

JILPT carried out a major-scale questionnaire survey with a view to 1) find out the situation of the human resources divisions of Japanese companies from the aspect of them being the adjustment mechanism for labor management relations, and 2) to get a clear picture of the changes in the employment system of companies behind the labor management relations which are progressing towards individualization.

The survey was carried out on companies that were listed on the corporate register of a private credit company at the moment of September 2004. The top 11,856 companies with the most number of employees and that have an industry in the Industries/Major groups division of the Japan Standard Industry Classification as their primary economic activity were selected (excluding those involved in mining, agriculture/forestry/fishery, cooperatives, medical services, religion, education, social insurance, social welfare, academic organizations, or political/economic/cultural organizations). The survey was conducted using questionnaire sheets sent by post. Questionnaire sheets were sent to the human resource managers of the companies, and they were asked to send the sheets after filling in the answers directly back to JILPT by post. The survey period was between February 5 and March 31, 2008, and the time of survey was as of February 1, 2008. The number of valid replies was 924. The response rate was 7.9% (excluding 188 replies which included bankruptcy, disappearance of a company due to discontinued business or a merger, and undelivered mail due to an incorrect address).

In this report, “Previous Survey” refers to a large scale survey conducted from 2004 to 2005, and which included the same target population as this survey.

Here we present the findings of the survey on the “overview of the labor-management relations and labor-management joint communications” and the

“actual status of the performance-based wage system”.

## I. Overview of Labor-management Relations and Labor-management Communications

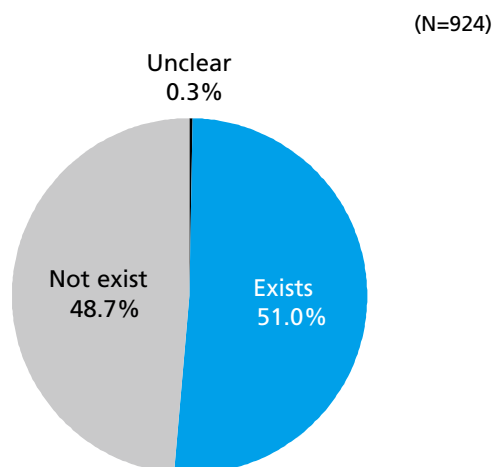
### 1. Labor Union and Labor-management Joint Consultation Organization

When we asked whether or not a labor union existed in the company, the percentage of the companies that said they had a labor union was 51.0%, while those without labor unions accounted for 48.7% (Figure 5-1).

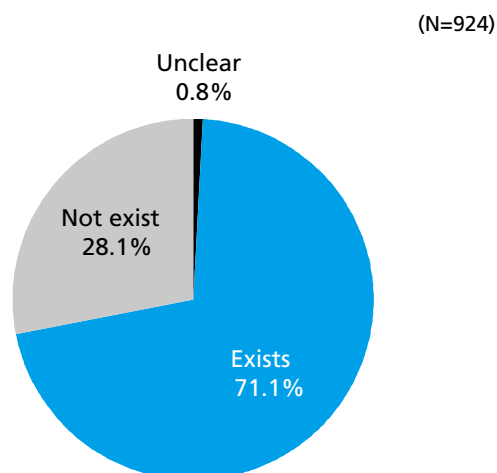
Next, when asked whether or not a labor management joint consultation system existed, the companies that said they had a labor management joint consultation system accounted for 71.1%, while those without a labor management joint consultation system accounted for 28.1% (Figure 5-2). However, please note that in the survey we asked, labor, “Even if your company does not have a labor union, if some kind of mutual consultation is carried out between the management and the employee representative, then please answer ‘yes, it exists”.

With regard to the existence or the non-existence of labor unions and labor-management joint consultation mechanisms, we will look at these two combinations (Table 5-3). The UWC types that have both labor unions and labor-management joint consultation mechanisms accounted for 50.9% of the total cases (excluding the unknown cases), the percentage of WC types that did not have labor unions but had labor-management joint consultation mechanisms was 20.9%, Open Field types that did not have labor unions or labor-management joint consultation mechanisms accounted for 27.7%, and U types that had labor unions but did not have labor-management joint consultation mechanisms constituted 0.5%.

**Figure 5-1 Existence and Non-existence of a Labor Union**



**Figure 5-2 Existence and Non-existence of a Labor-management Joint Consultation**



**Table 5-3 Cross Tabulation of the Existence and Non-existence of Labor Unions and Labor-management Joint Consultation Mechanisms**

(n=913, Values excluding unknowns)

		Existence and non-existence of labor-management joint consultation mechanisms		
			Exists	Not exist
Existence and non-existence of labor unions	Exists	Types and frequency distribution	UWC type (466)	U type (5)
		% of summation	50.9	0.5
	Not exist	Types and frequency distribution	WC type (191)	Open field type (254)
		% of summation	20.9	27.7

## 2. The Role of Labor-management Consultation

For companies that do have a labor-management joint consultation mechanism, what is the role of labor-management joint consultation? Table 5-4 is a comparison of collective bargaining and a labor-management joint consultation system carried out by Kazuo Sugano (2002/2004). It suggests that although the main objective of a labor-management joint consultation system is information sharing and mutual consultation of management and production issues, it could play a substantial role in the

negotiation of labor conditions, which were collective bargain issues shown with heavy lines in Table 5-4.

Moreover, aside from the institutionalized labor-management joint consultation mechanisms or labor-management joint consultation organizations, worker's organizations could also function as a mechanism for speech and play various roles in labor-management negotiations. Although work group meetings that exist in many companies as a semi official means of labor-management communication were set up with the aim to promote friendliness and mutual aid, sometimes they can also fulfil (although not equal) a similar function as a labor union<sup>1</sup>.

1 For example, Keisuke Nakamura (1988) and Yasunobu Tomita (1993)

**Table 5-4 Collective Bargaining and a Labor-management Joint Consultation System**

	Collective bargaining	Labor-management joint consultation system
Premise	Labor Union Act (Article 28 of the constitution)	Agreement between the parties
Parties in interest	Labor unions, employers or employers' associations	Labor unions – employers (Employee meetings – employer)
Objective	"Negotiation of working conditions on equal standing (Paragraph 1 of Article 1) Conclusion of collective agreements and other matters (Article 6)"	Participation in management, improvement of production, information sharing, exchange of opinions
Subject matter	Working conditions (the treatment of workers), and other matters (rules on labor-management issues etc.) (Paragraph 1 of Article 1, Article 6, Article 16)	Management/production matters (status/direction of management, production plan/methods etc.)
Person in charge	Representatives of a labor union or those to whom the authority has been delegated by the labor union, representatives of the employer or those to whom the authority has been delegated by the employer (Article 6)	Agreement between the parties
Deadlock	The right to carry out acts of dispute which are justifiable acts (Article 28 of the Constitution, Paragraph 1, Article 2 of the Labor Union Act, Article 8)	No planned labor dispute actions, the differentiations between "description report" "hearing of opinions" "mutual consultations, agreement"
Legal protection	The duty of the employer to bargain collectively (Article 6, Article 7-2), immunity from prosecution (Paragraph 2 of Article 1), no civil liability (Article 8), bail-out from unfair labor practices (Article 7, Article 27)	Arbitrary procedure between labor and management

Source: Sugeno (2002)p.303 He claims the functions of the bold-lined sections are carried by labor-management joint consultation mechanism.

