

# Labor-management Relations in Japan

## Part II: Trends and Current State of Collective Labor Relations

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### I. Declining unionization rate

Let us start by looking at data related to “organization-oriented” collective labor relations,<sup>1</sup> one of the labor relations models introduced in Part I of this article series. The most important figure concerning this model is, obviously, the unionization rate.

In Japan, Labor Union Act was enacted in 1945, shortly after the end of the Second World War. At the time, the unionization rate was extremely high, reaching 55.8% in 1949. However, it subsequently went into a gradual decline, dropping to 30.8% in 1980, 21.5% in 2000, and, most recently, to 17.1% in 2020. While this was a slight increase from the 16.7% in 2019, it was merely a minimal rise resulting from the decrease in total number of workers during the COVID-19 pandemic. The unionization rate is essentially on the decline (Figure 1).

A more serious trend is the significant differences in unionization rate according to size of enterprise. While the unionization rate is gradually decreasing across all enterprise sizes, there are unmistakable differences between the rates for larger enterprises (1000 or more employees), medium-sized enterprises (100–999 employees), and smaller enterprises (less than 100 employees). At larger enterprises, it is still the case that just under half of employees are union members. The unionization rate at medium-sized enterprises, which was formerly around 30%, has now dropped to the 10% mark. At smaller enterprises, the unionization rate—which was already the 2% mark

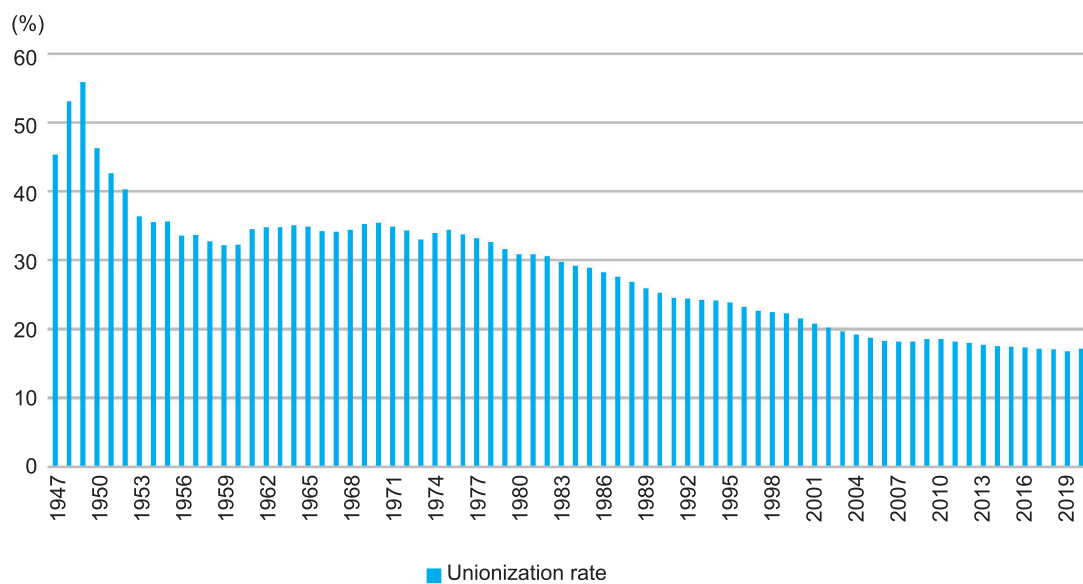
25 years ago—has currently fallen to the 1% mark. In other words, at smaller enterprises, only one worker in every 100 is a union member (Figure 2).



### II. Collective labor disputes facing extinction

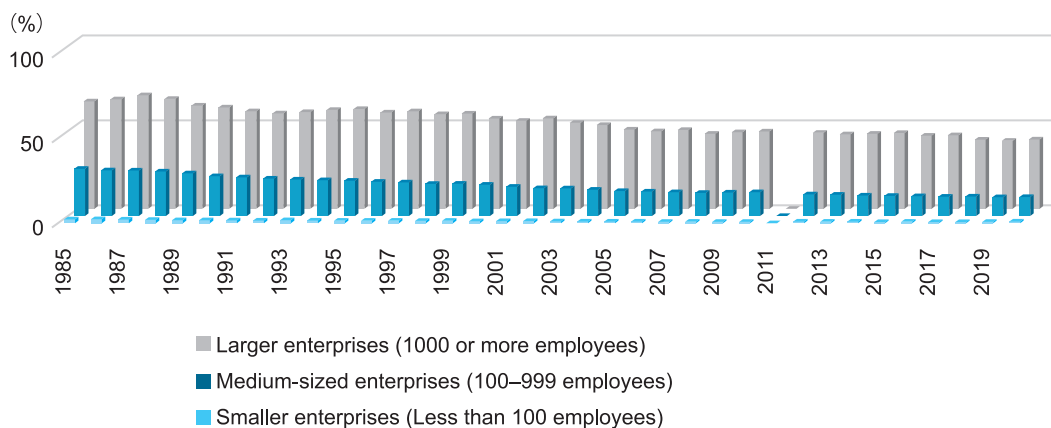
The greatest element distinguishing *organization-oriented* labor relations from *participation-oriented* labor relations is that they involve labor disputes. In Japan, Labor Dispute Mediation Act was enacted as early as 1926, prior to the Second World War. The postwar Labor Relations Adjustment Act of 1946 subsequently put in order the framework for conciliation, mediation, and arbitration and other such procedures of adjusting disputes, and a system for relief against unfair labor practices was also established in 1949.

