Formation of Labor Unions and Responses to Managerial Crises
– Industrial Relations in the late 1990s –

(Summary)
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Research Results

[Problems and Survey Method]

With the continued declining unionization rates of labor unions and developing individual labor-management relations, the future nature of labor unions is in question. What roles are labor unions playing and how are union members and the management evaluating them? Also, how are labor unions making efforts to provide procedures for the settlement of grievances, which have drawn attention along with the development of individual labor-management relations? Furthermore, in the late 1990s, when many companies went bankrupt due to a prolonged recession, how did enterprise-based labor unions respond? This report aims to answer these questions by examining the recent state of labor unions.

In this research, we conducted questionnaire surveys of those labor unions that were formed during the late 1990s, their members and the management, and carried out case studies with the cooperation of several unions. We also held discussions with those labor unions’ officers that had cooperated with our questionnaire survey in order to gather more detail about union activities. Furthermore, we reanalyzed the existing survey data of the Ministry of Health, Labour and Welfare (the former Ministry of Labour) to explore changes in industrial relations in the 1990s.

[Overview]

Part I. General Review

In this section we review existing studies with a focus on declining unionization rates of labor unions and developing individual labor-management relations. This is related to our key points in the research introduced in this report.

Chapter 1. Decline of, and Background to, Unionization Rates of Labor Unions

As is generally known, declining unionization rates of Japanese labor unions is not a recent phenomenon. The estimated unionization rate fluctuated slightly between 32-36 percent from the mid-1950s to the mid-1970s. In the late 1970s, however, it started a downward trend. In 1983, it declined to approximately 30 percent (29.7%). In 1991, it declined to 24.5 percent, covering less than one-quarter of employees. In 2001, it declined to just over 20 percent (20.7%) (The Ministry of Health, Labour and Welfare, 2001).
Unionization rates declined from the late 1970s to the early 1990s because the increase in the number of union members could not keep up with that of employees. The number of union members, which was approximately 12.59 million in 1975, slightly changed to about 12.42 million in 1985, 12.27 million in 1990, and 12.61 million in 1995. During these periods, the number of union members did not show a significant downward trend.

In the late 1990s, the number of union members began to decrease. In 1999, it dropped below 12 million, then to about 11.21 million in 2001.

One of the reasons why unionization rates declined was the change in industrial and employment structures. For example, the numbers of employees and part-time workers increased in tertiary industries, including wholesale, retail, restaurants, and other service sectors, thus contributing to the lower unionization rate.

Chapter 2. Trends in the Unionization of Labor Unions

One of the main factors contributing to the overall decline in unionization rates is that the rate at which new labor unions are forming has declined. In fact, unionization rates of new unions (the number of members of newly-established labor unions divided by the total number of employees) fell from 0.69 percent in 1970 to 0.23 percent in 1980, 0.17 percent in 1985, 0.17 percent in 1990, 0.20 percent in 1995 and 0.12 percent in 2000, which lead to the decline of unionization rates as a whole. In particular, the reason why unionization rates have declined is because unionization rates of increased part-time workers and managers did not keep pace with the growth of employees. Another factor concerning declining unionization rates is that since the recession in the 1990s, there has been an increase in workforce restructuring by employers as well as establishment closures and bankruptcies, thus leading to the reduction or dismissal of union members in such companies and establishments. Those union members that have been reduced or dismissed have contributed to the loss of union membership accordingly.

Chapter 3. Effects of Labor Unions’ Voices

It is said that not only does the labor unions’ exclusive power over labor supply have an effect on raising the relative wages of union members, but also that the voice of the labor unions helps improve productivity.

However, it is not clearly acknowledged that labor unions have an effect on raising wages, even though they have had certain effects on reducing working hours and increasing days of paid leave as well as retirement allowances, while the result is dependent on the subjects surveyed. There are many issues to consider concerning the extent to which labor unions’ voices could contribute to a decline in the rates of changing employment in order to improve productivity.
Chapter 4. Non-Union Voice Machinery and Their Limits

While workers participate in management and make their comments mainly through the labor unions, they also make use of collective non-union voice machinery such as the labor-management consultation system and employees’ organizations. To what extent is such non-union voice machinery implementing a function similar to that of labor unions?

From 1977 through 1989, we surveyed establishments with between 100 to 299 employees in order to study the labor-management consultation system and employees’ organizations and their functions. As a result of these surveys it was revealed that the rate of labor-management consultation system in establishments where labor unions were not organized exceeded 30 percent in 1984. It was confirmed that not a few such labor-management consultation organs had a voice over working conditions and management policies. More than 40 percent of voice-type employees’ organizations that had consulted with management over working conditions were also expressing their views about management issues. However, the voice-type organizations accounted for only 30 percent of the total number of employees’ organizations. The remaining 70 percent were friendship-type organizations, which limited their activities to cultural, recreational and mutual benefit activities. It seems to be too early to regard the labor-management consultation system and employees’ organizations as collective voice machinery, similar to labor unions in terms of their functions.

