

## 1 Labor-Management Relations in Japan

### In-House Labor-Management Relations Play a Key Role

In Japan, there persisted an employment practice where dismissal of regular employees was kept to a minimum, and these employees were nurtured and utilized in the internal labor market over a long term. The various systems of employment relations have developed to adjust to this internal labor market. This phenomenon had been reflected in the characteristic of individual labor-management relations with (1) periodic recruitment of new graduates with the assumption of job security until retirement, (2) flexible reassignment of regular employees without specifying job contents and nurturing of employees through on-the-job training (OJT) and (3) personnel management by seniority for remuneration and promotion in accordance with accumulation of work performance.

The labor-management relations between employee groups and companies have also developed into enterprise labor-management relations by enterprise unions that adjusted to the internal labor market. Typically, one enterprise union is organized per company and the union officials are also employees. Since the managers and executives that represent the employees had once been ordinary employers as well before being promoted to their position, they share common interests with the union members.

Collective bargaining is conducted between enterprise unions and companies, and working conditions such as annual wage increase, lump-sum benefits, working hours, welfare issues and others are determined. Aside from collective bargaining, various labor-management consultations are conducted separately and formulation of management policy and

production plans, and others are discussed. With this labor-management consultation system at its base, stable labor-management relations are established.

### Labor-Management Relations at Industry and National Levels

Nevertheless, it is difficult to determine the standards for working conditions across companies with enterprise-based labor-management relations. The enterprise unions do not possess the power to control the competition among companies, and rather have a tendency to control their speech and action, on problems of a reduction in their own company's competitive power. It could be said that labor-management relations in industry and at the national level have advanced so as to supplement this kind of limitation in the enterprise labor-management relations.

One of these is the Shunto (spring wage offensive) system, in which industrial trade unions of the labor unions organize a unified struggle spanning across companies, and national centers perform such tasks as strategic coordination between industrial trade unions and arousal of public sentiments. The Shunto system has created a system prevalent in society in which one set of labor and management as pattern setters determine the wage increase rate, which is used as a reference by other labor and management in their negotiations.

Furthermore, in many of the major industries, labor-management councils for each industry are established where information and opinion exchanges are conducted on problems related to the situation of the industry and working conditions. Rengo (Japanese Trade Union Confederation) and management organizations such as the Nippon Keidanren

(Japan Business Federation) have established a venue for periodic discussions and when their opinions regarding a problem are in accord, they unite to propose a policy to the Government.

The second important point is the role of labor management relations in industry and at the national level in formulating labor and social policies. Representatives of unions and management organizations participate in these councils and work for consensus building on policies.

### Conventional Modality out of shape

The long-term employment practice is faltering due to changes in the labor market structure such as decreasing birth rate and rapidly aging society as well as long-term economic stagnation since the 1990s, and revision of the seniority-based wage system is being advanced.

A rapid increase in atypical workers such as part-time workers has imposed tremendous influence on

the modality of collective labor-management relations. The unionization rate did not reach 20% in 2003 (19.6%). The unionization rate of part-time workers amounts to only 3.0% (see Table IV-1). Labor unions mainly comprising regular employees have unquestionably fallen behind the organization of atypical workers. From the standpoint of the companies, holding talks with labor unions does not include the voices of atypical workers in the workplace and the question is being raised on whether labor unions actually represent the voice of the workplace.

Shortcomings can also be seen in the Shunto method. With international competition intensifying, large companies have restrained wage standard increases, and companies are also leaning toward making individual decisions. Wage increases consistent with the going wage have become difficult and their function of impacting society is weakening. Reconstruction of a wage negotiation system suitable to the new age is being sought.

## IV-1 Changes in the Number of Union Members and the Estimated Unionization Rate for Part-time Workers (Unit labour union)

Year	Number of labor union members among part-time workers			Ratio to all union members	Number of short-time workers	Estimated unionization rate
		Year-on-year difference	Year-on-year difference ratio			
	in 1,000	in 1,000	%	%	in 10,000	%
1999	244	4	1.7	2.1	993	2.5
2000	260	16	6.6	2.3	1,017	2.6
2001	280	20	7.8	2.5	1,042	2.7
2002	292	13	4.5	2.7	1,097	2.7
2003	331	38	13.1	3.2	1,098	3.0

Source: Survey of Labour Unions, Ministry of Health and Welfare, 2003

Notes: 1) "Part-time workers" are those who work fewer hours than regular workers at the same business operation, or work regular working hours with a shorter workweek, and referred to as "part-time workers" at the workplace.

2) The number of short-time workers is the number of those who are classified as "employed" in the *Labour Force Survey* with less than 35 working hours per week.

3) Estimated unionization rate is calculated by the following formula: Number of union members among part-time workers ÷ Number of short-time workers.

## 2 Union Organization

### Unionization Rate of 19.6%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2003, there were 63,955 unit labor unions in Japan. The estimated unionization rate is 19.6%, with about 10.531 million out of a total of around 53.73 million employed workers belonging to unions.

The organizational structure of Japan’s labor unions is overwhelmingly dominated by enterprise unions. Craft unions and industry trade unions also exist- though in small numbers-but in Japan where longterm employment is common, over 90 percent of unions are enterprise unions.

