

## 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, in particular at large corporations, with (1) periodic recruitment of new graduates with the assumption of job security until retirement, (2) education and training through flexible reassignment of regular employees and 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, whereby in tandem with the long-term employment practice, enterprise unions of mainly large corporations allow their regular employees to be an union member. Typically, one enterprise union is organized per company and the union officials are also employees. Since the managers and executives that represent the employers had once been ordinary employees as well before being promoted to their position, they share common interests with the union members.

In corporations where labor unions exist, collective bargaining takes place between the labor union and corporation, and working conditions such as annual wage increases, lump-sum benefits, working hours, welfare issues and others are determined. At corporations, in addition to collective bargaining,

labor-management consultation systems exist in diverse formats at voluntary bases. This system is widely seen also at corporations which are not unionized and the system is used to discuss such issues as management policy and the formulation of production plans, among others. This labor-management consultation system is said to contribute to the establishment of stable labor-management relations.

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

Nevertheless, there is a limit to the bargaining powers of Japanese enterprise unions, in contrast to the labor unions which are organized cross-corporate organizations as seen in Europe. It could be said that the Shunto (spring wage offensive) developed as a means of supplementing the limitations of enterprise unions. Under Shunto system industrial organization unions of the labor unions organize a unified, cross-corporate struggle, and national centers perform such tasks as strategic coordination between industrial trade unions and arousal of public sentiments. The Shunto system has resulted in the creation of a social ripple-effect system whereby a pattern-setting labor-management grouping determines the wage increase rate, which is in turn used as a reference by other labor-management groups in their negotiations.

Rengo (Japanese Trade Union Confederation), which is the national center, and management organizations such as Nippon Keidanren (Japan Business Federation) have established a venue for regular discussions, and for issues on which they share the same opinion, a joint policy proposal is duly submitted to the central government.

A second point of importance is the role in gov-

ernmental councils on the formation of labor and social policy. Representatives of labor organizations and management organizations and management organizations participate in these councils and endeavor to ensure that in the process of consensus building on policy, the position of workers and employers is duly reflected.

### Shortcoming of the Conventional Modality

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 fell below 20% in 2003, and sank further to 18.7% in 2005. Looking at the private sector exclusively this figure is even lower at 16.4%. The unionization rate of part-time workers amounts to only 3.3% (see IV-1). Labor unions comprising mainly regular employees have fallen absolutely behind the organization of atypical workers. In addition, looking at the situation by scale of corporation reveals stark differences in organization of labor unions. In other words, in 2005, the unionization rate among corporations with more than 1,000 employees was 47.7%, but among corporations with between 100 and 999 employees this figure was 15.0%, and for corporations with less than 99 employees, the figure was 1.2%. This demonstrates that labor unions in small, medium and micro enterprises have dimin-

## IV-1 Changes in the Number of Union Members and the Estimated Unionization Rate for Part-time Workers (Unit labor 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
2004	363	31	9.5	3.6	1,107	3.3
2005	389	26	7.3	3.9	1,172	3.3

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

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.

ished even further in presence.

Shortcomings can also be seen in the Shunto method. With international intensifying competition, management have taken such measures as flexible personnel management reflecting corporate results as a modality for wage increases, rationalization of wage standards that enable the maintenance of international competitiveness, establishment of a wage system that recognizes abilities, results and contributions, and as well as the multi-streaming of wage management. It is becoming clear that cross-industry

wage increases are increasingly difficult in such an environment.

In contrast to the period when wage hikes could be guaranteed thanks to high-speed growth, international corporate competition has intensified, and in the increasingly severe corporate management environment we have entered a period in which labor conditions could be lowered. Japan's labor unions is tested whether they can regain their power and influence and demonstrate their presence in the labor market.

## 2 Situation for Union Organizations and Structure of Labor Unions

### Unionization Rate of 18.7%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2005, there were 61,178 unit labor unions in Japan. The estimated unionization rate is 18.7%, with about 10.138 million out of a total of around 54.16 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 long-term employment is common, over 90 percent of unions are enterprise unions.

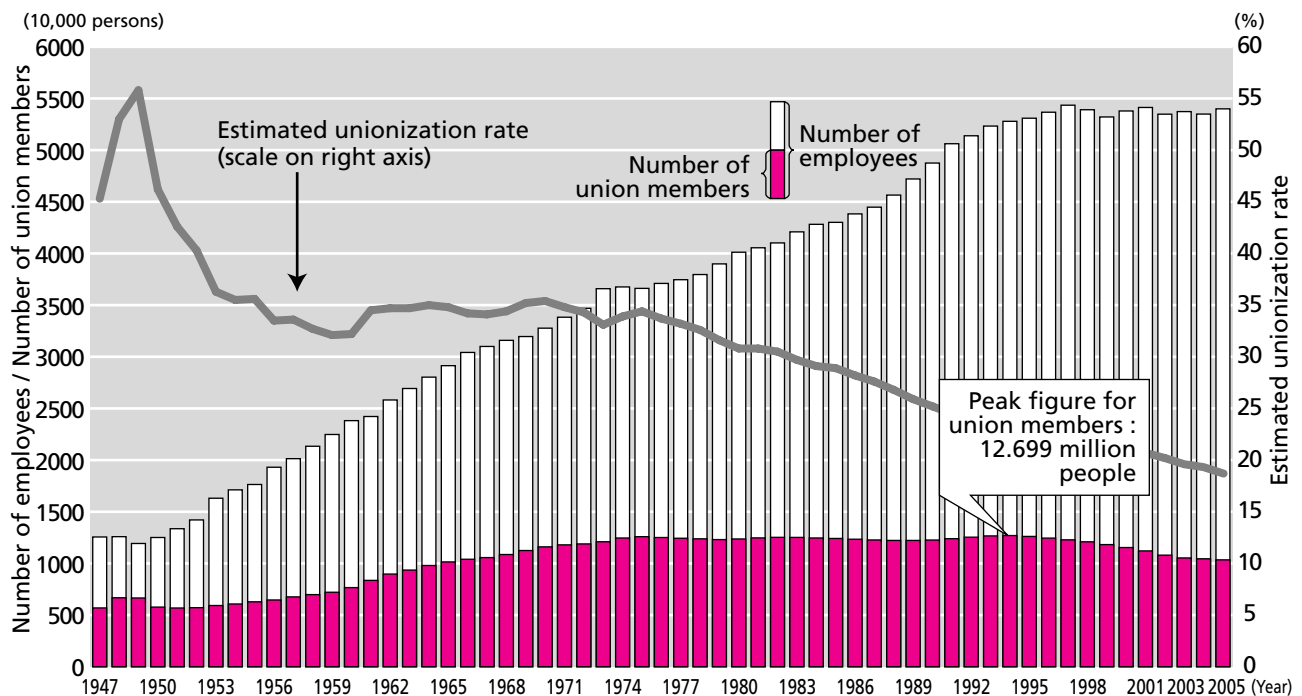
### Unionization Rate has Shown a Steady Decline Since its Peak in 1949

