

1. A Copernican Transformation in Companies' Perception of Unions: A Shift from Suppressing the Energy of Unions to Utilizing it²

Since the collapse of the economic bubble in 1991, Japan has faced serious problems, including low economic growth, the aging of the population coupled with a declining birthrate, an expanding budget deficit, a crisis in the social security system, a lack of political leadership, and an absence of vision on the part of young people. Who will save and regenerate our country and society? We should look toward labor unions to be the key actors in such endeavors. In order to facilitate the full-scale regeneration of Japan, a Copernican transformation in perceptions of labor unions and labor-management communication will be required on the parts of both labor and management.

For companies, conducting management in such a way as to avoid disputes, such as strikes by labor unions, was once a crucial task in labor relations. One could describe it as a policy of suppressing the energy of labor unions. Labor unions gathered together by industry to break through this policy and succeeded in winning significant wage increases through successive annual spring wage offensives, but what made these possible was the fact that the country was experiencing high economic growth.

Following the period of economic maturity in the 1970s and 1980s, Japan entered the era of low growth in the 1990s, with an ongoing recession referred to as "the lost decade" or even "the lost 15 years". On top of this, Japan suffered direct hits in the form of the Lehman Shock and the Great East Japan Earthquake. The question being asked is what can be done to overcome these difficulties, which could be described

as a national crisis; the answer is that we must mobilize and tap the strength of every member of society. The same applies to companies: if they have a labor union, they need to encourage that union to exert its collective energy and make use of it in corporate management. In other words, a policy of utilizing the energy of labor unions is required. Labor unions can thus become a type of management resource.

It is necessary for companies to achieve a Copernican transformation in their perception of labor unions, shifting from a policy of suppressing the energy of labor unions to a policy of utilizing it. In doing so, what is of paramount importance is whether or not the labor union itself has any energy. What kind of things can inhibit the maintenance and development of a company? Poor managerial skills on the part of management, a lack of CSR, the absence of collaboration between departments, unsatisfactory wage and personnel policies, a low desire to work on the part of workers, high inventories and other forms of waste.... Labor unions need to have the ability to precisely grasp such issues and not only request improvements and reforms, but also implement them. In order to do this, first and foremost, the prerequisites are that the members of the labor union have an attachment to the company and the union, and an interest in the relevant problems of the company and that a workplace environment has been developed to let them raise those issues openly. If such negative information does not reach the labor union, it will not have the energy to lock horns with the company. In this sense, it is imperative to ensure complete democracy within the union, in order to ensure that it has sufficient energy.

At companies where no labor union has been

1 This paper was originally carried in the January 2012 edition of "*Roudou Chousa* (Labor Survey)", published by the Labour Research Council.

2 This section was carried unaltered in the November-December 2011 edition of "NAVI", published by the Japanese Electrical Electronic & Information Union.

organized, if management listen to the frank opinions and requests of their employees, and actively disclose information and details of the company's future direction, it will increase the sense of unity between management and workers, thereby having a positive effect on the medium to long-term development of the company. Such labor-management communication is even more important today, precisely because it is an unpredictable age in which globalization increases the tendency for companies to be affected by developments overseas. Moreover, it is an era of fierce competition, in which it is difficult for management to ensure the survival and expansion of their companies through their own efforts alone. Amid the growing necessity to ensure that all employees feel a sense of ownership through management that utilizes the creativity and abilities of each and every member of staff, it is imperative to foster a workplace environment in which employees can think freely and speak out openly.

This is an era in which we require a Copernican transformation, perceiving the energy of labor unions and the opinions of employees not as something to be repressed, but as a management resource to be utilized. The author recently published the results of studies carried out hitherto,³ and would like to take up a few points from these results, to serve as a point of reference when considering labor-management relations in the future.

2. The Nature of Labor-Management Communication as a Management Resource

In 2006, the Japan Institute for Labour Policy and Training conducted a questionnaire-based survey of the presidents of 12,000 middle-ranking small and medium-sized enterprises (hereinafter referred to as "SMEs") with fewer than 1,000 regular employees. Valid responses were received from 2,440 companies (a response rate of 20.3%). From this survey, one can see the nature of labor-management communication as a management resource.