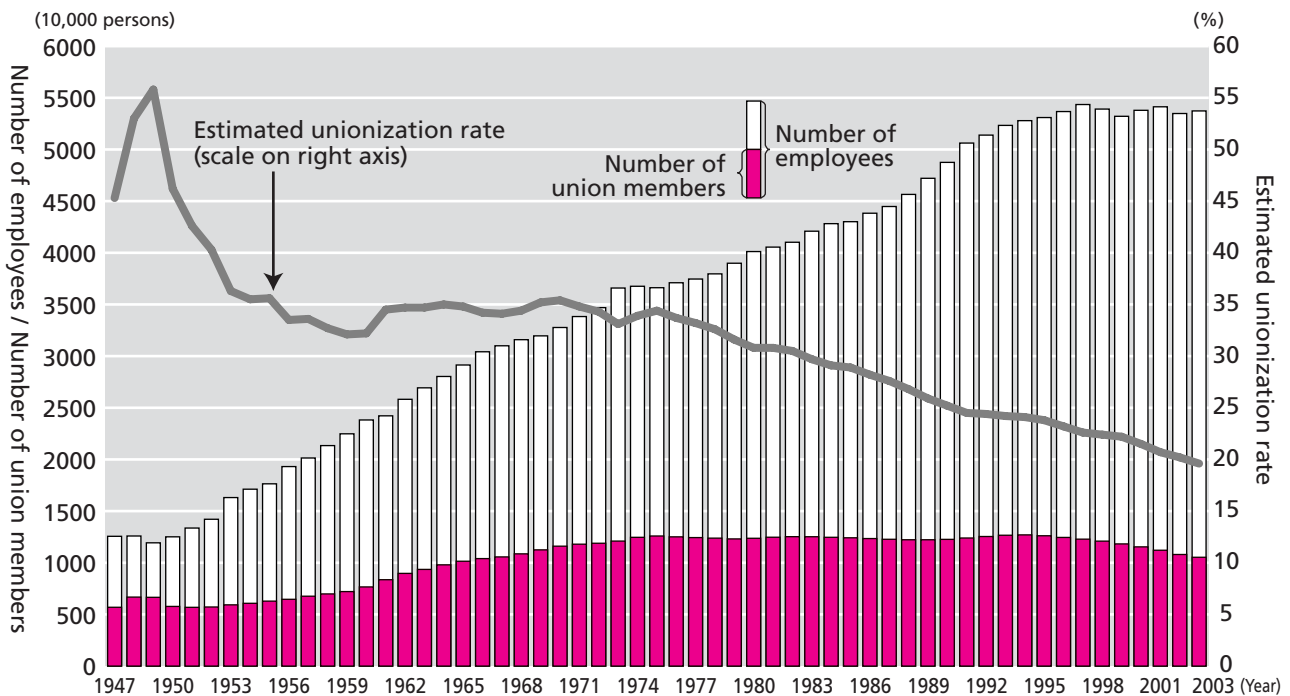
### Unionization Rate has Shown a Steady Decline Since its Peak in 1949

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. The unionization rate in 2003 under-performed its 2002 figure by 0.6% (see Figure IV-2).

Industry-specific unionization rates are high in public service (53.6%); electricity, gas, heat supply, and water (58.4%); and financing and insurance (51.7%). In contrast, unionization rates are low in agriculture, forestry and fisheries (3.8%); wholesale and retail trade (9.8%); food and beverage and hotel (2.9%); service industries (6.6%) and other sectors. (see Table IV-4).

IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate



Source: Survey of Labour Unions, Ministry of Health, Labour and Welfare, 2003

### Primary Reasons for the Falling Unionization Rate are the Growth of the Service Sector and Increases in Part-time Workers

There are two factors behind the lack of growth in the number of labor union members: (1) the burgeoning of development in the service economy, thereby expanding the importance of commerce and service industries where the unionization rate has always been lower; and (2) resulting from the diversification of employment, increasing numbers of part-time and temporary workers who are difficult to organize. Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation) made up of the industry trade unions gathered at the national level.

### IV-3 Unionization Rate by Company Size (%)

Company size	Percentage of the number of union members	Percentage of the number of employees	Estimated unionization rate (2001)
Total	100.0	100.0	17.1
More than 1,000 workers	57.6	19.0	51.9
300–999 workers	15.8	25.9	16.6
100–299 workers	9.2		
30–99 workers	3.4	54.5	1.2
Fewer than 29 workers	0.5		
Others	13.5	–	–

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2003

- Notes: 1) The total number of unit labor unions  
 2) “Others” includes members of unions that embrace more than one industry and unions whose size is not known.  
 3) “Number of employees” represents workers employed by private enterprises, excluding agriculture and forestry.

### IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Percentage (%)	Number of employees (10,000 persons)	Estimated unionization rate (2003) (%)
All industries	10,437	[2,922]	100.0	5,373	–
Agriculture, forestry, and fisheries	20	[2]	0.2	52	3.8
Mining	8	[1]	0.1	4	20.4
Construction	984	[67]	9.4	473	20.8
Manufacturing	2,917	[485]	28.0	1,101	26.5
Electricity, gas, heat supply and water	210	[28]	2.0	36	58.4
Information	377	[58]	3.6	175	21.5
Transportation	911	[68]	8.7	307	29.7
Wholesale and retail trade	977	[390]	9.4	996	9.8
Financing and insurance	786	[405]	7.5	152	51.7
Real estate	28	[5]	0.3	58	4.8
Food and beverage and hotel	73	[25]	0.7	255	2.9
Medical and welfare	438	[347]	4.2	475	9.2
Education and learning assistance	656	[333]	6.3	261	25.1
Combined services	341	[79]	3.3	84	40.6
Services	450	[132]	4.3	683	6.6
Public service	1,217	[482]	11.7	227	53.6
Other industries	42	[14]	0.4	–	–

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2003

- Notes: 1) The total number of unit labor unions  
 2) The “other industries” category covers members of unions that embrace more than one industry (excluding group enterprises) or whose industrial classification is unclear.  
 3) Figures in brackets represent female union members.

Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation = Rengo) made up of the industry trade unions gathered at the national level.

### **Enterprise Labor Unions: Asserting Labor’s Basic Rights**

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and other materials necessary to exercise labor’s three primary rights.

Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in Figure IV-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise unions not only deal with organizational operations but also provide their members with services through various kinds of mutual aid activities.

Finally, when it comes to activities outside the organization, enterprise unions individually seek to provide benefits to their members by using their influence for various policies on the regional, industrial, and national levels concerning employment and working conditions as well as quality of life of their members. In addition, recently, more and more labor unions are getting involved with community and volunteer activities in order to improve their public relations.

Incidentally, the enterprise unions are only intended for permanent staff employed at the concerned companies, and non-permanent employees are generally not included. The enterprise union is a mixed union organized as a single trade union for all permanent employees, without distinction between white-collar and blue-collar.

### **Industrial Trade Unions: The Mechanism and Roles**

Enterprise unions are limited by their own resources to engage in the above-mentioned three activities. In order to expand their effectiveness, they have established industrial trade unions. Industrial trade unions support their member unions’ actions against business owners by consolidating requests concerning chief working conditions such as wages and working hours on the industrial level, collecting and providing information and basic materials, and coordinating negotiation strategies. In terms of activities within the organization, industrial trade unions provide their members with a variety of services through mutual aid activities, including life insurance, pension, medical insurance and so on. In addition, industrial trade unions participate in the formation and decision-making processes of national industrial policies, consult with economic organizations and develop international cooperation among labor unions.