While legal systems for disputes are fully developed, the unionization rate—the crucial element—is steadily declining, as just noted, and labor disputes also continue to decline. Moreover, a significant proportion of the infrequent labor disputes at present are labor disputes without acts of dispute—namely, disputes that are all talk and no strikes or other such practical actions. Most recent figures from 2019 show that, of the 268 disputes that year, only 49 were disputes with dispute acts, while the remaining 219 were merely all talk and no action. Furthermore, even of those 49 with dispute acts, only 27 involved a strike lasting half a day or more. At its peak in 1974, there was a total of 10,462 disputes, of which 9,581 were with dispute



Source: The author, based on Ministry of Health, Labour and Welfare, “Basic Survey on Labour Unions.”

Figure 1. Unionization rate



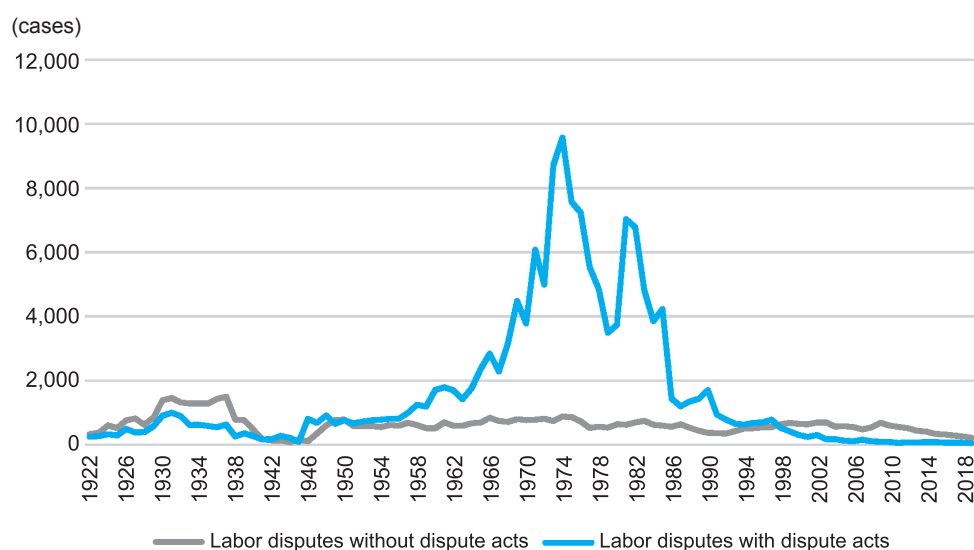
Source: Same as Figure 1.

Figure 2. Unionization rate by size of enterprise

acts, and 5,197 involved strikes lasting half a day or more. Given that even prior to the Second World War, when labor unions were yet to receive legal approval, the total number of disputes was 2,456 in 1931, of which 998 involved dispute acts, it is even possible to suggest that labor disputes are now on the brink of extinction (Figure 3).

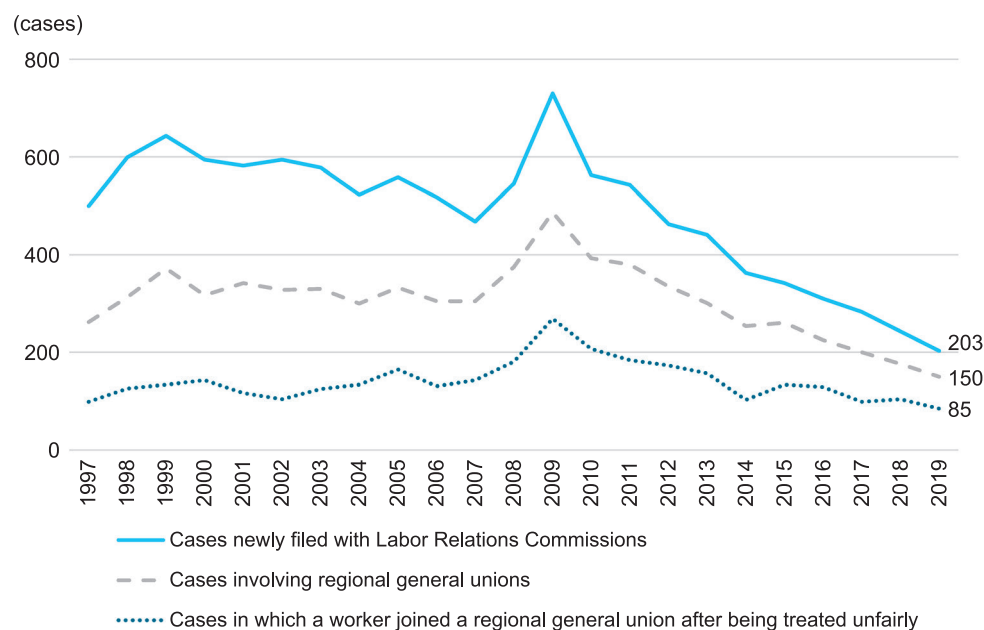
Moreover, the substance of these labor disputes demonstrates little of the typical characteristics of collective labor relations. In practice, the majority