Firstly, to what degree is communication with employees required in the corporate management of SMEs? Looking at their basic policies on communication, one can see the following. The responses to the request to select either Opinion A or Opinion B below can be broadly categorized into four groups: 28.2% responded "My opinion is close to Opinion A" (positive), 44.4% responded "Of the two, my opinion is closer to Opinion A" (somewhat positive), 20.9% responded "Of the two, my opinion is closer to Opinion B" (somewhat negative), and 5.4% responded "My opinion is close to Opinion B" (negative). 72.6% of companies - the total share of those with a positive or somewhat positive opinion - think that they should gain an adequate understanding of the wishes and requests of ordinary employees. However, the remaining 26.3% of companies think that there is no need to listen to the requests of ordinary employees.

Opinion A: "Companies should implement management based on an adequate understanding of the wishes and requests of ordinary employees"

Opinion B: "The company is run by management, so it is not necessary to listen to the requests of ordinary employees concerning its operation"

Dividing the basic policies of those company presidents concerning labor-management communication into the aforementioned four types, one can see the following regarding the degree to which management information is actually disclosed to employees.

The more that a company gains an adequate understanding of the wishes and requests of ordinary employees, the higher the rate of disclosure to ordinary employees of information concerning the management of the company. It is thought that the higher the rate of disclosure of information concerning the management of the company, the

3 For more specific details, see Oh, Hak-Soo (2011) "Roushikankei no Furontia: Roudoukumiai no Rashinban (Frontiers of Industrial Relations in Japan: Compass for Labor Unions)", Japan Institute for Labour Policy and Training. The content below forms part of that publication.

easier it is to achieve a sense of unity and cooperation between the company and its employees. The total scores for the management information disclosure rates for the four types are 407.6% for the positive group, 378.0% for the somewhat positive group, 352.1% for the somewhat negative group, and 315.0% for the negative group.

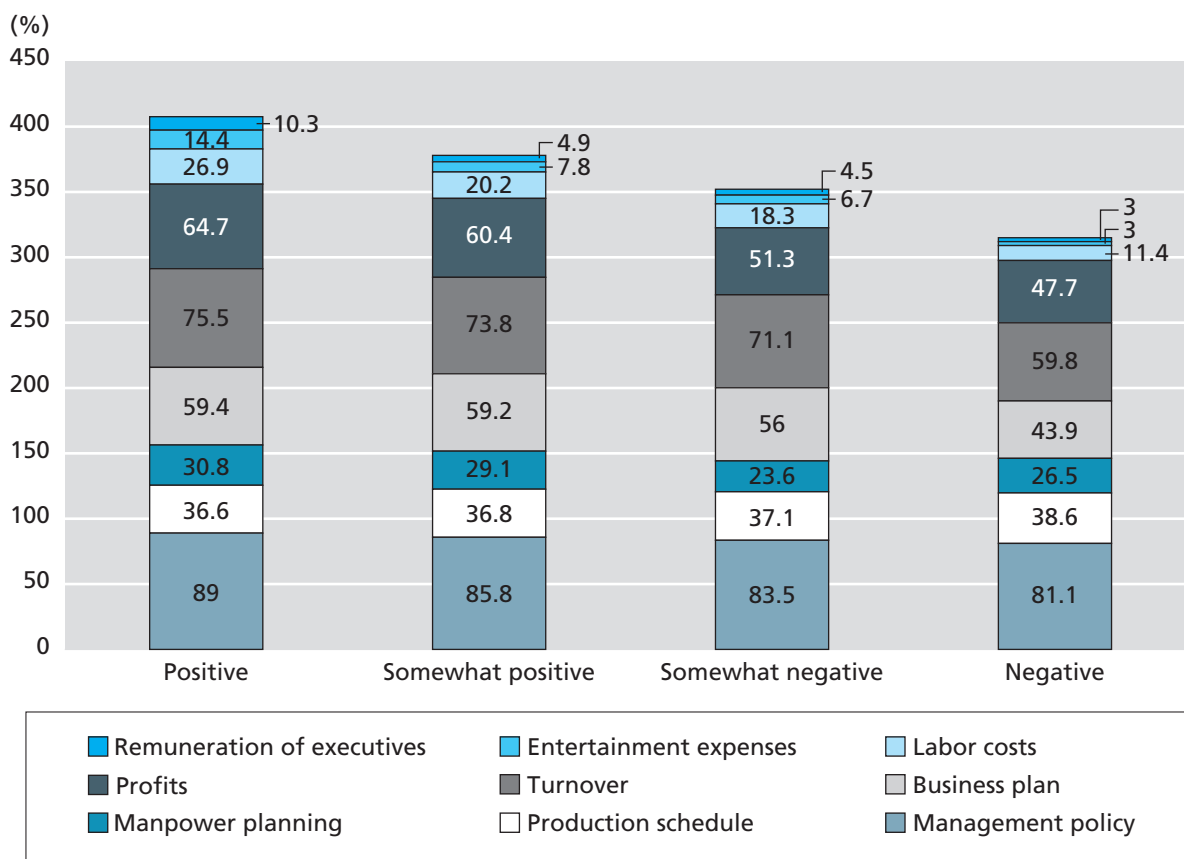
Looking at the situation in more specific terms, although one cannot see major differences in each of the four types in terms of information concerning the management policy, production schedule, manpower planning and business plan (hereinafter referred to as "business information"), the disclosure rate of information concerning turnover, profits, labor costs, entertainment expenses and remuneration of executives (hereinafter referred to as "financial information") increases, the more that a company is inclined toward the positive group. Of the financial information, the disclosure rates for entertainment