### **National Centers: The Mechanism and Roles**

National centers (mainly Rengo—the Japanese Trade Union Confederation) provide members with support for actions against business owners by, for example, deciding comprehensive standards for requests regarding working condition issues such as wages and working hours. However, the most important role of the national centers is their participation in national politics. Rengo, the largest of the national centers, maintains and improves workers’ quality of life by sending its members to various advisory bodies in the government, participating in the decisionmaking

processes of government policy, and concluding and maintaining cooperative relations with political parties.

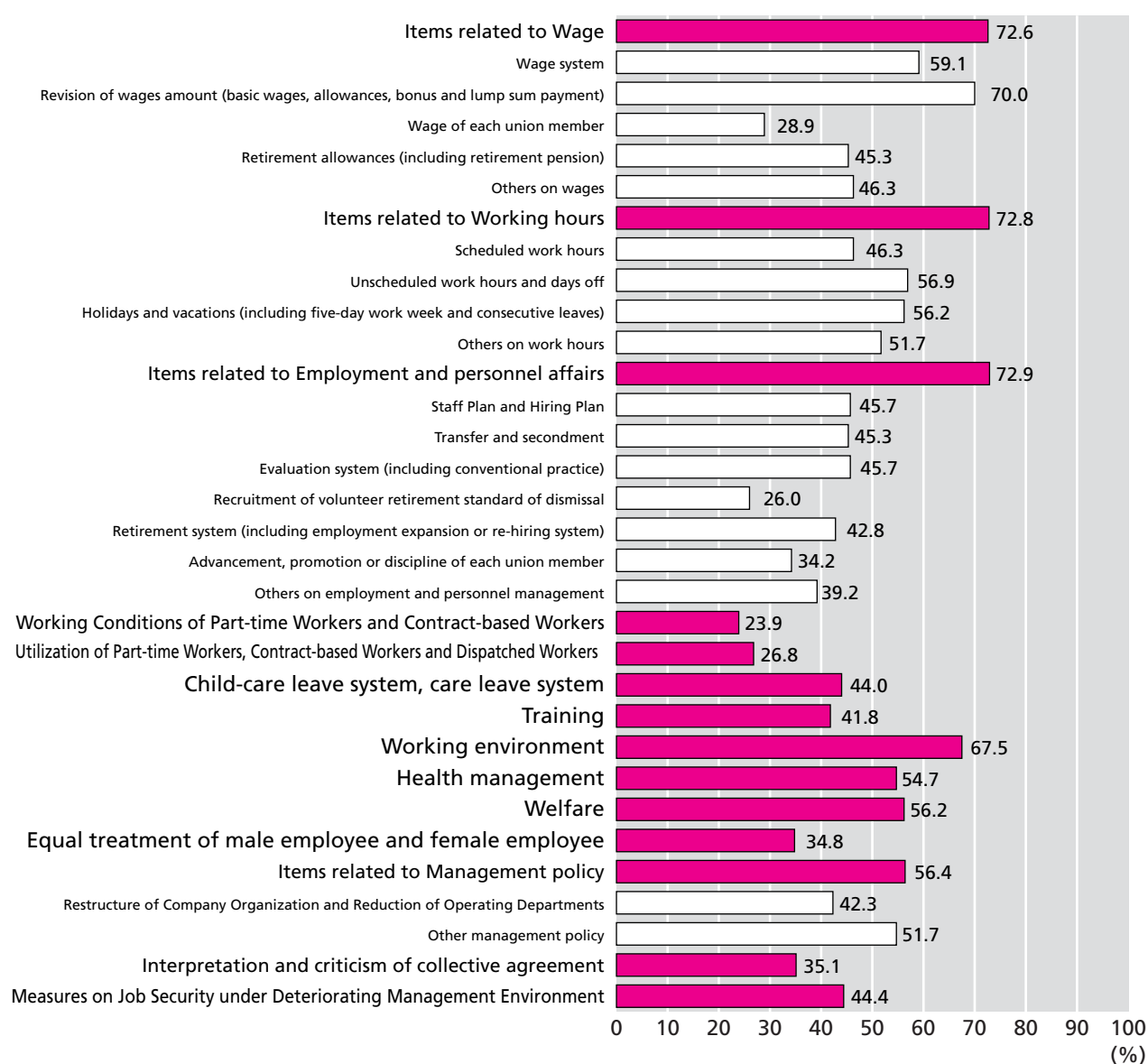
### Acts of Labor Dispute Take Place at the Company Level

Japan's labor-management relations are basically

cooperative, but labor disputes do occur occasionally. In Figure IV-6, 6.0% of labor unions "have had labor disputes" between labor unions and employers in the last three years representing a decline from the figure of the previous survey. Looking at the ratio of labor unions with labor dispute by their size, while labor unions of all sizes were in the range of 5% to 6%,

#### IV-5 Ratio of Labour Unions by Items Regarding Subject between Labour and Management, whether or not Negotiation was Held and Session through which Negotiation was Held (in the past 3 years)

Total Labour Unions=100, M. A.



Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labour Disputes*, Policy Planning and Research Department (2003).