Furthermore, like the Labor-Management Communications Survey Committee (1994) that paid attention to the diversity of collective labor-management communication channels, some manager's meetings have been found to play a major role.<sup>2</sup>

In the meantime, there are labor-management

talks established by law, apart from these types of voluntary labor-management consultation based on autonomous labor-management. One is the Labor-Management Agreement in the Labor Standards Act and another is the Labor-Management Committee., These are (1) Labor-Management Committee Concerning the Resolution under the Discretionary

2 For a detailed survey of the existing studies on statement structures within the company please refer to Tsuru (2002) pp.138-43. Tsuru (2002) mentions using the research of Nitta (1992) as an example, the role of the middle management as a different labor-management communication route to the employee organizations and labor-management joint consultation mechanisms.

Working System for Management-related Work (Article 38-4 of the Labor Standards Act), (2) Committee for the Improvement of Establishing Working Hours, etc. (Article 6, Article 7 of the Act on Special Measures for Improvement of Working Time Arrangements), (3) Safety Committee (Article 17 of the Industrial Safety and Health Act), (4) Health Committee (Article 18 of the Industrial Safety and Health Act), (5) Safety and Health Committee (Article 19 of the Industrial Safety and Health Act), (6) Deposit Safeguarding Committee (Article 2 of the Ordinance for Enforcement of the Act on Security of Wage Payment) and (7) Retirement Allowance Safeguarding Committee (Article 5-2 of the Ordinance for Enforcement of the Act on Security of Wage Payment). With the exclusion of the Safety Committee and the Health Committee there are no penalties for not setting these up.<sup>3</sup> These Labor-Management Committees may appear to have limited objectives; however the actual agenda (subject of discussion) that come up at these committees could sometimes be on management or labor condition related issues that are not related the purposes of the committee, and therefore may sometimes serve as an alternative to the Labor-Management Agreement.

Meanwhile, in this survey the labor-management consultation has been classified into the following five categories, after the classification of Sugano (2003).

(i) Labor-management joint consultation system prior to the collective bargaining, for the purpose of disclosing information and sounding out the interests before the commencement of the collective bargaining.

(ii) Labor-management joint consultation system alternative to collective bargaining, for the purpose of solving the collective bargaining issues through labor-management joint consultation.

(iii) Labor-management joint consultation system in the style of participative management, for the purpose of discussing management and productivity issues that are different from the collective

bargaining issues.

(iv) Prior consultation system of the human resources issues based on the human resources consultation provisions of the agreement.

(v) Other roles.

The results (Figure 5-5) show that the largest number were the labor-management joint consultation system alternative to collective bargaining, followed by the Labor-management joint consultation system prior to the collective bargaining. Ranking third was the labor-management joint consultation system in the style of participative management. This is for discussing management and productivity issues different from the collective bargaining issues, which is the original purpose of labor-management consultation. This was followed by the prior consultation system of human resources.

### 3. Frequency of Labor-management Consultations

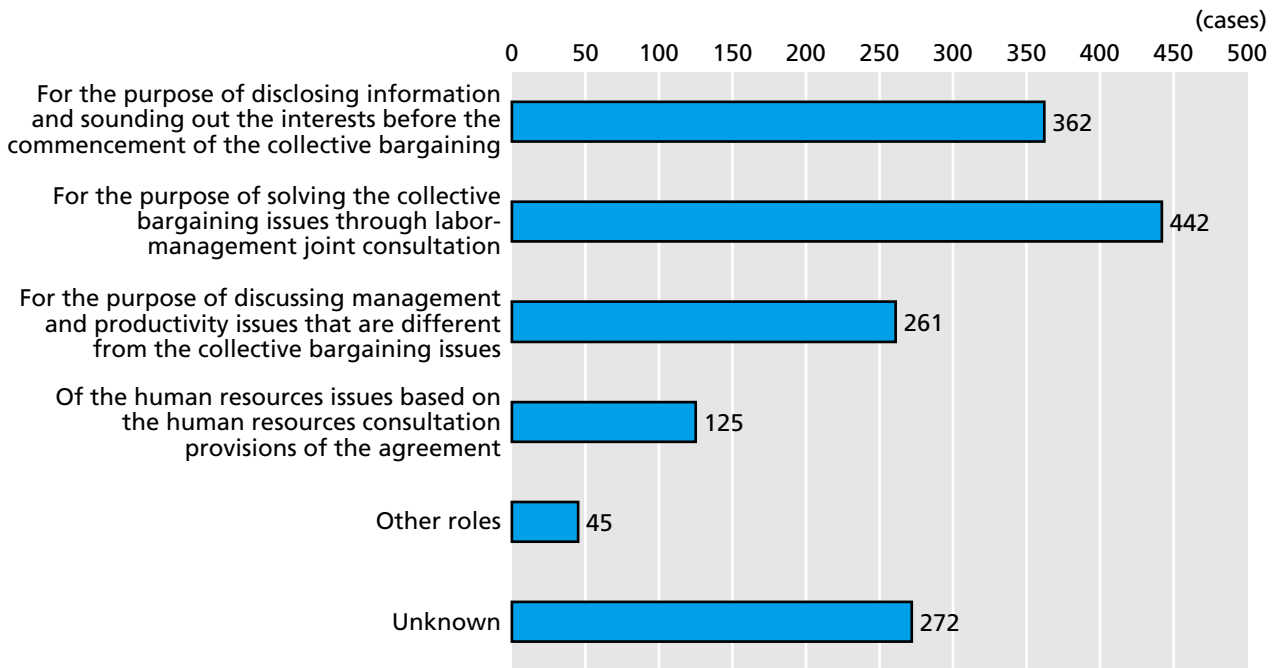
Of the companies surveyed, when asked how many times they carried out labor-management consultation in fiscal year 2006, the average value was 12.5 times, the standard deviation was 19.0, and the maximum value was 300 times. The average value suggests that labor-management consultations take place at a rate of once every month. Looking at the distribution (Figure 5-6), 1-5 times was the most with 26.3% and 6-10 times was second at 16.1%, with these two combined accounting for over 40%.