of cases are ostensibly labor union activities but in fact merely individual labor disputes on issues such as dismissals, changes to the terms and conditions of employment which are disadvantageous to workers, or harassment. This reflects the tendency toward individual labor relations, which we will explore in the next article (Part III). The very number of disputes appealed to the Labor Relations Commissions is also on the path of decline. In 2019 there were 203 cases, of which 150 involved regional



Source: The author, based on Ministry of Health, Labour and Welfare, “Survey on Labour Disputes.”

Figure 3. Numbers of labor disputes



Source: The author, based on Central Labour Relations Commission, “Annual Report of Labour Relations Commission.”

Figure 4. Rise in cases involving regional general unions/ action with last-minute union membership

general unions (*gōdō rōso*; non-enterprise-based unions open to individual membership, also referred to as community unions), and, furthermore, 85 were cases in which a worker had joined a regional general union after being subject to dismissal, harassment, or other such treatment, and the dispute

was brought to a Labor Relations Commission by that union (cases known as *kakekomi uttae*, referred to below as “action with last-minute union membership”). In such cases, the labor union’s role is no more than that of a contractor tasked with resolving an individual dispute (Figure 4).

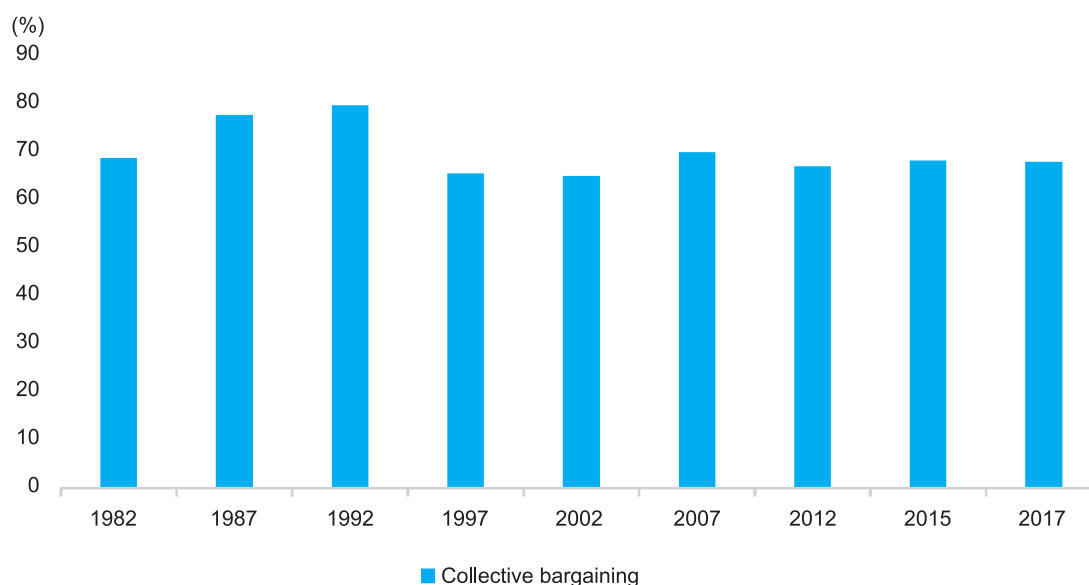
### III. Collective bargaining and joint labor-management consultation

According to the European-style labor relations system, of which the German system is the typical example, *organization-oriented* collective labor relations entail labor unions—as organizations voluntarily formed by workers—conducting *collective bargaining* to conclude *collective agreements*, and *participation-oriented* collective labor relations entail works councils—as official organizations—pursuing *joint labor-management consultations* to conclude *works agreements*. It is a system in which work is divided between the organization-oriented and the participation-oriented approaches. In postwar Japan, however, there is not necessarily a clear distinction between collective bargaining and joint labor-management consultations, due to the fact that the enterprise unions—which are, at least according to the law, voluntarily-formed organizations—have in practice served as organizations representing the employees at their particular enterprise. Matters concerning terms and conditions of employment, such as salary or working hours, are typically addressed in

collective bargaining, while other issues related to enterprise management are covered with joint labor-management consultation. However, in practice, there are many cases in which even issues concerning terms and conditions of employment are initially addressed with joint labor-management consultations and switched to collective bargaining if no progress is made in consultations. It is therefore important to be aware that statistics on collective bargaining and joint labor-management consultation are also nothing more than the data for the cases that each enterprise chose to name as such.