Chapter 5. Development of Individual Labor-Management Relations, and Labor Unions / Non-union Voice Machinery

The function of labor unions and non-union voice machinery, as mentioned above, is limited to the employees’ collective interests. The development of individual labor-management relations, such as recent individual personnel treatment, has promoted the individualization of employee’s interests. What function could labor unions and non-union voice machinery provide in terms of responding to the development of individual personnel treatment?

According to the 1997 survey for companies with more than 1,000 employees, approximately 97 percent of the responding companies attempted to strengthen the personnel management based on the achievement and performance of individuals (FUJI Research Institute Corporation, 1997, p. 152). A case was reported where the new evaluative approach in the company reduced the weight of the length of service and seniority factors, and enhanced that of a performance factor when determining wages. In this case, wage differentials significantly expanded in the 37-41 and 45-55 age groups (Shibata, 2000). Individual labor disputes have increased, partly as a result of the development of individual personnel treatment.
In many cases, superiors dealt with personal grievances (Kojima, 1999, pp. 70-73). However, an analyst pointed out that as managers became busier, their capability of handling grievances and their leadership skills declined (Fujimura, 1999, 101-102). Also, companies where labor unions exist established grievance settlement organs more often than those having no union (Sato, 2000, pp. 6-7), even though few people presented their personal grievances to such a grievance settlement organ (Kojima, 1999, pp. 70-73; Sato, 2000, pp. 6-7). As a result, some analysts recommended that labor unions should enforce the grievance settlement function in order to cope with employees’ individual grievances (Sato, 2000, pp. 10-12).

It is vital to ensure justice in the decision-making process in order to avoid problems such as personal grievances and labor disputes resulting from the development of industrial relations and prevention of the decline of morale in the workplace, so individual labor-management relations such as individual personnel treatment have been developed.

Now, to what extent are the labor unions and non-union voice machinery raising their voices over the decision-making process of individual personnel treatment?

According to a study based on a survey conducted in the mid-1990s, which compared labor unions and non-union voice machinery (labor-management consultation system and employees’ organizations) from the employees’ viewpoint, the former is superior to the latter in the sense of communication related to the employees’ collective interests, while the latter is superior to the former in terms of communicating the “procedural justice” of deciding the treatment of individual personal (Morishima, 1999). When labor unions and employees' organizations are compared, the former have a higher ability to secure procedural justice, while employees' organizations have limited influence on information disclosure regarding personnel evaluation system and reform of wage structures. (Morishima 2001).

Based on the above studies, we conducted a research with a focus on the newly formed labor unions, in spite of the tendency toward declining unionization rates. We examined the following questions: What is the background and factors involved in labor unions that have been established recently? How are such labor unions carrying out their activities? We also surveyed companies, where newly formed labor unions are

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1 “Procedural justice” refers to the fairness of the process or procedures of distributing results, which is used as the contrasting concept of “distributive justice”, which refers to the fairness of the results themselves. While the study based on this conceptual classification has been developed in the field of socio-psychology (Folger, 1977), these concepts were introduced into the field of human resource management and such studies have been accumulated by Feuille and Delaney (1992).
present, and their union members, in order to examine more concretely the creation and activities of such labor unions. We also held a discussion meeting with union leaders engaged in the activities of newly formed labor unions in order to understand more accurately the real activities of such unions and summarized the results of this meeting. Moreover, we researched the activity of labor unions and the change in industrial relations in the 1990s, when the unionization rates declined significantly, as well as union members’ evaluation and satisfaction levels toward unions and industrial relations. To this end, we utilized several surveys mostly conducted by the Ministry of Health, Labour and Welfare. We carried out case studies and revealed how labor unions were responding to the situation in which many companies in the 1990s had fallen into managerial crisis and bankruptcy.

Part II. Formation and Activities of Labor Unions, Evaluation by Union Members and Industrial Relations

This chapter presents the raw data from the questionnaire surveys relating to the formation of new labor unions. Questionnaires were distributed to labor unions that were formed between October 1, 1996 and June 30, 1999, the establishments in which such labor unions were organized, and members of such unions. To this end, we prepared three types of questionnaires, each targeted at labor unions (questionnaires for labor unions), companies or establishments (questionnaires for management), and union members (questionnaires for union members). We will summarize the results of those surveys below.