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. In addition, the number of union members in 1994 peaked at around 12.70 million, before going into steady decline (see IV-2).

Industry-specific unionization rates are high in public service (50.7%); electricity, gas, heat supply, and water (58.6%); and financing and insurance (48.6%). In contrast, unionization rates are low in real estate (3.0%), eating and drinking place, accommodations industry (3.2%); agriculture, forestry and fisheries (3.5%); service industries (6.0%), wholesale and retail trade (10.1%) and other sectors. The industry with the largest number of union members is the manufacturing industry (25.7%) (see IV-4).

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



## 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 falling unionization rate. Firstly, the burgeoning of development in the service economy has increased the proportion of the commerce and service among overall industries, in which the unionization rate have historically been low. Secondly, the diversification of employment has resulted in increasing numbers of part-time workers who are difficult to organize. Another factor is attrition of numbers due to retirement of people who used to be union members and who are not being replaced by new members.

## Labor Union Structure

Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions

## IV-3 Unionization Rate by Size of Enterprise

(%)

Size of enterprise	Percentage of the number of union members	Percentage of the number of employees	Estimated unionization rate (2005)
Total	100.0	100.0	16.4
More than 1,000 workers	57.4	7.0	47.7
300–999 workers	15.7	27.0	15.0
100–299 workers	9.1		
30–99 workers	3.3	52.4	1.2
Fewer than 29 workers	0.5		
Others	14.0	–	–

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

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 (2005) (%)
All industries	10,034	[2,795]	100.0	5,416	–
Agriculture, forestry, and fisheries	17	[2]	0.2	49	3.5
Mining	6	[1]	0.1	3	21.6
Construction	948	[63]	9.4	467	20.3
Manufacturing	2,750	[443]	27.4	1,071	25.7
Electricity, gas, heat supply and water	199	[27]	2.0	34	58.6
Information and communications	386	[62]	3.8	173	22.3
Transport	872	[64]	8.7	297	29.4
Wholesale and retail trade	971	[397]	9.7	960	10.1
Finance and insurance	724	[355]	7.2	149	48.6
Real estate	19	[4]	0.2	61	3.0
Eating and drinking place, accommodations	83	[32]	0.8	259	3.2
Medical health care and welfare	447	[356]	4.5	530	8.4
Education and learning support	621	[319]	6.2	255	24.4
Combined services	319	[73]	3.2	72	44.3
Services	451	[121]	4.5	754	6.0
Public service	1,166	[463]	11.6	230	50.7
Other industries	54	[16]	0.5	–	–

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

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

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.

### **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 regular staff employed at the concerned companies, and non-regular staffs are generally not included. The enterprise union is a mixed union organized as a single trade union for all regular staffs, 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 decision making processes of government policy making, and concluding and maintaining cooperative relations with political parties.