### 4. Are Labor-management Consultations Carried out in a Coordinated Manner?

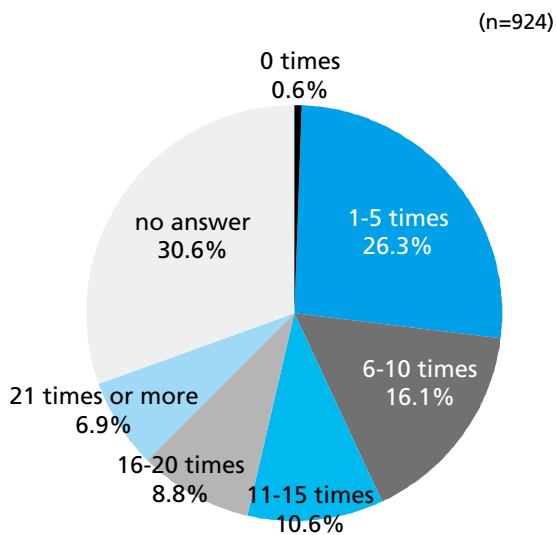
When labor-management consultations are taking place, in response to whether they are carried out in a coordinated manner or if there are conflicts (Figure 5-7), those who answered “the consultations were generally carried out in a coordinated manner” accounted for more than half at 56.0%. When combined with “the consultations were more likely than not carried out in a coordinated manner,” which was 23.3%, the total figure was over 80%. This

3 However, if measures of safeguarding of savings such as the setting up of a Deposit Safeguarding Committee is not in place, and the orders by the director of the labor standards supervision office concerning the safeguarding of savings are violated, then there is a penalty of 300,000 yen or less.

**Figure 5-5 Role of Labor-management Consultation**

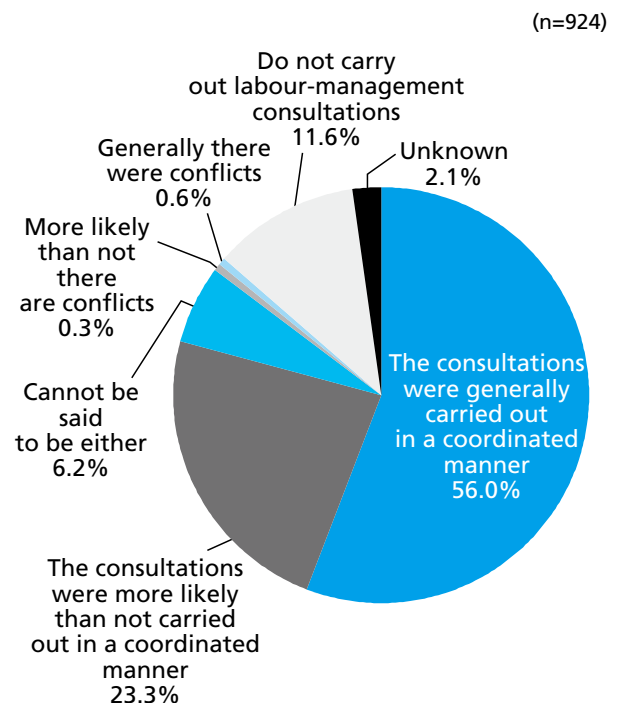


**Figure 5-6 Distribution of the Frequency of Labor-management Consultations**



shows that the labor-management consultations were carried out in a coordinated manner. In contrast, even if the two answers “more likely than not there are conflicts” and “generally there were conflicts” were combined, they totaled less than 1%. Rather than have conflicts, the percentage of those who chose “do

**Figure 5-7 How Labor-management Consultations are Carried out**



not carry out labor-management consultations (11.6%)” was higher. In conclusion, the majority favored labor-management consultations being

carried out in a coordinated manner.

## **5. How Complaints Are Conveyed to the Human Resources Department**

We will now turn to the human resources department, which in terms of labor-management relations is instrumental in solving problems within the company. First, concerning the route of how the complaints are conveyed to the human resources department (Figure 5-8), the most popular answer was “the employee makes the complaint to his/her supervisor, and then the supervisor conveys the complaint to the human resources department”. In this instance the supervisor receives the complaints from employees and from there the complaint is transmitted to the human resources department. The next most popular answer was “the complaints are raised directly by the employee to the human resources department verbally (in person) or by email”. The latter means of sending the complaint directly to the human resources department by email suggests that the route to convey complaints has diversified. Moreover, since the complaint is conveyed without having to meet the human resources staff in person, it has also perhaps become easier to make a complaint.

The third most popular answer was “the complaint is conveyed to the human resources department by the employee using a self-declaration system or a complaint-processing mechanism”. This shows that the number of complaints being conveyed to the human resources department through a formal route was lower in percentage compared to the number of complaints made via the supervisor and the direct complaints lodged in person.

The fourth most popular answer was 371 cases for “the employee makes a complaint with the labor union and the complaint is then conveyed to the human resources department”, which was a similar level as the route using the self-declaration and the complaint-processing mechanism.

There are also cases whereby the consultation services internal or external to the company are utilized. These include cases such as “made the complaint to the consultation service within the company not of the human resources department, and

the complaint was conveyed to the human resources department (153 cases; 16.6%)” and “made the complaint to the external consultation service set up by the company, and the complaint was conveyed to the human resources department (180 cases, 19.5%)”.

There were also 157 cases where the complaints were directly made to the top management.