expenses and executive remuneration are three or four times higher among the positive group than among the negative group (see IV-24).

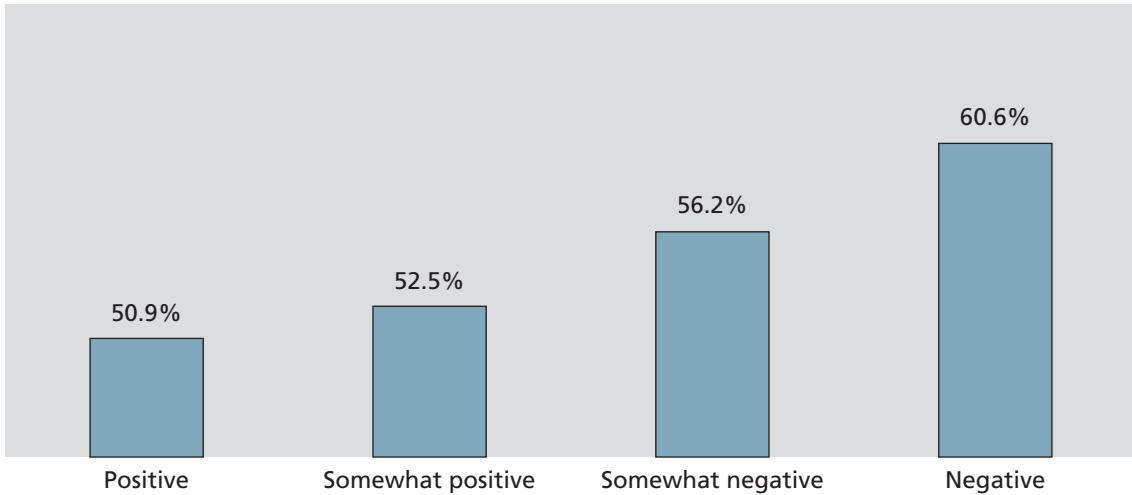
If one looks at the effects of labor-management communication, firstly, one can see that the proportion of those with experience of a management crisis is lower, the more that a company is inclined toward the positive group. In other words, if one looks at whether or not a company has experienced a management crisis due to a downturn in business since 1990, one can see that the proportion responding that it had experience of such a downturn was 50.9% among the positive group, 52.5% among the somewhat positive group, 56.2% among the somewhat negative group, and 60.6% among the negative group (see IV-25).