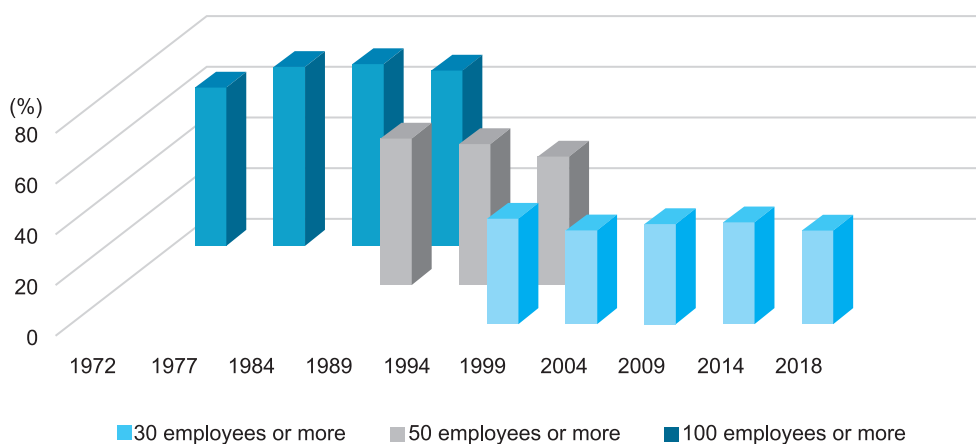
Let us first look at the trend in the implementation rate of collective bargaining in organization-oriented collective labor relations. The percentage of labor unions that have engaged in collective bargaining in the last three years has hovered at around almost two thirds in recent years (Figure 5). We must, however, remember that due to the decline in the unionization rate, the percentage of the total number of workers to which this collective bargaining applies is decreasing.

Participation-oriented collective labor relations have also been stagnant in recent years. In Japan, as should be noted, the labor unions themselves are



Source: The author, based on Ministry of Health, Labour and Welfare, “Survey on Bargaining between Labour and Management.”

Figure 5. Implementation rate of collective bargaining



Source: The author, based on Ministry of Health, Labour and Welfare, “Labour-Management Communication Survey.”

Figure 6. Enterprises with a joint labor-management consultation system

enterprise unions, and have therefore come to take the leading role in the joint labor-management consultation system. Shortly after the Second World War, labor-management councils (*keieikyōgikai*) were established at each enterprise, and these councils at times sought the approval of labor unions regarding personnel or management matters. The prerogatives of management were later established with the formation of the Japan Federation of Employers’ Associations (Nikkeiren), and the Japan Productivity Center advocated the joint labor-management consultation system as a means to further develop discussions between labor and management, an approach which was increasingly adopted by enterprises. Japan’s period of rapid economic growth then saw the establishment of enterprise-based collective labor relations which were focused on joint labor-management consultation rather than collective bargaining. This demonstrated its strengths in the oil crises of the 1970s. While Japan, the US and Europe all suffered significant economic impacts due to the oil crises, it was noted at the time that it was joint labor-management consultation that allowed Japan to successfully weather these crises.

However, this joint labor-management consultation system, which has been noted by the OECD and others as Japan’s strength, has been stagnant since the 1980s. Figure 6 shows the

percentages of enterprises that have established a joint labor-management consultation system, based on data from the Ministry of Health, Labour and Welfare’s “Labor-Management Communication Survey.” While the size of enterprises surveyed differs depending on the survey timing, it is possible to see a general trend by which these percentages were on the increase in the 1970s, but subsequently stagnated in the 1980s, 1990s, and 2000s. In 2018, just 37.1% of enterprises with over 30 employees had joint labor-management consultation bodies.

1. “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.” See Hamachi (2021) for more detail.

#### Reference

Hamaguchi, Keiichiro. 2021. “Labor-management Relations in Japan Part I: Characteristics of the Collective Labor Relations System”. *Japan Labor Issues*, vol.5, no.30. <https://www.jil.go.jp/english/jli/documents/2021/030-02.pdf>.

This is a series of three articles on the topic of the labor-management relations in Japan. Part I (vol.5, no.30) looks at characteristics of the collective labor relations system. Part III will cover individual labor relations.

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