types described above. As Japan's laws on collective labor relations were established during the postwar American occupation, the American *organization*-oriented model had a highly significant influence on their development. Labor unions are, therefore, organizations of sellers of labor largely aimed at determining salary and other such terms and conditions of employment through collective bargaining. They exist outside of enterprises—in fact, the law does not assume the existence of enterprise unions in the first place. The Labor Union Act and other such laws on collective labor relations do not account for the possibility of labor unions participating in decision-making within enterprises.

However, nearly all of the existing Japanese labor unions are enterprise unions. What is more, their main tasks are not limited to collective bargaining regarding salary and other such terms and conditions of employment. Rather, they dedicate more of their energy to participating in decision-making within enterprises and coordinating various aspects of the workplaces. As the majority of researchers in Japanese labor relations would suggest, a significant portion of the activities of Japan's enterprise unions is similar to those of the *Betriebsrat* in Germany. In that sense, Japanese collective labor relations are really *participation*-oriented.

Let us take a brief look at the historical developments that brought this about. Laws on collective labor relations were nonexistent in Japan prior to the Second World War, and the government's proposed labor union legislation was repeatedly rejected by the Imperial Diet (1890–1947). In the major enterprise sector, intra-enterprise organizations known as *kōjō iinkai* (factory committees) were

established to prevent the development of labor unions. In wartime Japan, a system for worker mobilization called the *Sangyo Hokoku-kai* (Industrial Patriotic Labor Front) was established as part of national mobilization, but this consisted of government-controlled, enterprise-based bodies including not only workers but also management, and was subsequently placed under the control of the sole governing organization, the *Taisei Yokusankai* (Imperial Rule Assistance Association). After the war, when GHQ dissolved the *Sangyo Hokoku-kai* and promoted labor unions, the only equivalent to labor unions were organizations based on the *Sangyo Hokoku-kai* but excluding management. It was these organizations that formed the original model of the postwar enterprise unions. In the early postwar period, the labor unions' activities were all the more focused on the struggle for workers' control of production and seeking the establishment of management councils rather than raising wages, such that they were highly aggressively oriented toward *participation*. Even later, when the union movement largely shifted toward cooperative labor-management relations such as those of the productivity movement, it still retained its strong orientation toward *participation*. As a result, while the laws enacted during the occupation intended the unions to be purely *organization*-oriented, the actual labor unions did, in fact, place more emphasis on *participation*.

This system shares some similarity with the Swedish model, in that the same labor unions conduct collective bargaining as “organization-oriented” groups while also being involved in decision-making in the enterprises as “participation-oriented” groups. However, the Japanese model differs significantly in that both collective bargaining and involvement in decision-making are conducted entirely at the enterprise level, and in the levels beyond that, neither “organization” nor “participation” exists in real terms.

That is not to suggest that “organization” and “participation” always exist at the enterprise level. In the mainland European models where “organization” and “participation” are combined,

labor unions exist at the industry level, conducting collective bargaining and forming labor agreements. As they are applied to workers at the industry level, these agreements cover high proportions of workers even if the unionization rate is low. Moreover, in European countries, the law requires establishing an organization to represent employees separate from the labor union, and when combined, the employee representative system and labor unions cover a rather high proportion of workers.

In contrast, in Japan, an employee representation organization separate from the labor unions is not required by law. As the enterprise unions do not exist in many enterprises (particularly in micro-, small and medium-sized enterprises), it is typical for neither “organization” nor “participation” to exist. The nonexistence of both “organization” and “participation” means that ultimately the market-

oriented individual labor relations model holds true. Furthermore, as many labor unions, even among major enterprises, limit their membership to regular employees, non-regular workers—such as part-time, fixed-term contract, or temporary agency workers—are excluded from “organization” and “participation.” On the macro level, the Japanese collective labor relations system can therefore be seen as a structure consisting of two layers: the major enterprises, regular employee layer, where labor unions are responsible for both “organization” and “participation,” and the non-regular worker, small and medium-sized enterprise layer, where neither “organization” nor “participation” exists.

This is a series of three articles on the topic of labor-management relations in Japan.

Part II will be in the next issue focusing on trends in labor unions and dispute.

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