Chapter 1. Formation and Activities of Labor Unions

Here, we have analyzed the formation and activities of labor unions. The core members who formed labor unions were mid-career employees who were aged 30-50 with 10-20 years of service. Since few of them had experienced the position of shop steward or union officer, they were unsure how to organize unions. They therefore resorted to a large degree of support from the outside as well as more upper labor organizations for the relevant knowledge.

The decisive factors that led to employees forming labor unions were their dissatisfaction at working conditions, including wages and holiday-leaves/days-off, and the management practices of companies. It was reasonably common for the organizing activities and other external approaches from the union at the parent company and the management to give added momentum to the formation of a union.

Many employers knew about the move toward the formation of a union in advance.
Their responses can be classified into the following three types: i) non-commitment; ii) supporting; and iii) blocking. The last category had few responses. Management classified as belonging to the third type (17% of all companies surveyed) were not going to allow the formation of unions immediately after formation, while there were very few employers that were not accepting labor unions at the time of the survey. Overall, management understood the activity of labor unions better following formation than before.

After the formation of a union, improvements occurred in the fields of working conditions, including the wage system and its operational transparency, wage levels and the ease with which holiday leave and days-off could be taken, as well as company management including the provision of labor-management talks, managerial information and the hearing of employees’ opinions. The causal relationship between the above improvement and the formation of labor unions is unclear. Nevertheless, we believe that the effects of the formation of labor unions were reasonably confirmed.

After labor unions were organized, communication between labor and management was promoted. This involved: holding collective bargaining, labor-management consultations and informal meetings between top representatives of labor and management. In accordance with such improvement, mutual trust between the two parties strengthened. Under such circumstances, improvements were also seen in the fields of employees’ morale, labor productivity, managerial flexibility, promptness of decision-making and understanding of employees’ demands and opinions, etc.

Furthermore, in terms of collective agreement, as one of the most important phases for labor unions, inclusion rates increased for non-scheduled working hours, the labor-management consultation system, and union shop as well as check-off agreements. Included in the above activities, newly formed unions received support from external and upper labor organizations via various channels. Possibly as the result of the stabilization of union activity by increased contracted rates of agreements, members’ participation rates in union activity declined slightly for some time.

These effects of unions provided many suggestions in extending union activities into non-unionized companies and establishments, as well as activating existing unions.

**Chapter 2. Formation and Activities of Labor Unions and Evaluation by Members**

With regard to the formation and activity of newly formed labor unions and members’ evaluation of them, most of the members of these newly formed unions felt the need for a union prior to formation, and they also acknowledged its significance following formation. It was found that some degree of effects were achieved by labor unions, that had been expected and actually formed, in order to resolve grievances over working conditions, particularly wages, and dissatisfaction with the lack of mechanism
of absorbing employees’ opinions. As managerial information was disclosed and opinions drawn from employees, working conditions, mainly regarding the wage structure, were improved with the formation of a union. Wages were improved not only at the absolute level, but also at the relative level when compared to employees of other companies within the same industry.

The change brought about by the formation of unions appeared not only formally as a concrete measure of the management, but also informally as a workplace improvement. It was confirmed that labor unions contributed to the reinforcement of in-house communications and the facilitation of communications with supervisors, as well as the enhancement of employees’ morale and motivation.

If such changes are attributed to the effects of unions, it can certainly be claimed that there are some effects of unions. Even after the formation of a union, however, over one-third of union members surveyed felt that there had not been any particular improvement in the fields of business management and working conditions. It should also not be ignored that over one-fourth of union members surveyed felt that it had not become easier for them to gain access to information about management conditions or to convey their grievances and dissatisfactions to supervisors.

Chapter 3. Formation and Activities of Labor Unions and Responses of Management

In this Chapter, we consider the formation and activity of labor unions and the responses of companies. The following describes the changes in industrial relations by the formation of unions from the management viewpoint. Most companies surveyed were small- or medium-sized companies and, at the same time, subsidiaries or owner’s management companies. Labor unions were established for the first time in about 60 percent of those companies. Previously, employees’ organizations had never been organized in these companies. Although many companies employ non-regular employees, most of the newly formed labor unions have excluded them from union membership.

More than half of the employers were aware of a movement toward the formation of a labor union before it happened and half of them took some sort of measures to cope with this. Such employers took either a positive approach to the formation of unions or implemented improvement measures in the fields of business and labor management. After the formation of a union, most of the management relied upon the parent company or an upper organization (in the case of public sector and non-profit organizations) as an external adviser. The most common response from employers was that the decisive factor concerning the formation of unions was dissatisfaction with their working conditions. Most labor unions were affiliated to a higher organization.