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

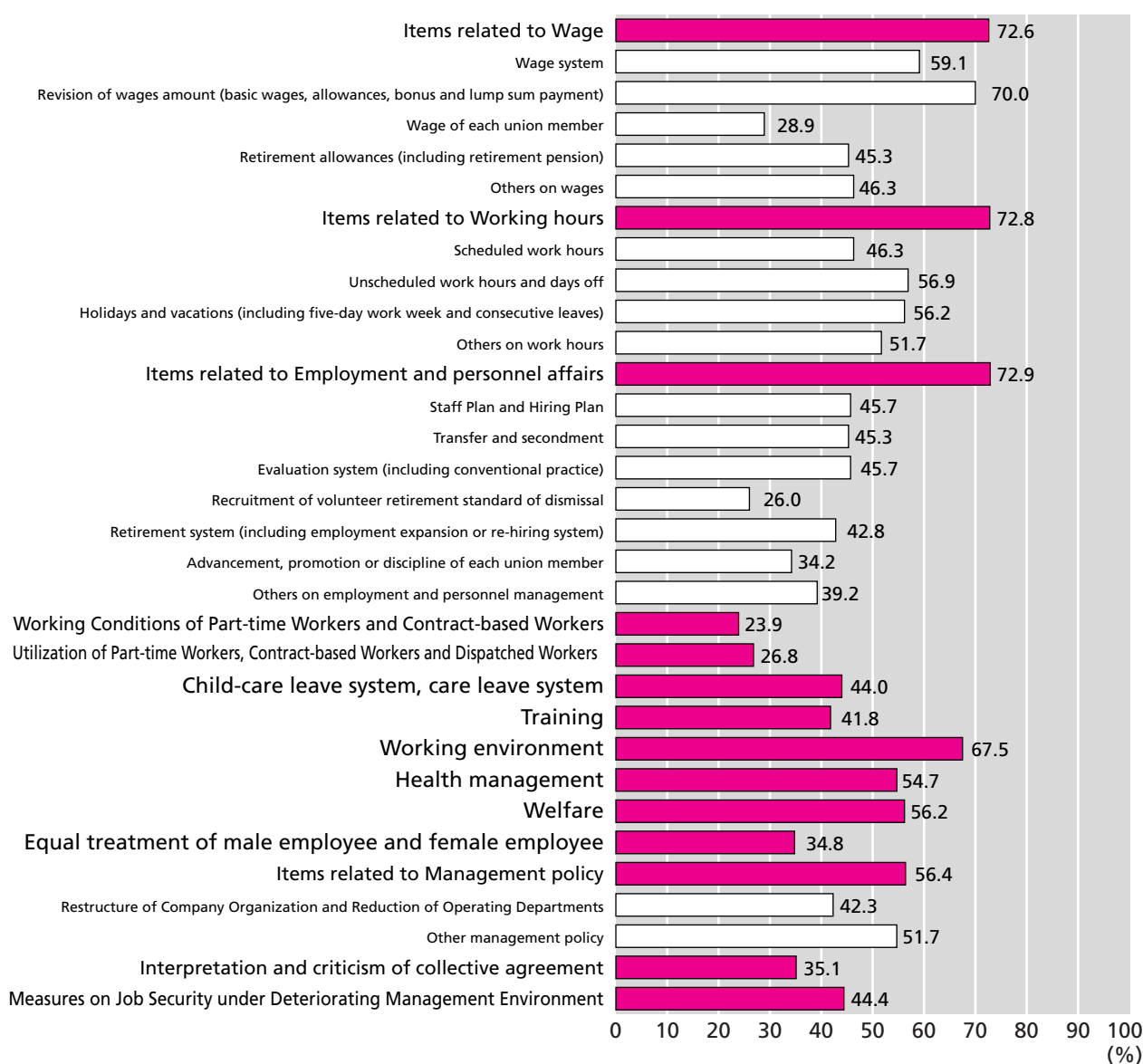
Japan's labor-management relations are basically cooperative, but labor disputes do occur occasionally. In Figure IV-6, 6.0% of labor unions "have had labor disputes" between labor unions and employers in the last three years representing a decline from the figure of the previous survey. Looking at the ratio of labor

unions with labor dispute by their size, while labor unions of all sizes were in the range of 5% to 6%, 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

#### IV-5 Ratio of Labor Unions by Items Regarding Subject between Labor and Management, whether or not Negotiation was Held and Session through which Negotiation was Held (in the past 3 years) Total Labor Unions=100, M. A.



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

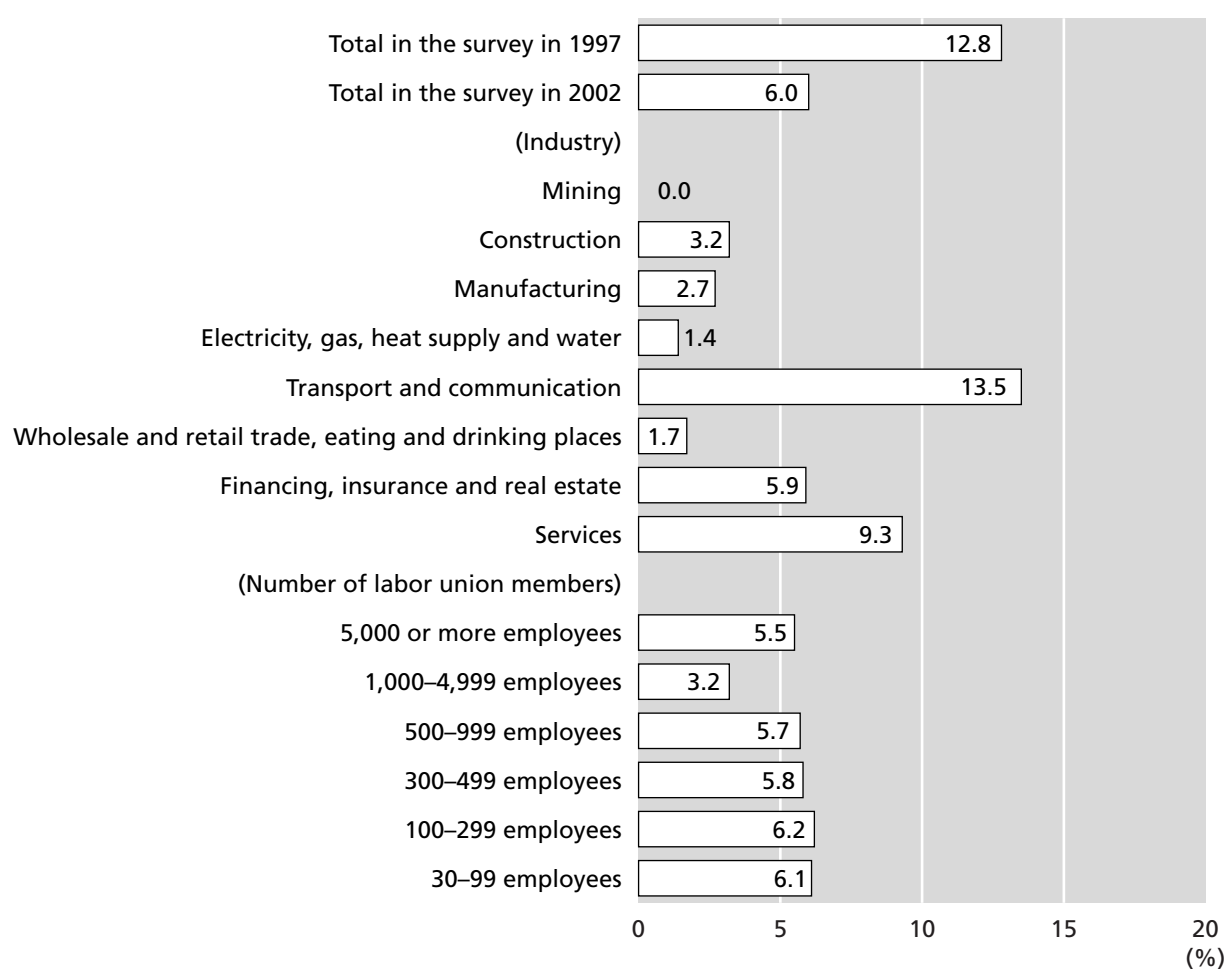
Note: The last 3 years means from July 1, 1999 to June 30, 2002.