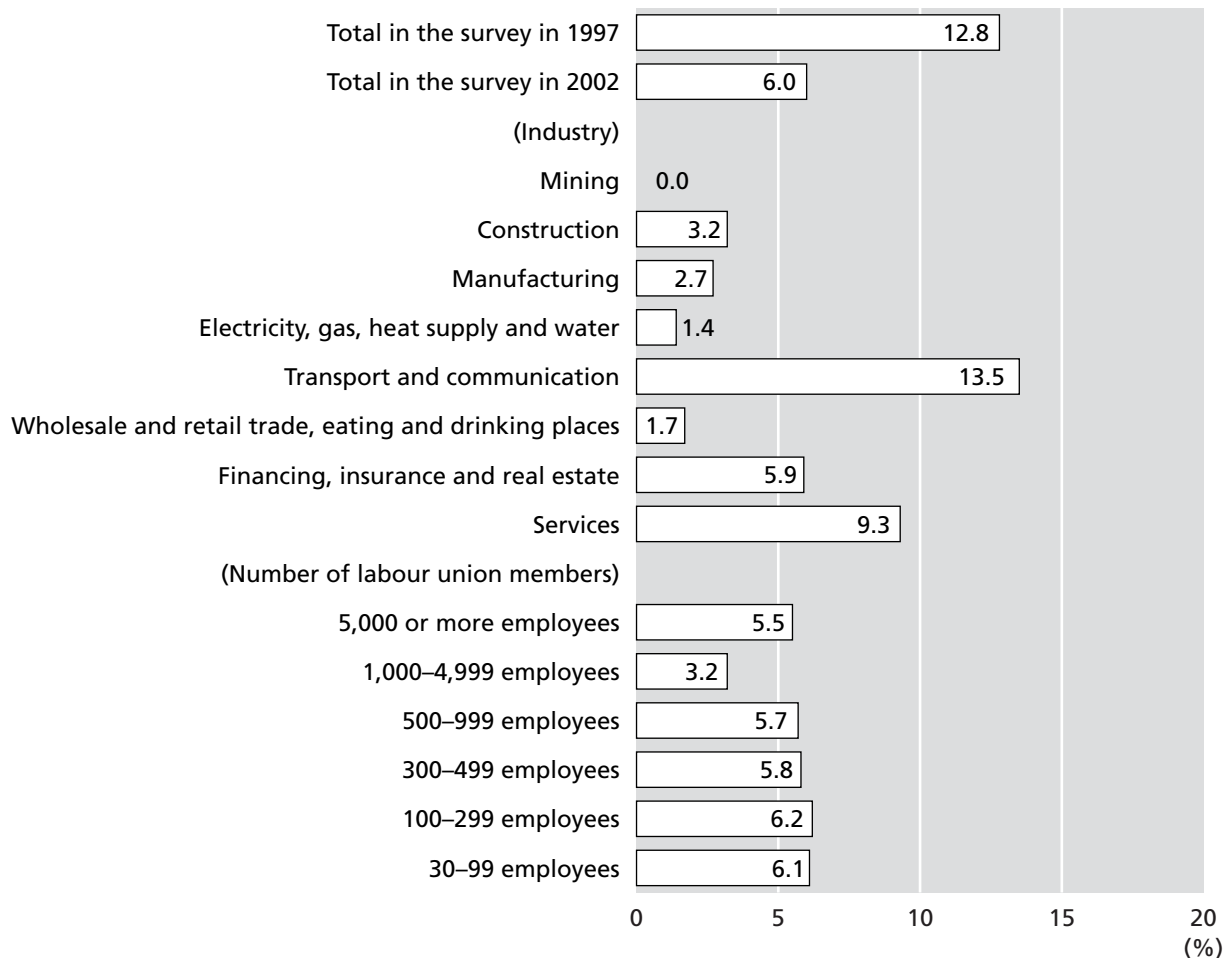
Note: The last 3 years means from July 1, 1999 to June 30, 2002.

labor unions with 1,000 to 4,999 members alone marked a lower rate of 3.2%. Furthermore, in industrial trade unions, more labor disputes occurred in the transport and communication industry than in other industries. Most labor disputes take place in enterprises.

Above we examined the structure and function of Japan's labor unions, and labor disputes, but enterprise unions are most familiar to their members and play the most immediate role in maintaining and improving their quality of life. Furthermore, enterprise unions serve as the foundation for relations with industrial unions and national centers. For example, staff and financial resources move from individual

enterprise unions to industrial unions in the form of dispatches and financial contributions, and then flow further from industrial unions to national centers. Accordingly, most board members of industrial trade unions and national centers are dispatched from enterprise unions, and hold positions at those enterprises. Moreover, union dues of major enterprise unions often exceed those of their affiliated industrial trade unions. Labor disputes occur almost exclusively at the enterprise level. However, there are also cases in which there is a reverse flow of information and policies from national centers, through industrial trade unions, to the individual enterprise unions.

#### IV-6 Ratio of Labour Unions by Existence of Labour Disputes (in the past 3 years)



Source: *Japanese Labor Unions Today II*—Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department.  
 Note: The last 3 years means from July 1, 1999 to June 30, 2002.

## 4

## Collective Bargaining and the Labor-Management Consultation System

### Collective Bargaining

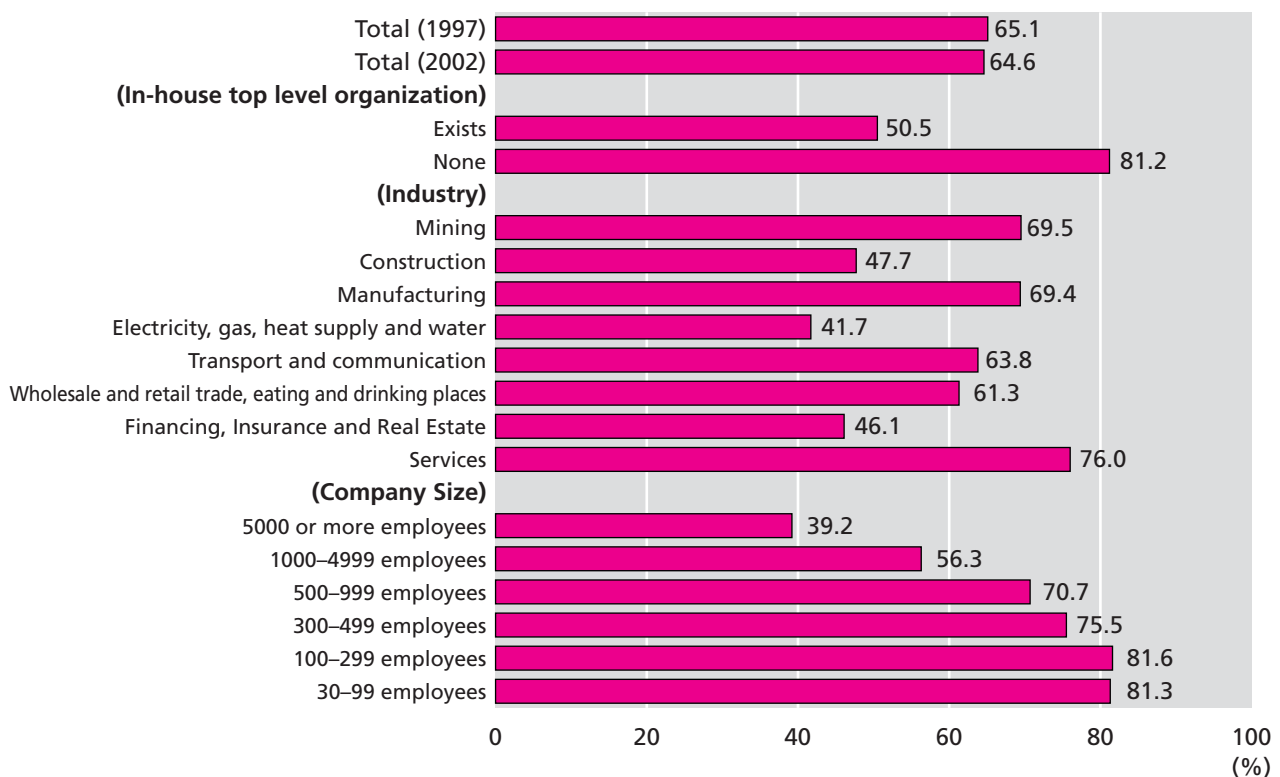
According to a 2002 survey\*, 64.6% of all labor unions were engaged in collective bargaining during the preceding three years which is a slight decline from 65.1% of the previous survey.