Secondly, the more a company is inclined toward the positive group, the lower the degree of difficulty in the management of employees. Of the issues listed,

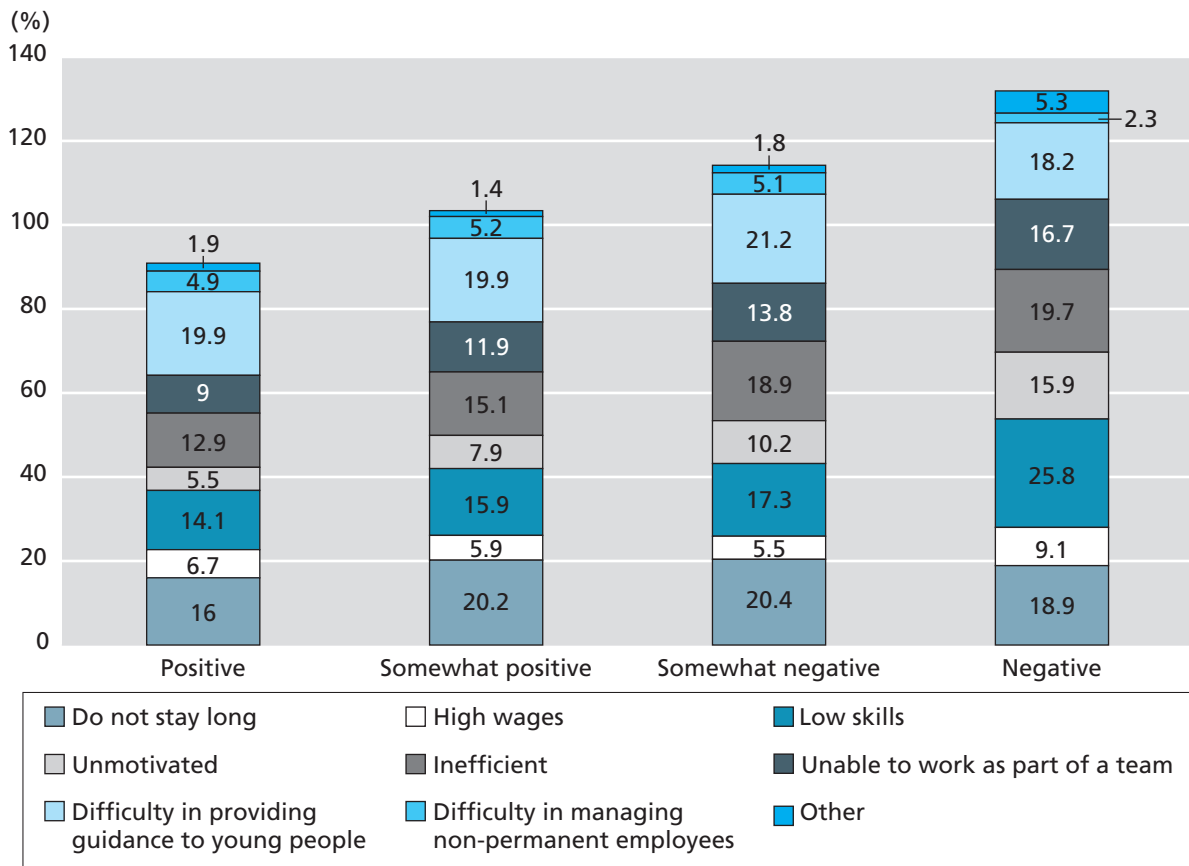
IV-24 The Four Types of Communication Policy and the Disclosure of Management Information