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 Labor Unions by Existence of Labor Disputes (in the past 3 years)



Source: *Japanese Labour 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



### 3 Shunto: Spring Wage Offensive

#### What is Shunto?

Shunto-the spring wage offensive-is a united campaign by the labor unions, led by Industrial Unions. It is launched every year between March and April, the main aim of negotiations being higher wages. Beginning in 1955, Shunto has become a platform for wage rise demands throughout Japan. By establishing a schedule for strike action and unified demands in each industry, Shunto provided a framework that surpassed internal individual corporate negotiations, instead creating a bargaining method whereby wage increases could be secured throughout the entire industry. The aim of Shunto when it was initially launched was, “the realization of wage increases to put wages on a par with Europe and the US.”

The results of these negotiations did not merely affect the industrial sector. Their influence fanned out in the late 1950s to form what became known as the “spring wage settlement” throughout Japan as a whole, including small and medium enterprises and the public sector. From the 1960s and the period of rapid economic growth, the driving force behind Shunto-the so-called pattern setter-was the labor-management negotiations in the steel industry, which was representative of the bullish manufacturing sector as a whole. In addition, in 1964, the Japan Council of Metalworkers’ Unions (IMF-JC) was formed as the result of the merger of labor unions in the following four metals industry sectors: steel, ship-building and engineering, electric, and automobiles. This private sector metalworkers organization took the lead in the Shunto wage increase negotiations each year.

#### An End to Rapid Growth and a Shift in Shunto Policy

The period of rapid growth came to an end with the first oil shock in 1973. Commodity prices jumped 20% bringing confusion to the market and for the first time in the post-war period real GDP recorded negative figures. It was in 1975 that the “theory of economic conformance” first appeared in the Shunto,

which was essentially a self-imposed limit on wage increase demands with the aim of achieving price stability. Ever since, Shunto has come to be dominated by this concept. As a result, the initial direction of Shunto’s achievement, “large scale wage increases” to realize wage that is equivalent to Europe and the US, was abandoned and an end was brought to the era of two-digit annual wage increases.

After rapid growth ground to a halt, the “theory of economic conformance” espoused by IMF-JC, which took the lead in negotiations resulted in inflation being controlled and made a significant contribution to the macro-economy and the achievement of moderate growth in the 4-5% range. This theory of economic conformance functioned as a kind of “social income distribution mechanism” built in to the Japanese economy. However, following the collapse of the bubble economy, Shunto demands, which had been premised on the theory of economic conformance, were faced with a deflationary economy from the late 1990s, bringing Shunto to a second point of transition in its history.

#### Shunto in the Post-bubble Era

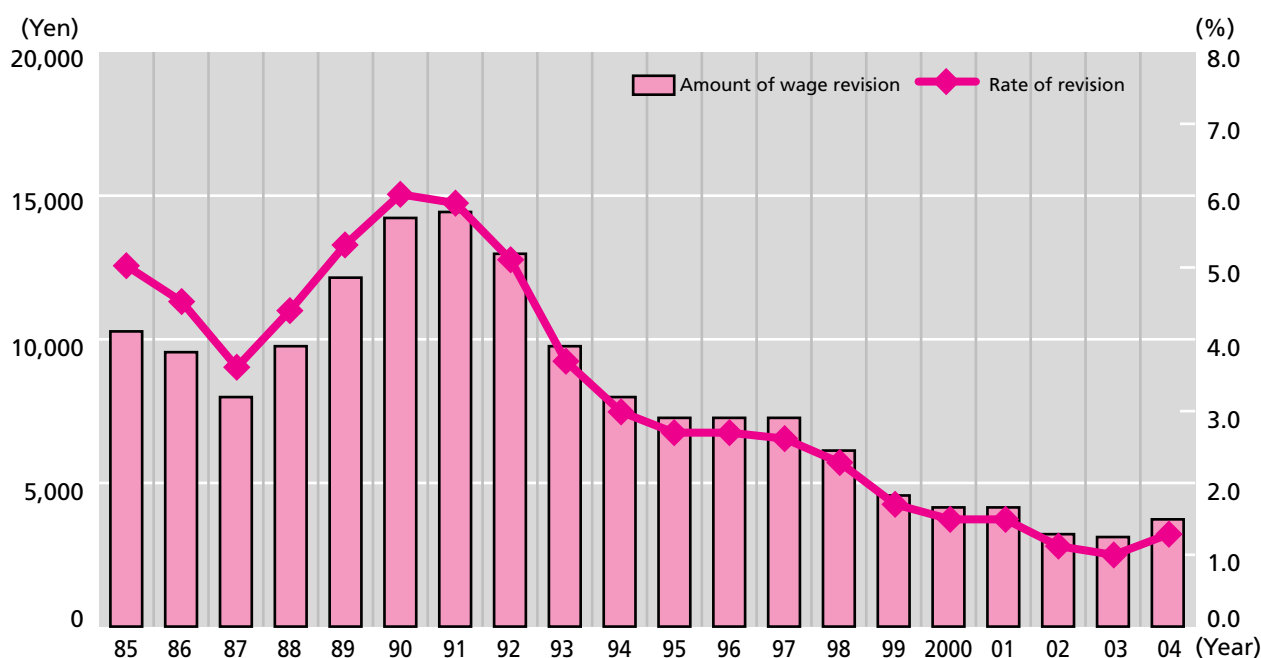
The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade.” From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in living standards” at Shunto lost effectiveness, due to the fact that they had been premised on continuous economic growth. The wage increase rate accordingly slumped (see IV-7).