By industry, “Services” had the highest percentage of unions carrying out collective bargaining (76.0%) followed by “Mining (69.5%)” and “Manufacturing (69.4%)”; at the other end of the scale, “Electricity, gas, heat supply and water” showed the lowest use

(41.7%) of collective bargaining.

Looking at the size of companies surveyed, the fewer the employees at a company, the greater the chance that company engages in collective bargaining, with 81.6% of companies with “100 to 299 employees” having used collective bargaining, as did 81.3% of companies with “30 to 99 employees.” On the other hand, 39.2% of companies reporting “5,000 or more employees” engaged in collective bargaining (see Figure IV-7).

**IV-7 Percentages of Collective Bargaining Carried Out over the Past 3 Years  
(all labor unions = 100)**



Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).



Of those labor unions that carried out collective bargaining, 39.1% responded that collective bargaining was used on average “four or fewer times” per year in the last three years; “5 to 9 times” for 33.0%; “10 to 19 times” for 20.4%; and 7.4% of these companies responded that collective bargaining was used “20 or more times” per year.

With respect to the form of bargaining, the greater portion of those labor unions carrying out collective bargaining (91.1%) responded “bargaining was carried out by the labor union alone.” However, there were also unions responding “bargaining was carried out along with an in-house top level organization (11.5%),” “bargaining was carried out along with an external top level organization (by industry) (4.5%),” and “bargaining was carried out along with an external top level organization (by region) (1.3%).”

Examining the reasons of those labor unions that, in contrast to the above, did not engage in any collective bargaining during the last three years (35.4%), the most common response (52.0%) was “because the top level organization carries out all collective bargaining,” followed by “because negotiations have been established through a labor-management consultation organization” with a 35.4% share, while 9.4% responded “because the necessary collective agreement is well prepared.”

Taking a closer look at these reasons, from the point of whether there is an in-house top-level organization, unions where one “exists” responded “because the top level organization carries out all collective bargaining” at a high rate of 67.9%; in contrast, unions where there is “none” responded predominantly (79.1%) “because negotiations have been established through a labor-management consultation organization.”

When carrying out collective bargaining, 75.5% of unions have fixed opening procedures. In terms of the substance (M.A.) of these opening procedures, 56.2% of unions responded “after advance notice,” 39.7% conducted this “after prior arrangements,” and 25.6% “after labor-management consultation.” Looking specifically at the response “after labor-management consultation,” labor unions with a membership of fewer than 300 responded this way in about 24% of cases; but with an increase in membership size we see

a gradual rise in the rate of that response, so that for those with 5,000 or more members this was the preferred method in about 55% of cases. Moreover, separating respondents based on the presence of a labor-management consultation organization, 80.3% of unions where a “labor-management consultation organization exists” have fixed opening procedures while unions where “no labor-management consultation organization exists” trail, with only 58.3%\*\*.

Further, when a labor union makes a request for collective bargaining, employers may not decline the request without good reason as this is considered an unfair labor practice; and beyond formal compliance with the bargaining, the employer must engage in the bargaining in good faith (Article 7(2) of the Trade Union Law).

### **Labor-Management Consultation System**

The labor-management consultation system aims at allowing workers to participate in management, and has its origins in joint management councils that were beginning to be established after the war. Later, the labor-management consultation system gained popularity-in part because the Japan Productivity Center recommended its establishment to deal with the technological innovations taking place under a high economic growth rate, and from the standpoint of international competitiveness, and in part due to the changes in the environment surrounding businesses after the oil crisis. Still, there are no specific laws or regulations dealing with the labor-management consultation system, and it is run by the self-governance of labor and management.

According to a 2002 survey\*, a labor-management consultation organization existed in 80.6% of labor unions, while the remaining 19.4% comprised unions without one. Looking at the percentage of labor-management consultation organization by the number of union members, it was 98.3% for unions with 5,000 or more members, 97.4% for 1,000 to 4,999 members, 94.3% for 500 to 999 members, 92.3% for 300 to 499 members, 86.5% for 100 to 299 members and 72.6% for 30 to 99 members and the rate seems to be higher in the order of the size of the union (see Table IV-8). However, according to a 1999 survey\*\*\*, the more employees at a workplace, the

### IV-8 Ratio of Labor Unions That Have/Do Not Have Labor-Management Consultation Organization

(%)

Size of labor union (number of members)	Total number of labor unions	Labour-Management consultation Organization	
		Have	Do not have
2002	100.0	80.6	19.4
5000 employees and over	100.0	98.3	1.7
1000-4999 employees	100.0	97.4	2.6
500-999 employees	100.0	94.3	5.7
300-499 employees	100.0	92.3	7.7
100-299 employees	100.0	86.5	13.5
30-99 employees	100.0	72.6	27.4
1997	100.0	78.1	21.9

Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare. *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).

higher the rate of establishment (more than 60% of medium-sized businesses had a labor-management consultation organization); the fewer employees, the lower the rate of establishment (around 20-30% of small businesses). However, as can be seen in the 2002 survey, labor-management consultation organizations were established at 70% or more of the businesses—even small businesses—with labor unions. So it could be said that the establishment of labor-management consultation organizations is not a function of business size, but rather that businesses with labor unions have a high rate of establishment.