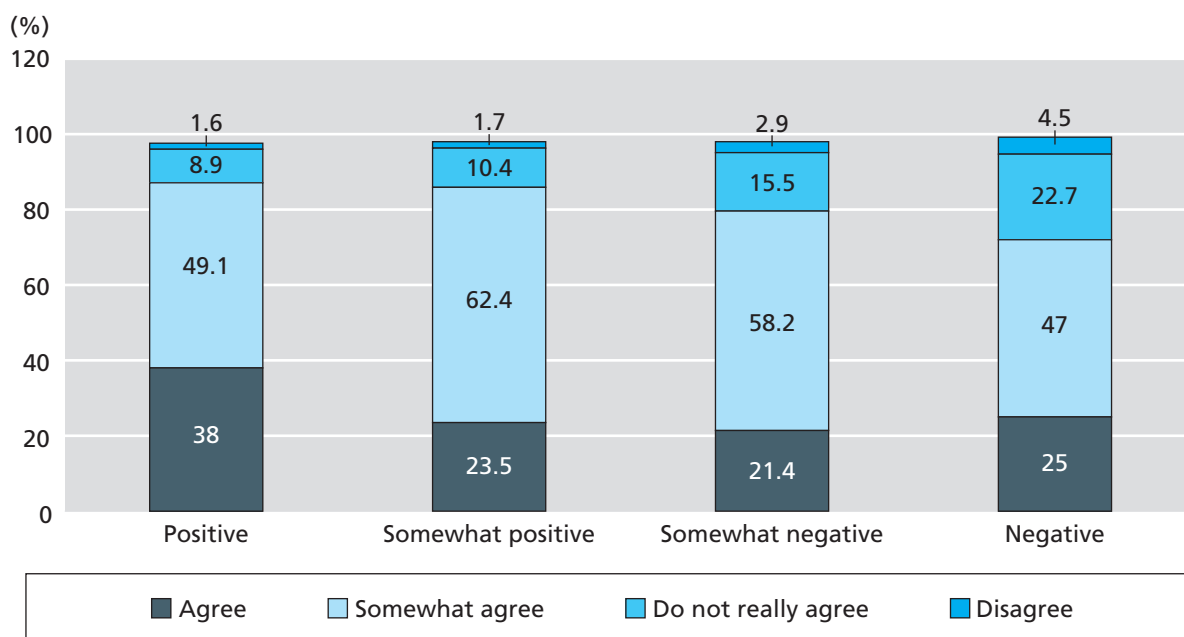
IV-25 The Four Types of Communication Policy and the Proportion of Companies with Experience of a Management Crisis Due to a Downturn in Business since 1990



IV-26 The Four Types of Communication Policy and the Degree of Difficulty in the Management of Employees



IV-27 The Four Types of Communication Policy and the Degree of Cooperation by Employees in the Running of the Company: Employees are Cooperative in Regard to the Running of the Company



the levels drop markedly in relation to "low skills", "unmotivated", "inefficient", and "unable to work as part of a team", the more a company is inclined toward the positive group (see IV-26). These aspects can be described as extremely important management resources for Japanese companies, which attach great importance to the desire to work and teamwork, and the more a company is inclined toward the positive group, the more it possesses these management resources in abundance.

Thirdly, the more a company is inclined toward the positive group, the higher the degree of cooperation by employees with the running of the company. The figure for the positive group (87.1%) is 15.1% higher than that for the negative group (72.0%), which shows that more employees cooperate with the running of the company (see IV-27).

As described above, the more that the president of a company listens to the wishes and requests of ordinary employees and reflects them in the management of that company, the greater the improvement in proactive cooperation by employees in the running of the company, as well as in morale,

skills, efficiency and teamwork, and the less likely the company is to experience a management crisis. It would probably be fair to say that labor-management communication is a management resource that prevents management crises and increases the motivation and cooperativeness of employees.

3. The Energy of Labor Unions and Increasing the Feasibility of a Copernican Transformation

(1) The Energy of Labor Unions: Toward the Expansion of the Circle of Solidarity

The labor union membership rate in Japan was 18.5% in 2010; among private sector companies, the smaller a company is, the lower is its rate of union membership. Whereas the unionization rate among companies with at least 1,000 employees is 46.2%, among those with between 100 and 999 employees, it is 14.2%, while among those with 99 employees or fewer, it is just 1.1%. Union members at companies with at least 1,000 employees account for 61.7% of the total. The number of members of public servants' unions and unions at large enterprises with at least