Entering the 21st century, Shunto found it difficult even to maintain the so-called annual pay increases (equivalent to 2%), impacted by the long recession, permeation of performance-based pay system, the persistent deflationary economy, and the hollowing out of industry, among other factors. From 2002 the IMF-JC ceased to make a unified request for hikes in

base pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end. However, with regard to the themes of extending employment beyond the age of 60, and the issue of balancing family and career, the relevance of Shunto-

style negotiations remains. Shunto certainly have had receded from its use of dispute measures such as strikes and union action, but its role will continue as before as a forum for negotiation and consultation on working conditions, including the issue of wage increases.

#### IV-7 Fluctuations in Revisions to Average Per Capita Wage and Rate of Revision (weighted average)



Source: Results of Spring Wage Negotiations by major private companies, Ministry of Health, Labour and Welfare

Notes: In principle up to 2003, companies surveyed are those with a capital of over 2 billions and whose labor union is comprised of over 1,000 workers, among member enterprises in the first section of Tokyo Stock Exchange or Osaka Stock Exchange (before 1979: simple average, after 1980: weighted average). Meanwhile in principle after 2004, they are those with a capital of over 1 billion and whose labor union is comprised of over 1,000 workers (weighted average).

## 4 Individual Labor-Management Dispute Settlement

### Declining Collective Labor Disputes and Increasing Individual Labor Disputes

Given the impact of the diversification of forms of employment due to changes in the socio-economic structure, among other reasons, the labor unionization rate continues to fall each year, resulting in a trend whereby unionized dispute settlement functions are weakening and collective dispute settlements (resolution of unfair labor practices and dispute reconciliation) are declining.

According to the Labour Committee Annual Report, the number of cases of unfair labor practices resolution (opening of cases in a private sector company) now number no more than 400 cases annually. In addition, the number of labor dispute reconciliation cases stands at around 600 per year. Comparing these figures with those around the time of the oil shock, we see that the former stood at around 1,000 annual cases, and the latter amounted to around 2,000 annual cases, clearly demonstrating the declining trend.

On the other hand, the diversification of forms of employment and the individualization of employment management this has resulted in increased individual labor-management disputes. This phenomenon makes the establishment of a system capable of dealing with this changed reality an important issue in both practical and policy terms.

In FY2005 the number of consultations directed to the comprehensive labor consultation service, which is part of the administrative system, exceeded 907,800 separate enquiries (“Status of Implementation of Individual Labor Dispute Resolution Systems in FY2005,” Ministry of Health, Labour and Welfare, announced 25 May 2006). In addition, the number of cases raised as standard civil actions in district courts in 2005 stood at 2,446. (“Status of Civil/Administrative Actions Pertaining to Labour Disputes in FY2005,” Administrative Bureau, General Secretariat, Supreme Court of Japan, 2006, p. 108 onwards of Vol. 58 Issue 8 of Lawyer Association Journal).

### Individual Labor Dispute Resolution System

In the legal system relating to the resolution of individual labor disputes, there are a number of means of resolution through administrative structures and also through judicial structures.

#### (1) Administrative Structures

The administrative structure pertaining to individual labor dispute resolution is based on the Act on Promoting the Resolution of Individual Labour Disputes, which was enacted in 2001. This act is significant in that it provides for integrated, systemized, cooperative measures in resolving disputes, including measures to lead to resolution of disputes by cooperation among the various administrative organizations, centered on the prefecture labour bureaus, as well as the establishment of a “one-stop consultation service” on labor issues in general. In addition, disputes that are the subject to resolution efforts cover a wide range of grievances and issues, comprising the initiation of employment, carrying out of work, and termination of employment, as well as issues of discrimination or dismissal (including dismissal due to restructuring and dismissal of fixed-term contract workers) such as issues at time of hiring, reversal of informal decision of employment, job location transfer, temporary transfer, permanent transfer, change in working conditions, and sexual harassment in the workplace. This system can therefore be seen to have high potential for utilization.

The individual dispute resolution system set out by the above-mentioned act, can be said in simple terms to provide a three-step system to resolution, namely “information provision and consultation” at the consultation service, followed by “advice and guidance” by the head of the labour bureau in question in the case that an independent resolution cannot be achieved between the labor and management counterparts, and finally “conciliation” by the Dispute Reconciliation Council (see IV-8).