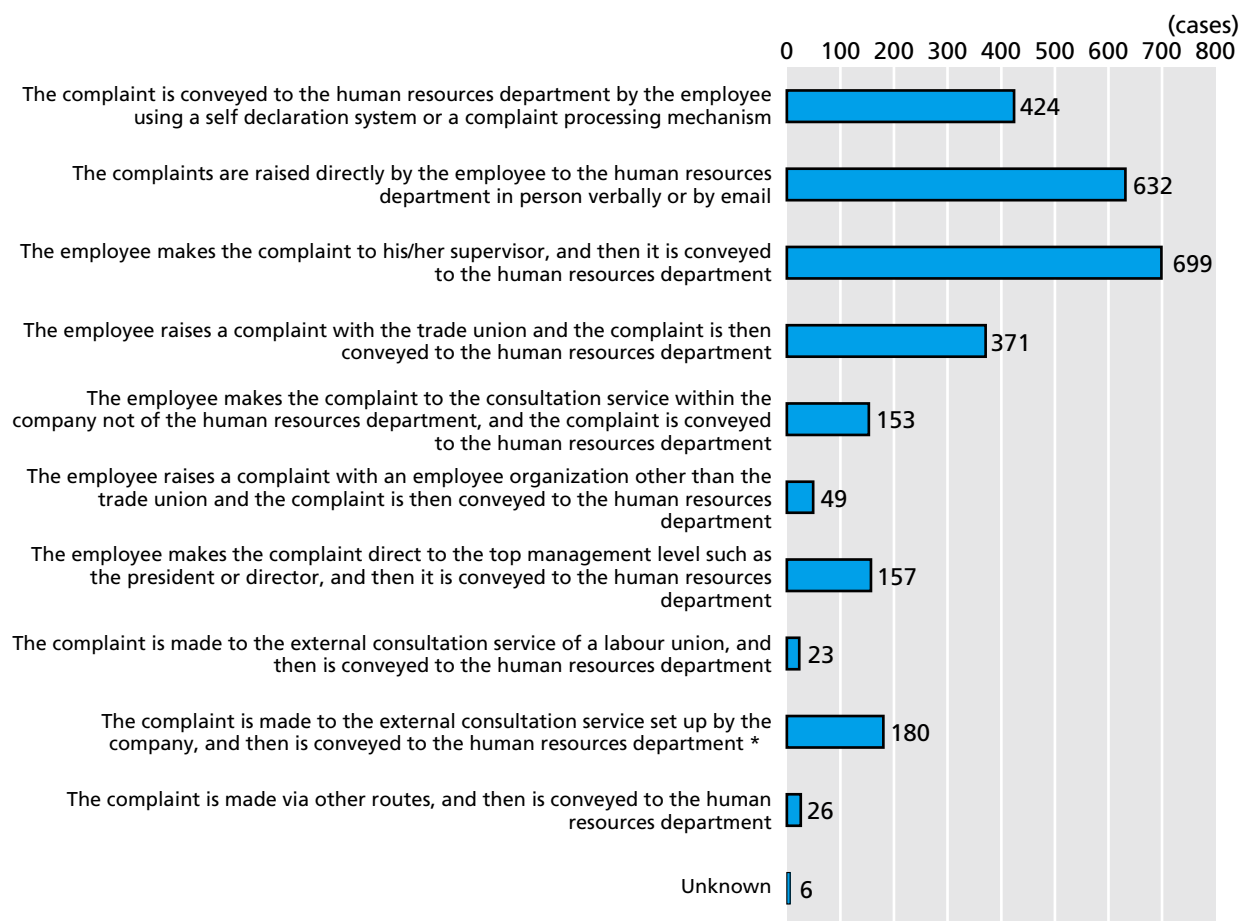
## **6. How to Coordinate or Provide Consultation on Complaints**

When a complaint is filed with the human resources division concerning the individual treatment of an employee, such as “there is a feeling of unfairness regarding the wages”, who do the human resources department coordinate with or consult with? First, within the company (Figure 5-9), the most selected answers were “the head of the business unit the employee who made the complaint belongs to”, followed by “the immediate supervisor of the employee who made the complaint”. It seems the action taken by many human resources departments when problems arise was to talk to the superiors of the employees concerned.

The number of those who answered top management was quite high, with 402 cases. Moreover, the number of cases where the human resources department had consulted or coordinated with the labor union was also fairly high, with 186 cases.

On the other hand, when consulting outside the company (Figure 5-10), perhaps due to the increasing seriousness of the problems, the most popular cases were “lawyers” who are legal experts. The next most popular were the external personnel management experts such as “certified social insurance labor consultants/personnel consultants”, and thirdly the “personnel person of the parent company/related company”. Also with a similar level of popularity to this was the usage of “governmental agencies such as the labor department/labor administration offices etc.” The consultations on legal issues are made with lawyers, but who to consult with on other issues seem to be diversified.

**Figure 5-8 Route of How the Complaints are Conveyed to the Human Resources Department**



## 7. The Annual Number of Complaints in Fiscal Year 2006

Looking at the descriptive statistics of how many complaints were made to the human resources department over the entire year in FY2006, the average value was 6.7 times, the standard deviation was 10.4 times and the maximum value was 120 times. Regarding the distribution of the frequency (See Figure 5-11), “1-5 times” was the highest at 48.7% and next was “6-10 times” at 22.3%. When combined, these two accounted for 70%, and it shows the human resources department on average receives 10 or less complaints. This number may seem low.; However, before the complaints reach the human resources department, there may be a tendency for the number of complaints sent on to the human resources to be suppressed, e.g because the

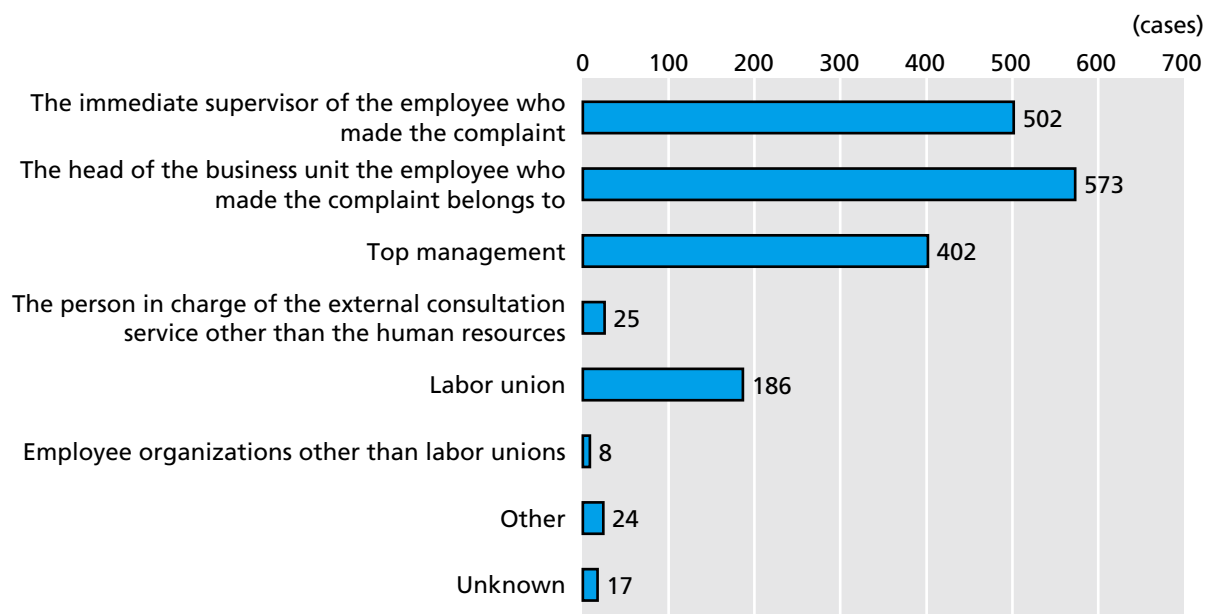
complaints are dealt with by the supervisor in the office by the labor union. This also leads to the suggestion that the complaints that are lodged with the human resources department could include, for some reasons “cannot tell the supervisor”.