The ratios of labor-management consultation matters are as shown in the Table IV-10. Matters brought up for discussion are handled through levels of consultation ranging from a written explanation to agreement, and range broadly in content from concrete working conditions, to personnel systems, to matters relating to participation in management. For the facts on labor-management consultation, IV-9 and IV-11 show the statistics of where the negotiations actually took place. Even for the same matters, when a labor-management consultation organization exists, it is used by a higher percentage than collective bargaining.

With respect to the connection between labor-management consultation and collective bargaining, according to the 1997 survey\*\*, 85.6% of labor unions with a labor-management consultation organi-

zation replied that they differentiate between matters handled through collective bargaining and through labor-management consultation. Of those, 70.8% responded that they “classify by subject matter,” 9.0% “classify by the possibility that an act of labor dispute may result,” and 41.4% replied that they prefer to “handle the matter through labor-management consultation first, then if necessary move the issue to collective bargaining” (M.A.). Therefore, labor-management consultation can be distinguished as taking such forms as split from, united with, or blended with collective bargaining, or it can be typified as “negotiations before collective bargaining,” “taking the place of collective bargaining,” and so on. Further, according to the 1999 survey\*\*\*, 65% of employee representatives in labor-management consultation organizations are representatives of labor unions.

Labor-management consultation as a means to creating better communication between labor and management: according to the 1999 survey\*\*\*, 63% of workplaces with a labor-management consultation organization estimate that “considerable results have been achieved” by the establishment of a labor-management consultation organization. It is particularly noteworthy that, of these workplaces, 63.9% claimed “communication with labor unions has improved.” A relatively high percentage (41.0%) also replied “the management of company activities has become smoother.”

#### IV-9 Ratio of Labour Unions by Whether They Had Labour-management Consultation Organization, Items Discussed and Platform where the Talk Were Held

(%)

Matters discussed	Have Labour-management Consultation Organization	Talks were held	(multiple answers)				Do not have Labour-management Consultation Organization	Talks were held	(multiple answers)		
			Collective bargaining	Labour-management Consultation Organization	Grievance handling organization	Others			Collective bargaining	Grievance handling organization	Others
Matters relating to salary	100.0	73.8	56.8	50.0	2.1	14.0	100.0	67.5	63.4	–	10.2
Matters relating to working hours	100.0	76.7	35.1	55.9	1.6	10.0	100.0	56.4	49.8	–	9.3
Matters relating to employment and personnel affairs	100.0	77.4	40.0	60.5	4.3	23.0	100.0	54.5	47.9	0.0	11.5
Working conditions relating to part-time workers and fixed term contract workers	100.0	26.7	7.4	14.4	0.3	7.3	100.0	12.2	8.7	–	3.8
Use of part-time workers, fixed term contract workers and dispatched workers	100.0	31.0	5.5	19.6	0.3	7.6	100.0	9.7	7.5	–	2.2
Child-care and family-care leave systems	100.0	47.2	18.1	28.0	0.4	6.5	100.0	30.9	24.4	–	6.7
Education and training	100.0	47.2	8.1	32.5	0.5	10.2	100.0	19.6	16.7	–	3.0
Work environment	100.0	74.5	18.5	51.8	1.9	13.5	100.0	38.8	30.7	–	9.3
Health management	100.0	61.4	9.1	43.2	0.5	13.4	100.0	27.2	19.6	–	7.9
Welfare issues	100.0	61.8	14.1	46.0	0.5	11.2	100.0	33.1	27.0	–	7.4
Equal treatment of men and women	100.0	38.1	9.1	25.0	1.0	7.2	100.0	21.3	17.9	–	4.9
Matters relating to management policies	100.0	61.5	20.4	46.7	0.4	8.2	100.0	35.0	28.6	–	8.2
Interpretation of, or doubt about, a collective agreement	100.0	39.1	12.5	25.4	0.2	6.3	100.0	18.5	15.1	–	3.9
Measures for securing employment under deteriorating management environment	100.0	48.4	19.6	35.3	0.3	5.4	100.0	28.0	23.3	–	6.0

Source: Statistics and Information Department, Ministry of Health; Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes 2002*.

#### IV-10 Matters for Discussion, and Percentage of Workplaces Handling these Matters (by method of handling)

(%)

Matters	Labor-management consultation organization exists	Matters brought up for discussion					Matters not brought up for discussion	Unknown
		Written explanation	Hearing of Opinions	Labor-management consultation	Agreement			
Working hours, Days off, Leave	100.0	87.3	12.7	3.9	55.4	28.0	9.9	2.8
Change in working conditions	100.0	84.9	14.1	6.0	57.8	22.1	12.2	2.9
Health and safety in the workplace	100.0	83.1	14.3	16.4	57.9	11.4	14.1	2.8
Welfare issues	100.0	81.9	20.0	15.6	51.4	12.9	15.3	2.8
Wages, Lump sum benefits	100.0	80.4	14.3	3.7	55.3	26.7	16.9	2.8
Child-care and Family-care leave systems	100.0	78.6	21.6	6.4	48.3	23.7	18.4	3.0
Basic management policies	100.0	76.0	79.3	9.0	7.6	4.1	21.2	2.8
Overtime increment for after-hours work	100.0	75.6	16.0	2.6	54.6	26.8	21.6	2.8
Retirement age system	100.0	75.0	21.1	3.5	47.1	28.3	22.2	2.8
Temporary lay-off, Personnel cuts, Dismissal	100.0	73.3	16.4	11.4	49.2	23.0	23.7	3.0
Retirement benefits and Pension standards	100.0	73.3	16.5	3.3	54.5	25.6	23.9	2.9
Establishment or reorganization of corporate organizational structure	100.0	70.3	61.8	11.7	19.2	7.3	26.8	2.9
Basic plans for production, sales, etc.	100.0	68.8	72.5	12.1	11.7	3.6	28.3	2.9
Cultural and athletic activities	100.0	65.3	15.0	26.5	47.0	11.5	31.8	2.9
Change of assignment and Temporary transfer	100.0	64.0	37.7	14.5	30.6	17.1	33.1	2.8
Promotion and its criteria	100.0	60.6	54.6	13.8	20.3	11.2	36.6	2.8
Education and training plans	100.0	58.2	48.8	22.7	22.5	6.0	38.9	2.8
Recruitment and assignment criteria	100.0	57.0	64.8	12.6	15.8	6.9	40.1	2.9
Introduction of new technology and applied equipment, etc.	100.0	54.1	49.6	17.9	27.3	5.2	42.9	3.1
Rationalization of production and clerical work								