In FY2005 the operational status of the dispute

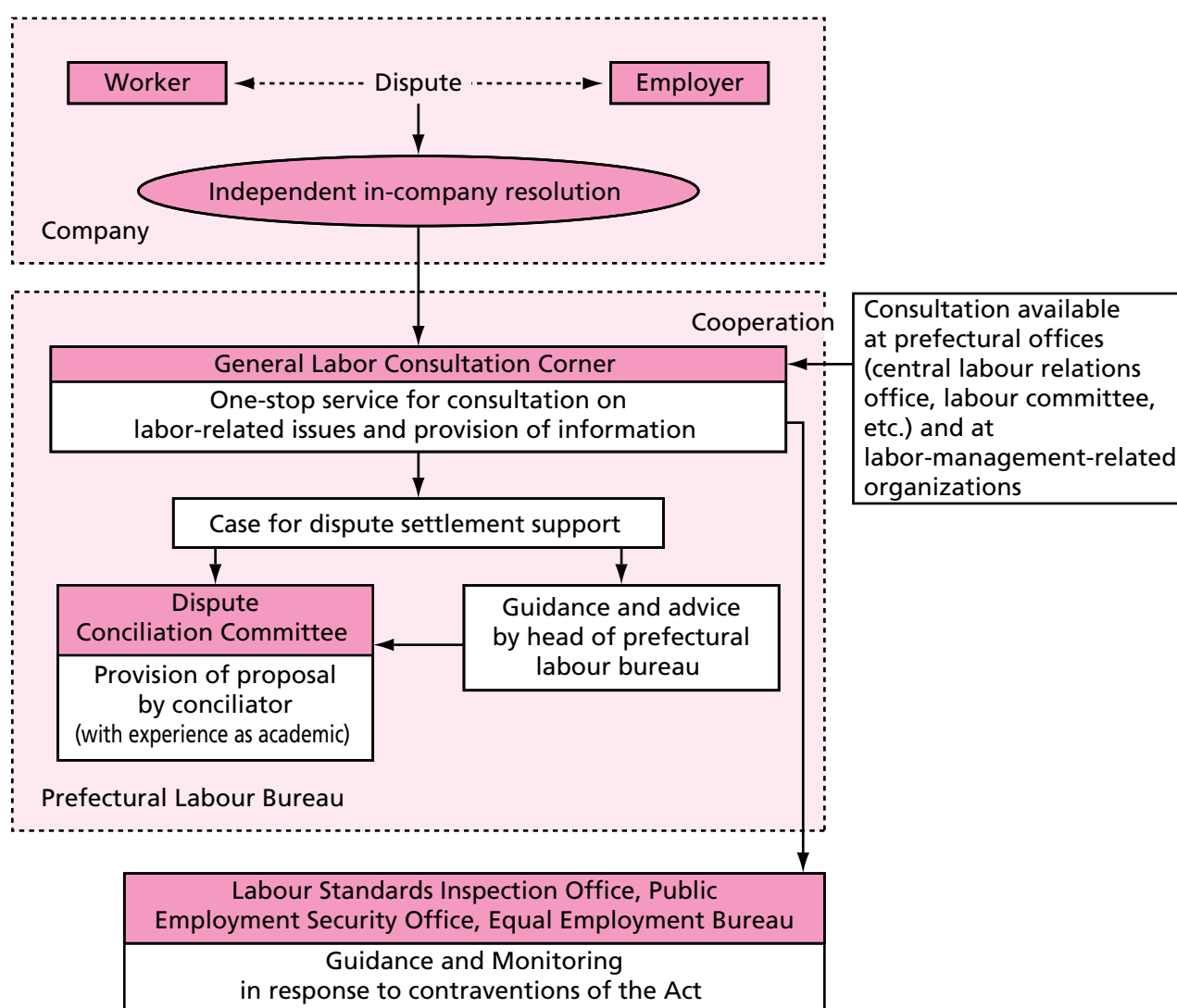
resolution system was as follows:

**Consultation:** The number of consultations amount to approximately 907,800 cases, representing a 10.2% increase on the previous year. Of these, the number of consultations regarding individual civil labor disputes (including dismissal not related to contravention of labour Acts, and lowering of working conditions) amounted to 176,000 cases, a year-on-year increase of 10.2% (see IV-9). The further breakdown of these individual civil labor disputes shows that the most common consultation was in regard to

“dismissal” at 26.1%, followed by “lowering of working conditions” at 14%, “bullying or harassment” at 8.9% and “inducement toward retirement” at 7.2% (the breakdowns for the Guidance and Advice, and Conciliation categories was very similar) (see IV-10).

**Guidance and Advice:** the number of cases received that requested guidance or advice from the head of prefectural labour bureaus amounted to 6,369, a 20.5% year-on-year increase. In terms of the scale of the company from which the application for advice or guidance were made, 32.5% were from