1,000 employees accounts for as much as 68.1% of the total number of union members. At present, one can describe members of labor unions as "the fortunate ones" working at large corporations or in the public sector. Even if labor unions seek to improve the treatment of these fortunate ones, the power of mobilization does not function. Companies have continued to increase the number of non-regular workers, who are disadvantaged workers, as they pursue ways of economizing on labor costs and making employment adjustment easier. As a result, non-regular workers have come to account for one-third of all employed workers. They have been forced into a situation in which they cannot get married - or if they do get married, they are scared to have children - and in which they cannot afford to pay pension or medical insurance premiums, or to buy things. Consequently, fundamental social problems, such as the aging of the population coupled with a declining birthrate, the crisis caused by the collapse of the social security system, and the contraction of domestic demand, are increasing in severity. Accordingly, the social economy of Japan is weakening and the bill for this will ultimately be presented to "the fortunate ones" as well.

Unless labor unions foresee this reality and expand the circle of solidarity to incorporate those non-regular workers for the sake of their own members, they will not gain the energy for this crusade. There is the S Union, which launched a campaign to reform the management of the company in 1993, by unionizing the workers at a subsidiary of a sales company, with the aim of eliminating the problem of "channel stuffing", in which more products than a distribution channel can sell are forced through that channel, and which has now achieved sound corporate management as well as an improvement in the treatment of union members. There are the JA and JB Unions, which unionized part-timers based on an equalization strategy, thereby not only improving the sense of unity within the workplace and increasing the desire to work and job satisfaction, but also supporting the stable, sustained development of their companies. Furthermore, there is the Kenwood Group Union, which was established in 2004 by integrating several subsidiary unions into

a single union to cover the whole of the group, including subsidiaries, and which has undertaken campaigns aimed at eliminating waste in the form of excess inventory at subsidiaries and the parent company, as well as focusing on job security for union members at subsidiaries and the unionization of non-regular workers, thereby assisting the group in breaking free of a critical management situation and contributing to the achievement of further expansion. Having previously focused solely on the fortunate regular employees of head offices and parent companies as union members, all of these unions have expanded the circle of solidarity to encompass subsidiaries and non-regular workers. The negative effects of corporate management tend to be focused on and concentrated among subsidiaries and non-regular workers, who are in a weak position. It is necessary for labor unions to seek out problems in the company, and unionize the workers among whom those problems are concentrated, in order to promote further development through problem solving; unions will then find that greater energy wells up within them as they endeavor to resolve those problems. What kind of social responsibility must be fulfilled in order to ensure that companies utilize the energy of unions and that unions lead our society in a better direction?

(2) Increasing the Feasibility of a Copernican Transformation: Union Social Responsibility (USR)

As described above, if labor unions act solely for "the fortunate ones", the power of mobilization does not emerge and they are unable to maintain or improve the lives of union members in the medium to long term. In this sense, labor unions should have an awareness that they are, first and foremost, organizations within society, and are "social and public institutions" that influence and are in turn influenced by society. In fact, labor unions in Japan are generously protected by Article 28 of the Constitution and the Labor Union Act. If the activities of a labor union are legitimate, they have immunity from both criminal and civil prosecution, and are also exempt from penalties. Moreover, acts such as dismissal or other disadvantageous treatment

by employers of employees for having formed, joined or engaged in the activities of a labor union, and rejection of good faith collective bargaining are deemed to be unfair labor practices and are therefore prohibited. In this sense, labor unions are granted considerable authority, rights and privileges. Labor unions are independent groups, but they are protected by law, so they are social entities.

Since the latter half of the 1990s, various corporate scandals have occurred, such as concealing product recalls and mislabeling products, so corporate social responsibility has been called into question. In order to deal with this situation, companies swiftly strengthened their corporate social responsibility (CSR) activities in the early 2000s. Labor unions are aware that corporate social responsibility is at least equally important as corporate management, if not more so. Moreover, labor unions are either actively working in partnership with companies on CSR-related endeavors, or are monitoring issues from a different perspective than that of companies, and are providing their opinions in an appropriate fashion. One could say that labor unions are adopting the attitude that they share a common destiny with companies in regard to CSR. One could describe the translation of this way of thinking into reality as Union Social Responsibility (USR).