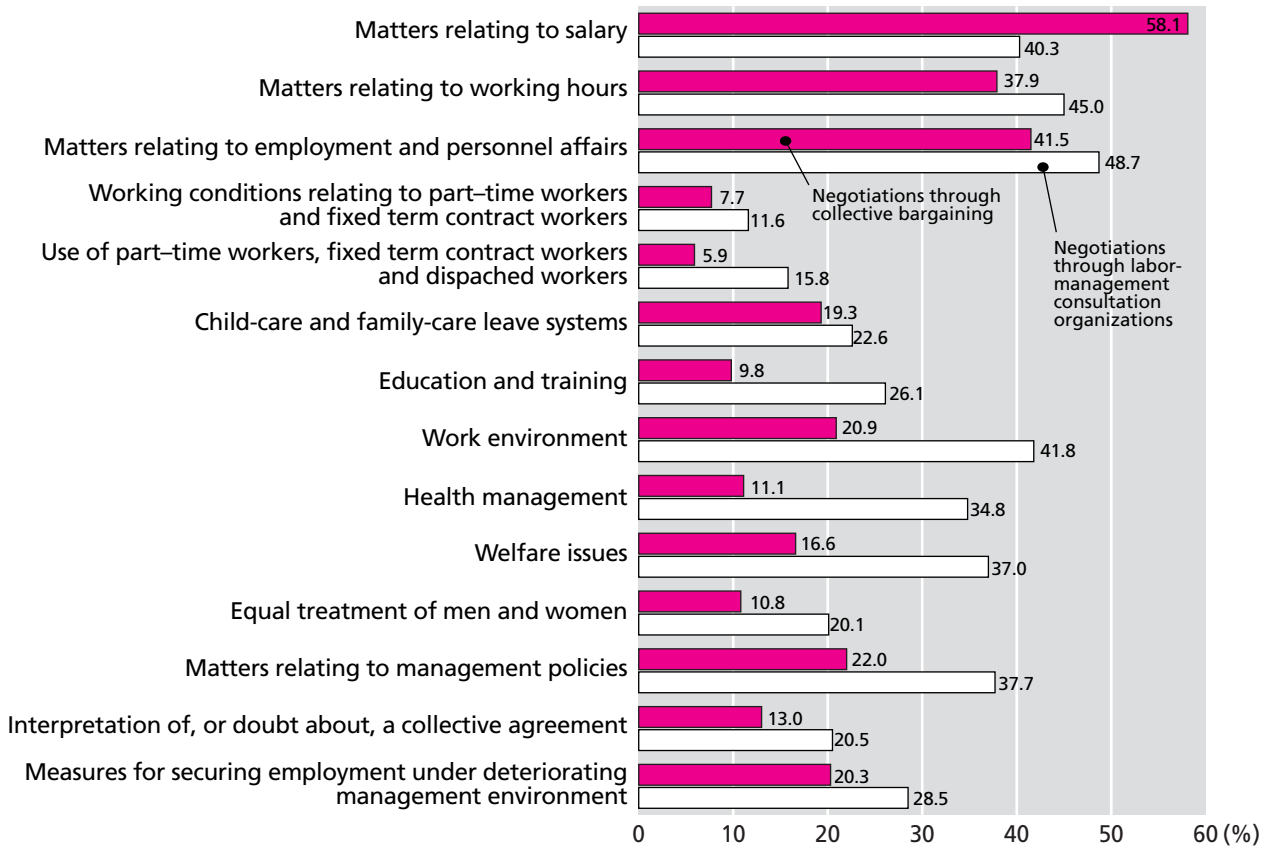
Source: Ministry of Labour, *Report on Results of the Labor-Management Communication Survey 1999* (announcement of findings in newspapers on Sept. 19, 2000).

Notes: \* Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labour and Welfare, *Outline of the 2002 Survey on Collective Bargaining and Labor Disputes* (announcement of findings in newspapers on June 27, 2003).

\*\* Policy Planning and Research Department, Ministry of Labour, *Japanese Labor Unions Today II-Survey Results on Collective Bargaining and Labor Disputes, 1998 edition*.

\*\*\* Ministry of Labour, *Report on Results of the Labor-Management Communication Survey 1999*, (announcement of findings in newspapers on September 19, 2000).

#### IV-11 Ratio of Labour Unions by Items Discussed between Labour and Management, and Platform Where the Talks Were Held (in the past 3 years)



Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).

## 5 Shunto: Spring Wage Offensive

### The Beginning and Objective of Shunto

Shunto—the spring wage offensive—is a united campaign, mainly for higher wages, launched each spring by labor unions for each industry. In 1955, unions in the private sector established the Eight Federated Unions' Joint Struggle Council, whose membership consisted of the Japanese Federation of Synthetic Chemical Industry Workers' Unions, Japan Coal Miners' Union, General Federation of Private Railway Workers' Unions of Japan, All Japan Electric Workers Union, National Federation of Paper and Pulp Industry Workers' Union, National Federation of Metal Industry Workers Unions, Japanese Federation of Chemical Industry Workers' Unions, and the All Japan Federation of Electric Machine Workers' Unions. The National Council of Government and Public Workers' Unions joined the organization in the following year. Thereafter, it has become customary to conduct annual spring negotiations for wage increases on a national scale. Up to the present day, the major labor unions and businesses have been holding to this model.