#### IV-8 Flowchart for Dispute Settlement According to the Act on Promoting the Resolution of Individual Labor Disputes



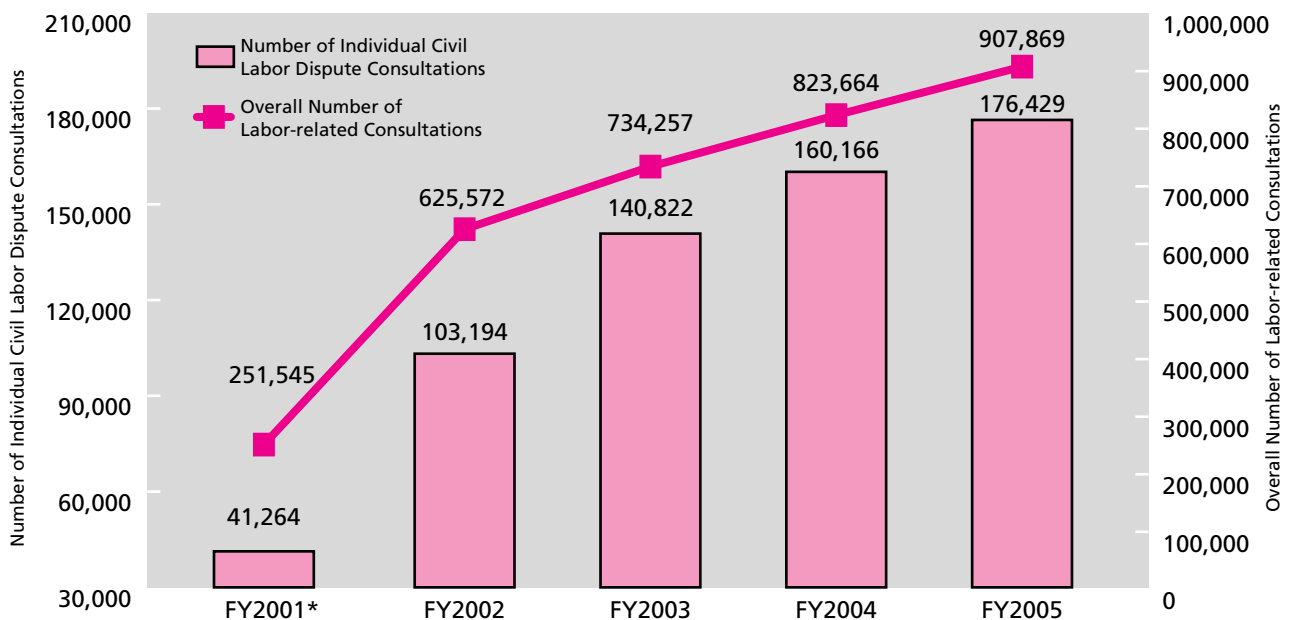
Source: Status of Implementation of Individual Labor Dispute Resolution Systems in FY2005, 25 May 2006 Ministry of Health, Labour and Welfare

companies with 10 to 49 employees, 23.9% were from companies with less than 10 employees, and 10.4% were from companies with 100 to 299 employees. In addition, the proportion of applications

received from workers of companies at which there was no labor union amounted to 70.4% (the same trends were witnessed in the Conciliation category).

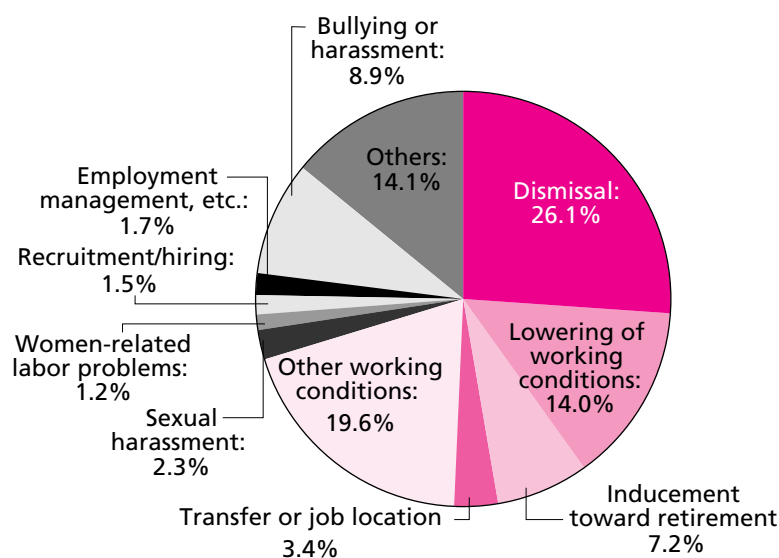
Of the applications received, 6,345 cases had been

#### IV-9 Number of Consultations (FY2005)



Source: *Status of Implementation of Individual Labour Dispute Resolution Systems in FY2005*, 25 May 2006, Ministry of Health, Labour and Welfare  
 Note: The number of cases for FY2001 is for the latter half only (1 October 2001 to 31 March 2002).

#### IV-10 Breakdown of Civil Consultation Cases (FY2005)



Source: *Status of Implementation of Individual Labour Dispute Resolution Systems in FY2005*, 25 May 2006, Ministry of Health, Labour and Welfare

processed by March 2006, and 6,011 cases resulted in guidance or advice being provided (94.3%). 95.6% of all cases were dealt with within the period of one calendar month.

Conciliation: the number of cases received that requested conciliation amounted to 6,888, a 14.5% year-on-year increase.

Of the applications for conciliation received, 6,856 have been processed, with 2,961 cases (43.2%) resulting in agreement between the parties, 450 cases (6.6%) being withdrawn, and 3,406 cases (49.7%) resulting in conciliation being broken off due to the non-participation of one or the other of the parties in dispute. The time required for conciliation was less than one calendar month in 63.5% of cases and one to two calendar months for 27.9% of cases.

## **(2) Judicial Structures**

Resolution by use of judicial structures is naturally conducted through recourse to action in courts, and the number of labor-related law suits brought each year is continuing to increase. In 2005, 2,446 labor-related standard civil lawsuits were brought to district courts in Japan, of which 2,303 cases were in the form of employee as plaintiff and employer as defendant. Of these 2,303 cases, the most frequent cases concerned claimed wages at 1,437 cases, following by claims for determinations on continuation/discontinuation of employment contracts at 507 cases, and claims for damages at 236 cases, among others.