## II. Present Situation of the Performance-based Wage Systems

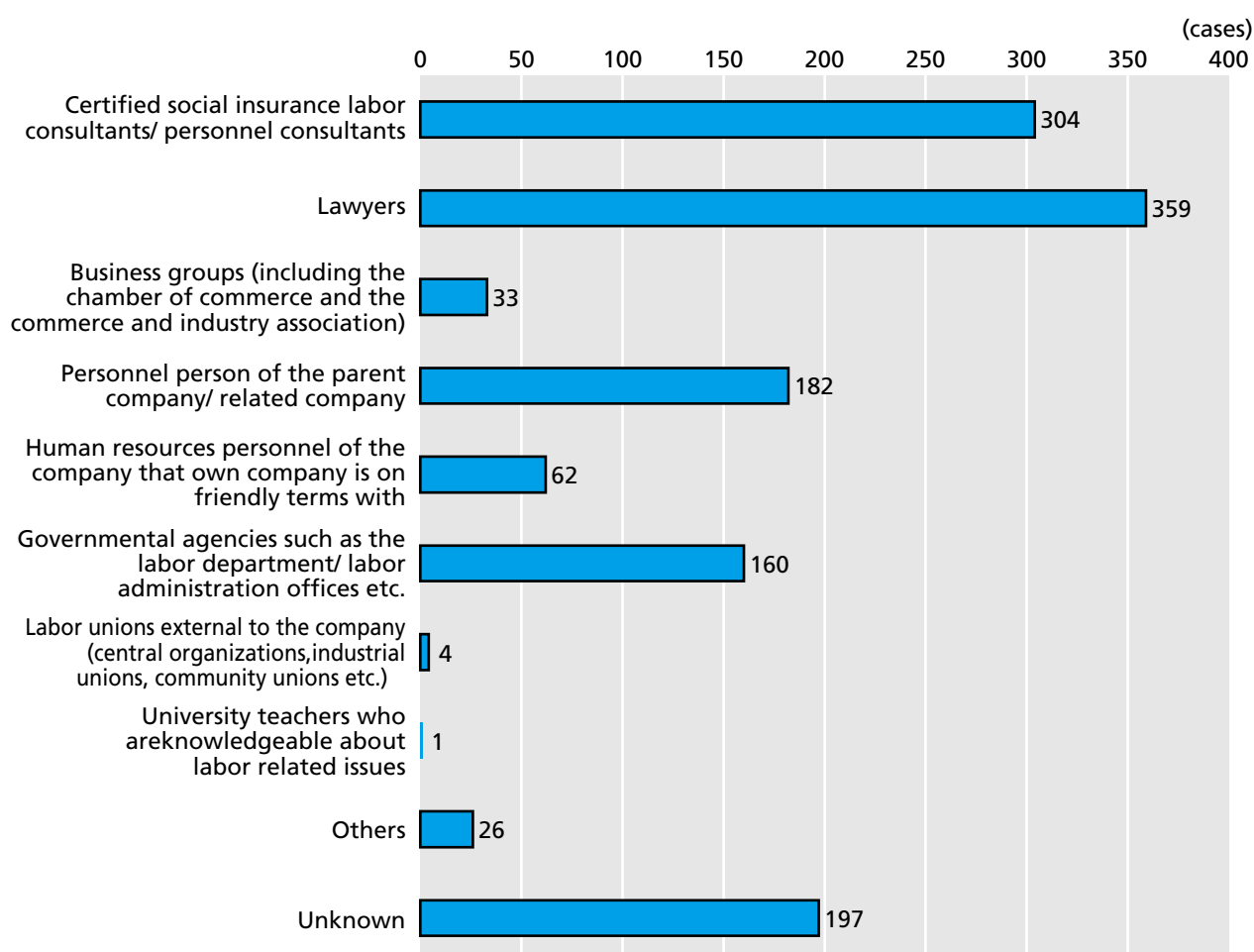
### 1. The Situation of the Implementation of the Performance-based Wage System

Here we will look at the implementation state and operation situation of the performance-based wage system among the companies that were surveyed. The performance-based wage system is operated in various ways by companies. Yoshio Sasajima has organized the numerous variations of the performance-based wage system as shown in Table

**Figure 5-9 Who to Consult/Coordinate with Inside the Company When a Complaint is Filed with the Human Resources Department**

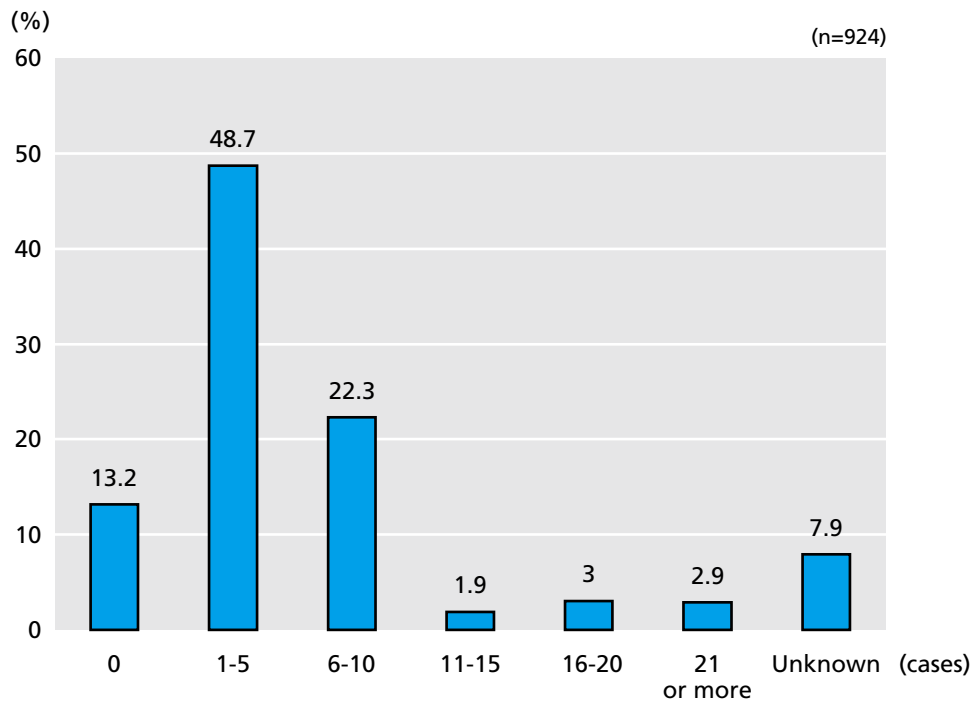


**Figure 5-10 Who to Consult/Coordinate with Outside the Company When a Complaint is Filed with the Human Resources Department**





**Figure 5-11 Number of Complaints Sent to the Human Resources Department**



5-12 (Under the supervision of Yoshio Sasajima 2000).

Since there are numerous variations in the types of companies that are actually implementing the performance-based wage system, the images of the performance-based wage system established by the respondents of the current questionnaire survey are expected to vary.

However in a narrower sense, the core element of the performance-based wage system is the idea to consider the work performance by an individual in a relatively short period as the foundation of the assessment/treatment of employees. However, before the 1980s many companies have evaluated the work performance by an individual, and reflected this in the treatment of employees. How, then, does the recent performance-based wage system differ from that of the previous system in terms of quality?