USR relates to the aforementioned role of unions as social and public institutions, and it is something that unions need to demonstrate in various settings associated with labor legislation. For example, in the event of changes to the Article 36 agreement (agreement on overtime) or the rules of employment, the majority union, as the representative of the workers, has the right to conclude an agreement with the company or submit a written opinion, so one

could describe fulfilling that purpose as the USR. Since the 1990s, amid an increase in the number of non-regular workers within companies, such as part-time workers, *arubaito* (casual workers) and contract workers, due to the diversification of employment types, cases are emerging in which the number of union members has fallen to less than a majority of all employees. In order to fulfill their USR, it is necessary for labor unions to implement initiatives focused on such areas as unionization aimed at ensuring that the number of union members constitutes the majority of all employees. Furthermore, rather than stopping there, it may well be necessary for labor unions to listen seriously to the opinions of non-members of the union, as an organization that can represent all employees.

In light of the above, one can summarize the four aspects of the USR of enterprise unions, which form the majority of Japanese unions, as follows. Firstly, there is USR toward the company. As well as ensuring that the company carries out the things that it acknowledges to be its corporate social responsibility, this involves informing the company of what the labor union considers to be its CSR and ensuring that the company carries this out as well.⁴ Secondly, there is USR toward union members. This is the starting point of union activities, and involves maintaining and improving employment stability and the conditions of employment, such as wages, as well as ensuring that union members can secure the rights guaranteed to them under various laws, institutions, conventions and agreements. To put it another way, it involves filling the gap between legal and institutional rights and the reality. For example, this includes the full implementation of childcare and family care leave, annual paid leave,⁵ and upper limits on working hours. Thirdly, there is USR

4 According to a study by the Japan Trade Union Confederation Research Institute for Advancement of Living Standards, among the matters that labor unions consider to be part of the social responsibility that their companies should fulfill, the highest proportion of responses relating to improvements in the quality of labor were accounted for by such matters as "extending employment toward the age of 65" (78.5%), "managing and improving the health and mental health of staff" (77.6%), "reducing real working hours" (66.8%), and "encouraging staff to take childcare and family care leave" (64.9%). For more specific information, see Inagami, Takeshi and the Japan Trade Union Confederation Research Institute for Advancement of Living Standards (eds.) (2007), "*Roudou CSR (Labor CSR)*", NTT Publishing.

5 In the case of annual paid leave, companies granted a total of 17.8 days on average in 2010, but the actual number of days taken by workers was 8.7 days, giving an average take-up rate of no more than 48.1%. Accordingly, this refers to filling the gap between the number of days granted and the number of days taken.

toward non-members of the union. This involves confirming CSR toward non-members of the union and checking on its implementation, as well as ensuring the application *mutatis mutandis* of USR toward union members to those non-members. This is particularly necessary if the labor union is acting on behalf of all employees. With the number of non-unionized employees, such as non-regular workers, continuing to grow, it is vital for unions to carry out their USR toward non-members of the union as well and expand the circle of solidarity of workers, in order to maintain and increase their bargaining power in relation to the company. Fourthly, there is USR toward the public interest and the national interest. This includes local beautification projects aimed at the local community and citizens outside the company, activities aimed at supporting people with disabilities, through recreational activities, etc., and volunteer activities.

While it is not necessarily obligatory, such USR contributes greatly to increasing the *raison d'être* of labor unions and achieving a society in which it is more pleasant to work and more comfortable to live.

Above all, it is crucial for labor unions to recognize that their nature as social and public institutions should determine the direction that their efforts should take in the future, and to fulfill the USR appropriate to this.

Although unionization rates are declining and the *raison d'être* of labor unions is weakening, they still form the biggest social group in Japanese society, even today. Apart from labor unions, there are no other groups in which group members assemble voluntarily and pay their membership fees (union dues) every month, which are also democratic organizations with a membership in excess of 10 million people and which permit all members to participate in the decision-making of the organization. If labor unions develop a sense of pride in and an awareness of their responsibility as the biggest force in this society and steadily fulfill their USR, we can expect an increase in the feasibility of achieving a Copernican transformation in labor-management relations, switching from suppressing the energy of labor unions to utilizing it.