On the other hand, in 2005 district courts in Japan handed down a ruling in 2,365 cases, with the average time for deliberations being 11.2 months. 786 cases (33.2%) were concluded in less than six months, 699 cases (29.6%) were concluded within

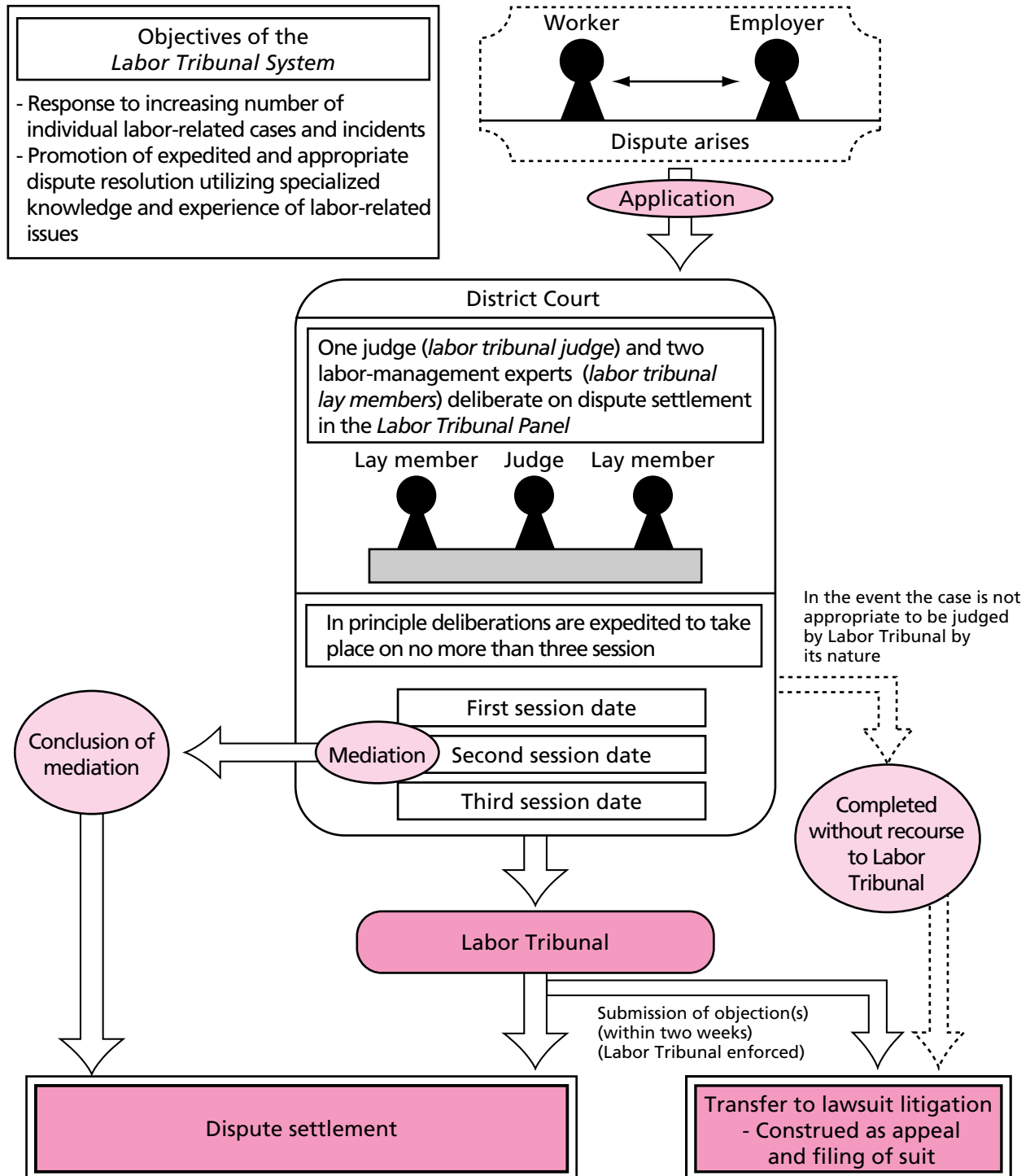
one year, and 708 cases (29.9%) were concluded in less than two years. Approximately 93% of all cases take no longer than two years to conclude. Over the past five years the time required for deliberation has been gradually reducing.

With regard to dispute resolution as described above in the standard civil proceedings, a labor tribunal system is in force and is operated under the stipulations of the Labor Tribunal Act. The labor tribunal system framework can be described thus (see IV-11).

The labor tribunal system is aimed at disputes concerning legal obligations in individual labor cases (individual labor-related civil disputes), and in contrast to a standard civil lawsuit, procedures for dispute resolution are accelerated by the existence of the tribunal panel composed of a judge (labor tribunal judge) and labor-management experts (labor tribunal lay members). This tribunal panel attempts to arrive at a settlement, yet if no settlement can be reached, then the by mediation hands down a ruling (in principle, it is concluded in within three session). Furthermore if there is any objection to the decision, then proceedings automatically transfer to become a standard civil lawsuit.

This system can be expected to accelerate the process of dispute resolution and ensure justifiable satisfaction among disputing parties, in addition to the fact that it promotes consensus-oriented resolution among the dispute parties based on mutual concessions. On the other hand, it will be necessary to watch with great care to see if the system lives up to these expectations and can be operated in this manner.

## IV-11 Overview of the Labor Tribunal System



Source: The Prime Minister of Japan and his Cabinet website