Tatsumichi and Morishima asserted that “the reform of the assessment/treatment system called the performance-based wage system differs from the previous assessment/treatment systems due to the following three characteristics: (1) Weakening of the seniority structure/ability developing structure, (2)

Proportional wage costs in accordance with performance, and (3) Strict and precise assessment.” (Tatsumichi/Morishima 2006, p.71). Therefore, we will rely on these assertions and define the performance-based wage system in the following way: “A part of the personnel system reform that became widespread since the latter half of the 1990s, which is a structure of the personnel system where relatively short-term work results are linked to assessment and compensation, and which has the following three characteristics : (1) Weakening of the seniority structure/ability developing structure, (2) Proportional wage costs in accordance with performance, and (3) Strict and precise assessment.” However, since data obtained from the questionnaire survey is to be used for analysis, which imposes restrictions, we will draw attention to one scalable aspect of the performance-based wage system. In the survey sheet, we used the wording, “Has your company implemented a human resources management and a performance-based wage system that emphasizes the work performance and achievement more than age and continued services?” In the following sections we will try to identify the

**Table 5-12 Types of Personnel Affairs and Wages of Performance-based Wage System**

Items of the wage system	Types of Institutional Reforms	
Basic pay	Job ability wages	Minimize/abolish proficiency-linked pay increase, abolish job ability wages, increase promotion-linked pay increase, fixed rate by type of qualification
	Age-linked wages	Minimize/abolish age-linked wages, minimize those who qualify for age-linked wages
	Wages based on total evaluation	Widening of the gap in the wage increase
	Wages based on job evaluation	Introduction of service allowance, job responsibility allowance and compensation by job classification
	Payment by results	Introduction of achievement allowance, performance allowance
Fringe benefits	Transfer livelihood allowances such as family allowances to the base pay	
Annual bonus	Minimize the unified portions, increase the appraisal portions, widening of the gap due to appraisal, introduction of the achievement bonus by section	
Personnel evaluation	Adjustment of the personnel evaluation system, introduction of objective management, utilization of competency (action evaluation)	
Ability based grade system	Change from graduation to entrance method, reduction of the number of qualifications, abolish the retention years, conduct demotion, clarify occupational ability requirements	
Annual pay increase	Reduction/abolishment of the automatic pay increase, expansion of pay increase based on appraisal, abolishment of pay increase/ introduction of minus pay increase	
Wage scale	Single job rate structure, changeover from a simple pay step system to a graded pay step system/ multiple scale of wages	
Others	Introduction of the annual salary system	

Source: The Japan Productivity Center, Yoshio Sasajima (2000)

details of this wording as the definition for a performance-based wage system.

## 2. Introduction of the Performance-based Wage System

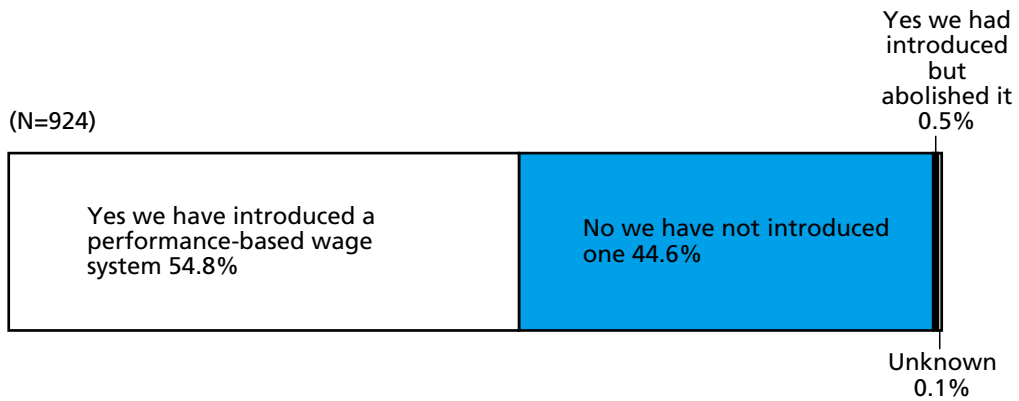
When asked whether they had introduced a performance-based wage system (Figure 5-13), 54.8% answered “yes”, and 44.6% replied “no”.

Comparing the introduction status to the previous survey (2004) (Table 5-14), the percentage of companies introducing a performance-based wage system in the previous survey was three points higher than for this survey, at 57.6%. However, this higher percentage could be due to the fact the ratio of the small and mid-size companies in this survey had increased compared to the previous survey, and such

a change in the composition of the surveyed companies may have affected the outcome. Therefore, some caution is required in its interpretation.

Looking at the introduction period of the performance-based wage system (Figure 5-15), 76.9% replied that they had introduced it after 2000, while those who replied they had during the 1990s were 19.5%. Compared to the previous survey, there was a slight increase this time in the percentage of those who answered that the introduction took place after 2000.

**Figure 5-13 Introduction of the Performance-based Wage System**

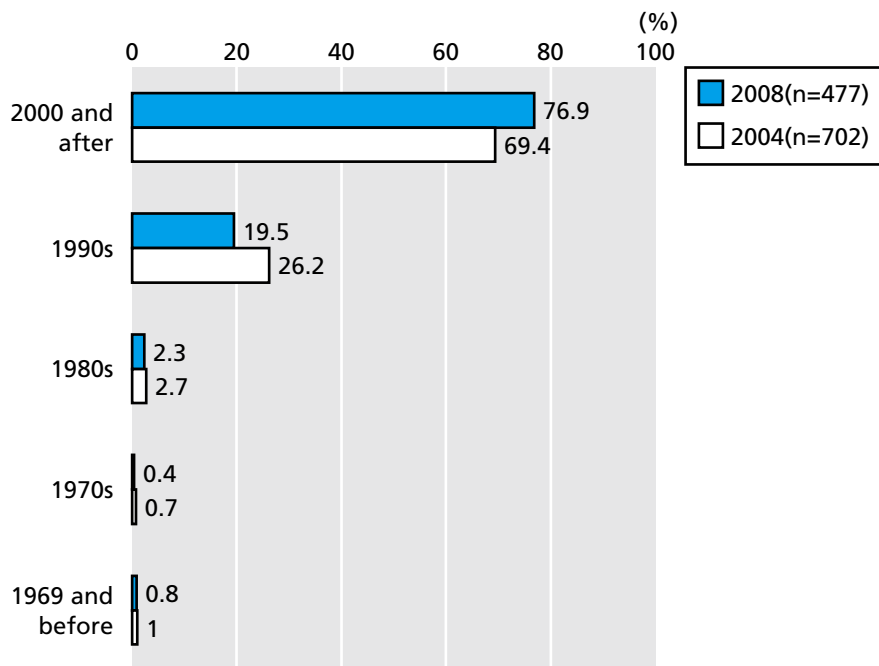


**Table 5-14 Comparison with the Previous Survey in Relation to the Introduction Status of the Performance-based Wage System**

	2008 Survey		2004 Survey	
	Cases	%	Cases	%
Yes we have introduced a performance-based wage system	506	54.8	737	57.6
No we have not introduced one	412	44.6	538	42.0
Yes we had introduced but abolished it*	5	0.5	0	0.0
Unknown	1	0.1	5	0.4
Total	924	100	1280	100

Note) \* is a question not included in the 2004 survey.