The main objectives behind the establishment of Shunto in the first place were to compensate for enterprise unions' lack of bargaining power as individual entities and to distribute wage increases proportionately across companies and industries through simultaneous wage negotiations. Taking the wage increase rate set by the top firm in a major industry (or pattern setter) as the standard, the influence on wage increases spreads to the other large companies in the concerned industry, followed by large firms in other industries, government agencies, medium- and small-scale businesses, and finally to workers who are not union members. Wage levels are thereby standardized nationwide.

### Pattern Setter

Initially, the pattern setter role rotated among businesses such as private railways, the Council of Public Corporations and Government Workers Unions, and

firms in the coal and steel industries. However, the formation of the IMF-JC (International Metalworkers' Federation–Japan Council) in 1964 served as a turning point, and four of its member industries (steel, shipbuilding, electric machinery, and automobiles) became central figures in determining the market wage rate. With the entry of the era of low economic growth—and the relative loss of competitiveness for businesses in industries like steel and shipbuilding—we can no longer find an industry capable of the strong leadership once seen in setting the wage rate of Shunto. However, the four above-mentioned metal industries producing goods for export still wield important influence in shaping the Shunto rate.

### The Effect of Shunto

During the era of rapid economic growth, labor unions won substantial wage increases through Shunto, and an attempt was made to create level wage increases. Shunto was instrumental in raising the low standard of wages in industries and sectors that paid poorly. Annual negotiations between labor and management helped determine an appropriate wage level in the context of changing economic conditions. Consequently, management was able to adjust to those economic changes rather flexibly, and as a result Japan began to enjoy excellent economic performance.

### Debate Over the Rethinking of Shunto

However, nominal wages in Japan today are among the highest in the world because of slow economic growth and the strong yen, and we can not count on Shunto for sizable wage increases. Moreover, differences in the business performance of Japanese companies have become conspicuous, a trend hindering the industry wide wage increases that could be expected in the past. Under conditions like these, there is considerable debate over the rethinking of Shunto. Since the huge amount of time and money

devoted to Shunto yield only minor wage increases, there are also cases in which Shunto is carried out every other year (multi-year arrangement). From the viewpoint of making corrections for age group, business, and regional differences, there is also an attempt to reconsider Shunto while maintaining Shunto's wage standardization function. This may be accomplished through such changes as a revision of the former "system of average wage increases," by moving toward an "individual wage system" that will clearly express how much the wage level of the model worker is raised.

### Shift of Shunto Policy

Given today's austere economic climate in which wage increases are difficult, Shunto is also making a large shift from its former policy of wage increases as the highest priority matter, to job security as the matter of utmost importance with both labor and management in accord on "job security and maintenance." Looking at the trend in wage increase, Rengo, which is the national center of labor unions, has deferred the request for a wage base-up in consideration of the severe employment situation. On the side of management, there are movements toward a "wage reduction" such as reconsidering annual wage increases, wage cuts and postponement of wage increases. Furthermore, Rengo is promoting improvement in and equal treatment of part-time worker and others, and advocating the eradication of unpaid overtime work (service overtime) and others. Shunto is at a significant turning point.

Notes: 1) System of Average Wage Increases

One method of request for higher wages by a labor union, also called the "base-up system." A method of requesting a wage increase amount (or wage increase rate) based on a broad increase in average payment per employee, dividing the total payment by number of employees or by number of union members.

2) Model Worker

Model workers are established based on the ideal of a person who serves at one company for a long period of time after graduation, with no experience of service at another company. During Shunto the labor unions create model wages, and model workers are the workers for whose benefit these model wages are created.

3) Individual Wage System

One method of request for higher wages. When making the wage request, the request is not for an average raise in the wage amount or an average increase in the wage rate; rather, it is a system for requesting wage increases for either workers on an individual basis or for established groups of workers. Generally this method involves requests for wage increases of a certain yen amount or percentage, and for a fixed group of model workers sharing a certain age or number of years of service.

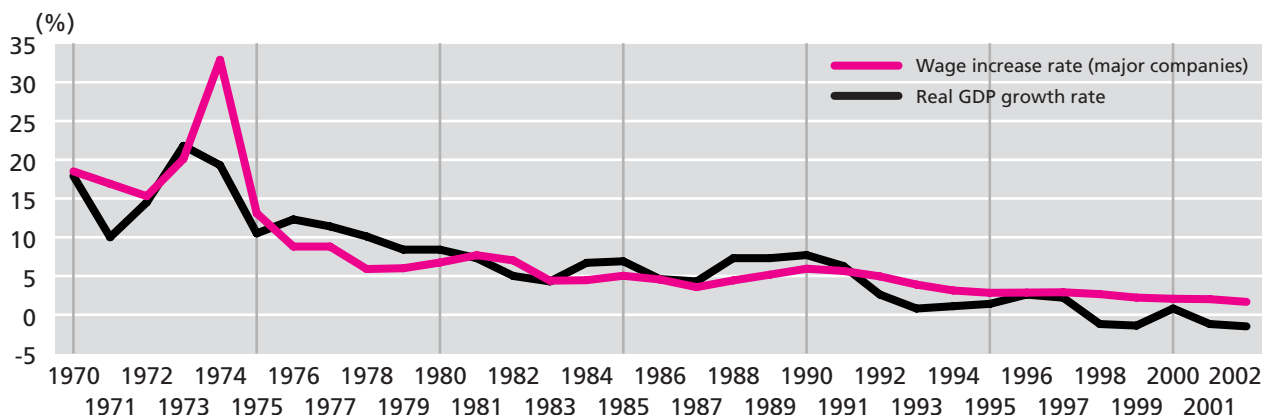
4) Base-up

Wage increase is generally classified into "base-up" and "annual wage raise." "Base-up" refers to the wage increase amount that occurs with changes in the pay scale when incorporating increases in commodity price and strong business performance. Therefore, despite retaining the same position as in the previous year, the wage will be higher than in the previous year due to the amount added to the wage which accompanies the change in the pay scale.

5) Annual wage raise.

"Annual wage raise" refers to the wage increase amount in accordance with development of capacity or age (or length of service) of each individual employee.

## IV-12 Relation between Economic Growth Rate and Rate of Wage Increases



Sources: Ministry of Health, Labour and Welfare; Cabinet Office