**Figure 5-15 Introduction Period of the Performance-based Wage System**



### 3. Factors that Affect the Introduction of a Performance-based Wage System

We use a multiple linear regression analysis to confirm what kind of effects factors such as the size and the category of industry of the company, business performances and the existence or non-existence of labor unions are having on the introduction of performance-based wage systems (Table 5-16).

In the construction, transport, wholesale and retail, finance, manufacture of general-purpose machinery, and manufacture of transportation machinery industries, the effect is statistically significantly minus. With these industry categories, the performance-based wage system has not been introduced as much as the reference groups. The annual sales of the fiscal year 2007 seems to have

had a positive effect on the introduction of performance-based wage systems, and it was revealed that the companies with higher sales figures were more likely to be introducing the performance-based wage system. However, even with the same business results, the recurring profits did not have a significant impact on the introduction of the performance-based wage system statistically. Although it is said that the introduction of the performance-based wage system is widespread among large companies, in this survey it showed that this fact this did not have a significant impact statistically. In addition, similar to the previous survey, the presence of the labor union did not have a significant impact on the introduction of the performance-based wage system statistically.<sup>4</sup>

**Table 5-16 Factors that Affect the Performance-based Wage System (Analysis in Which the Introduction of the Performance-based Wage System is the Dependent Variable)**

	Standardized Coefficients	Unstandardized Coefficients
(Invariable)		-1.463
Construction	-0.118 *	-0.247
Information and Telecommunications	0.030	0.076
Transport	-0.156 *	-0.222
Wholesale and Retail	-0.120 *	-0.156
Finance/ Insurance	-0.119	-0.305
Real estate	0.003	0.016
Service	-0.082	-0.109
General Machinery	-0.147 *	-0.390
Electrical Machinery	-0.039	-0.094
Transportation Machinery	-0.121 *	-0.295
Precision Machinery	-0.020	-0.136
Other Manufacturing	-0.073	-0.101
Industries other than the above	-0.002	-0.006
Regular Employees (logarithm)	-0.015	-0.008
Sales of Fiscal Year 2007 (logarithm)	0.288 ***	0.101
Recurring Profit of Fiscal Year 2007 (logarithm)	0.062	0.053
Labor Union Exists	0.039	0.039
Value F	5.276 ***	
Adjusted R <sup>2</sup> (determination coefficient)	0.093	
Case Number	714	

\*  $\rho < .05$  \*\*  $\rho < .01$  \*\*\*  $\rho < .001$

(Note) The base groups are of each industry (restaurants/hotels, electric/gas/heat supply/water), existence or non-existence of labor unions (non-existence of labor unions).

4 On this note, similar analysis are carried out in the "Business Strategy and Human Resource Management in Japanese Companies Today" in the JILPT Research Reports No.33, The Japan Institute for Labor Policy and Training (2005) so if you are interested please refer to this.

#### 4. Percentage of Performance-based Wages to the Total Funds to Pay Wages (by Post Stratum)

In deciding the funds to pay wages of the human resources subject to a performance-based wage management system, there are fixed items determined by age, educational background, and ratings such as the ability-based grade system or job class system, and variable items such as fluctuating personal achievements. We asked by post stratum [(1) general manager level, (2) manager level and (3) regular employee level] what percentage the variable items will account for when the total of the two items are 100.

When the funds to pay wages are determined by the job category, we asked them to choose one job type which had the most fluctuation in the personal achievements.

- (1) Percentage of the variable items of the general manager level  
Average Value 40.23 Standard Deviation 27.97
- (2) Percentage of the variable items of the section manager level  
Average Value 36.83 Standard Deviation 25.88
- (3) Percentage of the variable items of the regular employee level  
Average Value 29.81 Standard Deviation 23.63  
(N=473)

By post stratum, the variable items of the general manager levels were the largest at 40.2, followed by 36.8 of the section manager level, and 29.8 of the regular employee level. This shows the lower the post is, the lower the percentage of the variable items.

#### 5. Wage Gap Due to Introduction of Performance-based Wage System

What is the level of the wage gap between the workers that have similar personal attributes as a result of the introduction of the performance-based wage system? In the present survey, we asked what differentiation is currently being made between the annual salary of the regular employees of a section manager level in the same section, and between (1) the annual salary gaps possible from an institutional

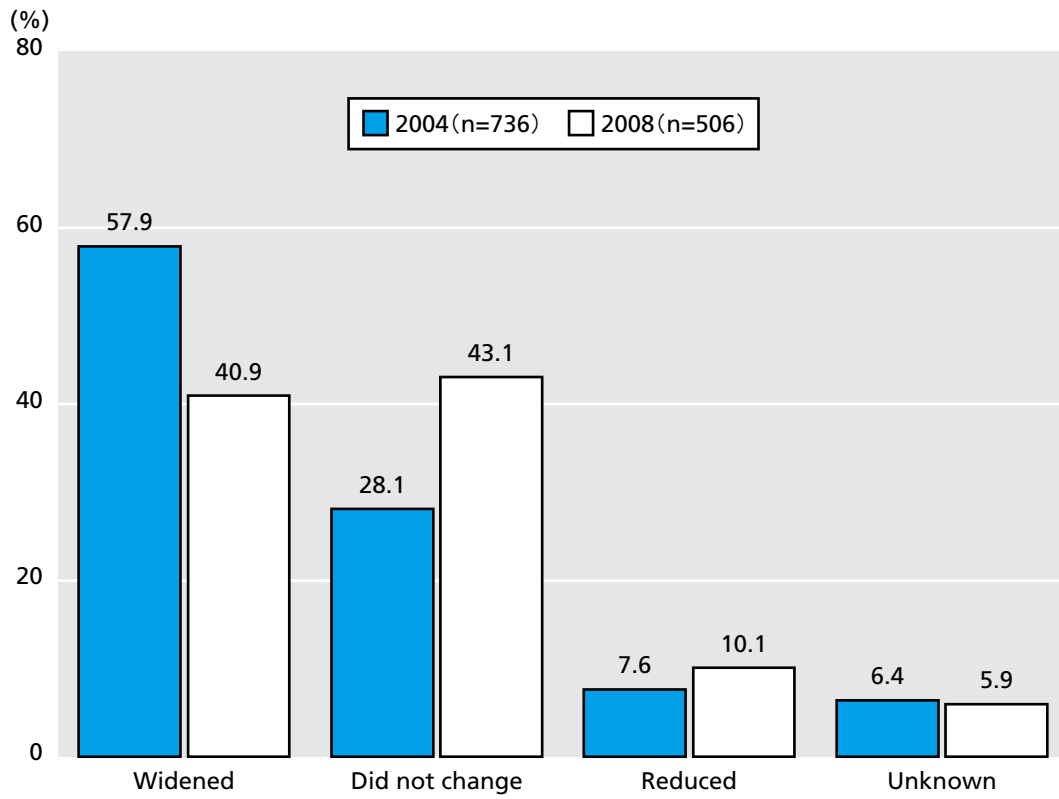
standpoint and (2) the actual annual salary gaps, when the average level is 100, what are the lowest and the highest levels? We asked them to reply using index numbers. As a result, with (1) the annual salary gaps possible from an institutional standpoint (the gap between the lowest and highest earner from an institutional standpoint) the average value was 41.06, and the standard deviation was 31.57, and with (2) the actual annual salary gaps (the actual gap between the lowest and highest earner) the average value was 30.68, and the standard deviation was 25.09. This showed that the differentiation from an institutional standpoint was greater and also varied widely.

Meanwhile, regarding the factors that affect the gaps from an institutional standpoint and the actual gaps, we conducted a multiple linear regression analysis using the various attributes of a company (industry type, number of regular employees, sales, recurring profits, the existence and non-existence of a labor union) as a dependent variable. However this model did not quite work out and a statistically significant result could not be obtained.

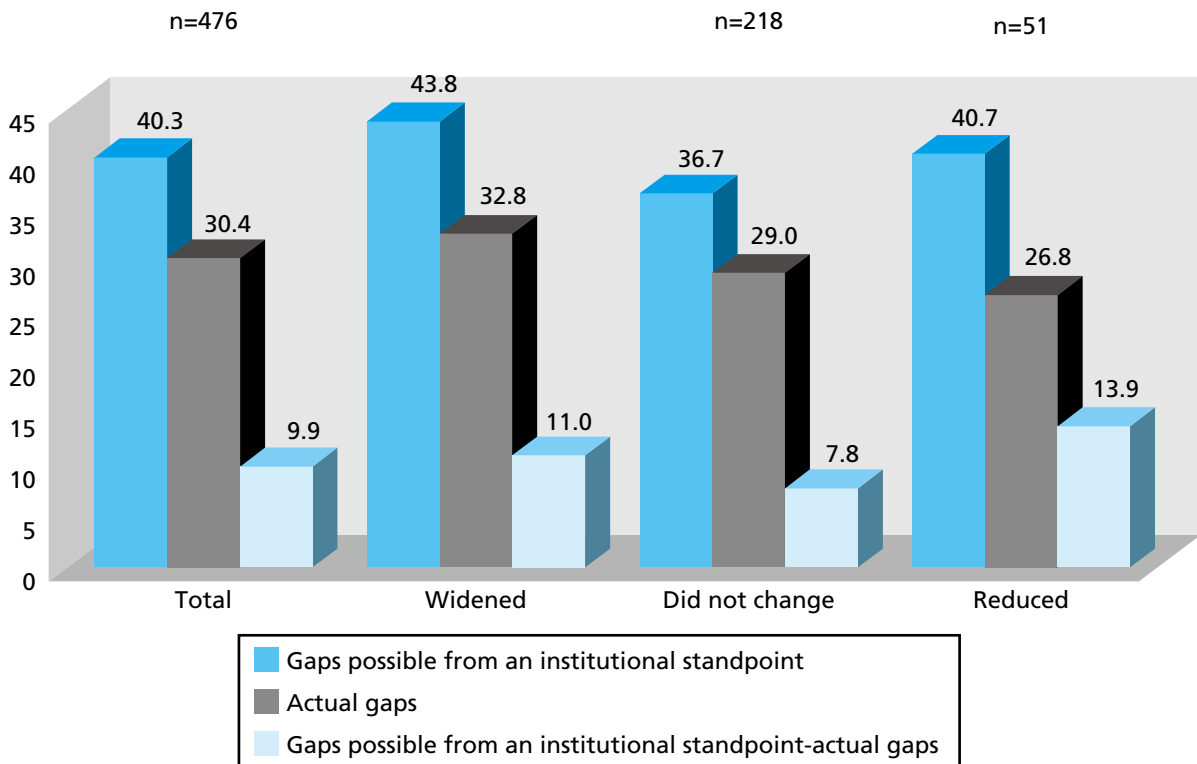
When asked whether these gaps widened after 2000 (Figure 5-17), 40.9% answered "widened", 43.1% said "did not change" and 10.1% responded "reduced". Compared to the previous survey, the percentage of those who answered "widened" dipped 17 points, indicating that after the previous survey, the widening of the actual annual salary gaps have slowed down.

In terms of the widening of the gaps after 2000, we compared (1) gaps from an institutional standpoint, (2) the actual gaps and (3) the gaps from an institutional standpoint minus the actual gaps (Figure 5-18). First, the (1) gaps from an institutional standpoint of the group that saw a widening of the gap was 43.8, however the same of the group that saw the gap reduce was 40.7. This shows that with the group that saw the gap reduce, the institutional gap is smaller. Moreover, the (2) actual wage gap of the group that saw the gap increase was 32.8, however the same of the group that saw the gap reduce as 26.8. Again, with the group that saw the gap reduce the actual gap was also smaller.

**Figure 5-17 Widening of the Gaps between the Section Manager Level Regular Employees in the Same Section after 2000**



**Figure 5-18 Wage Gap by the Level of Widening after 2000**



## 6. Review of the Performance-based Wage System and the Change in Its Operations

When we asked about the reviews of the performance-based wage system and the changes in its operations carried out after 2000 (Figure 5-19), the four issues that were pointed out the most were as follows: “strengthening/enhancement of the appraiser training (46.7%)”, “assessment of the degree of contribution to the achievement of targets of the section of the entire company (46.3%)”, “more accurate procedure of evaluation (44.6%)” and “evaluation of the process such as how the work is progressed or the attitude to work (42.9%)”. Since many companies had introduced the performance-

based wage system after 2000, or because around 2004 there was a trend for criticizing the performance-based wage system, many companies seem to be carrying out reviews and changes in the operations. In particular, in order to solve the major issue that accompanies the performance-based wage system which is achievement of fairness, the results show that there were active movements towards the training of the appraisers who have the role of evaluating, and the reviewing of the institutional design. The aforementioned results indicate that the Japanese companies have already surpassed the introductory stage of the performance-based wage system and entered in its full-fledged growth stage.

**Figure 5-19 Review and Changes in the Operation of the Performance-based Wage System Carried out after 2000**