Apart from a direct channel through individuals and a corporate hierarchy
involving supervisors, the channels to labor unions via collective bargaining and labor-management consultation organs, shop stewards and union officers, were developed after the unions were formed as a means of cornering employees’ grievances and dissatisfactions. Probably due to the enhancement of these new channels, it was observed that the effects of the formation of unions on about 80 percent of companies improved personnel management, especially the wage system and working hours.

In terms of corporate management, labor-management communications were prominently promoted by providing opportunities for communication between management and employees, sharing of managerial information, and eliciting employees’ opinions about corporate management.

A change in the management’s attitude toward labor unions after union formation has generally been a positive move. However, it was observed that the change in their attitude toward unions was ambivalent as regards understanding employees’ grievances and dissatisfactions, and business costs. With regard to the reason for the formation of unions, the number of employers that attributed it to the difference of interests between labor and management increased after the union formation. On the other hand, we found that there were management who were aware of not only the difference of interests, but also interests in common between labor and management. Furthermore, management seemed not to attribute the formation of unions to its own failure of labor management policies, but rather became more confident of its own managerial policies following union formation.

The formation of a union contributed to improved labor-management communications, understanding of employees’ demands and opinions, and labor-management trust relationship. It had only a limited effect on employees’ morale, flexibility and prompt decision-making in terms of management and labor productivity.

The limited effects of the formation of unions are true in the sense of changes in sales and current profits. Union formation did not necessarily result in improving the profit and loss structure of the company. The number of companies that improved their sales seems to have increased, but growth is small. Rather, a slightly downward trend has been observed in relation to the current profits.

Chapter 4. Effects of the Formation of Unions from the Viewpoint of Union Members

In this Chapter, we analyze union members’ evaluation of union formation based on the cross tabulation of questionnaire results used in the analyses in Chapters 1-3 and the matching data. As a result, the following has become apparent.

Firstly, the reasons for needing to form a labor union were due to dissatisfaction with working conditions as well as the industrial democratization, represented by the
term “need for talks with the management on an equal footing”, and awareness of their right for a “union based on workers’ rights”.

Secondly, the result of this analysis indicates that there were a small proportion of those who felt it necessary to form a union among those members belonging to a labor union within a company that already had a voice-type employee organization present. It was also confirmed from existing studies that voice-type employee organizations gave negative effects in terms of the awareness of the need to form a union. However, the relatively larger proportion of union members in companies where employees’ organizations were present, said that they needed unions “because they cannot expect employees’ organizations to serve as defenders of employee interests”. This indicates that employees doubted whether the employees’ organization had an alternative function to a labor union.

Thirdly, we asked whether a labor union is useful or not, as far as newly formed unions are concerned. The response was not entirely negative. More than 30 percent of union members replied that the improvement was not especially useful in the fields of business management and working conditions. Union members felt, however, that the formation of a union benefited business management including the provision of managerial information, the hearing of employees’ opinions, and, in the area of working conditions, the operational transparency of wage systems and the ease with which holiday leave and days-off could be taken. They also felt that forming a union affected the ease with which they could express their dissatisfaction with personnel management and working conditions, and gain access to managerial information.

Fourthly, members of newly formed unions had been generally positive toward the formation of labor unions. But the positive effects of formation depended upon the members’ perception of the relationship between the labor union and management. Among those union members who recognized that unions were too much under the control of the management or that unions and management were very confrontational, the proportion of members who gave positive evaluation to the formation of unions was relatively small. Union members sought a relationship between the labor union and management, a relationship that allowed the union to make clear demands on management. Depending on the relationship between a union and management, union members might become disappointed and leave the union.

Part III. Recent Developments in Industrial Relations – Review of Related Survey Reports Prepared by the Ministry of Labour
In this section we attempt to overview the recent developments in industrial relations by reviewing related survey reports prepared by the Ministry of Labour. Since 1983, the Ministry of Health, Labour and Welfare (the former Ministry of Labor) has set an annual theme and conducted surveys on labor union conditions and industrial relations. They include the following five reports: Conditions of Collective Agreements etc; Conditions Relating to Collective Bargaining and Labor Disputes; Conditions of Labor Unions; Labor-Management Communications, and Conditions on the Activities, etc. of Labor Unions.

Chapter 1. Survey on Conditions of Labor Unions

The Survey on conditions of labor unions revealed the following information. In relation to a change in union member numbers when compared with three years before, the percentage of labor unions that said “unchanged” was more than 60 percent in 1983, and less than 30 percent in 1988 and 1993. The majority of labor unions replied that member numbers “decreased” in 1988 and “increased” in 1993. After the mid-1980s the number of members in many individual unions decreased, while this trend lessened in the 1990s.

“New union members among new-graduate and mid-career employment” occupied the largest share of increased union members in every year surveyed. On the other hand, many labor unions referred to “restricted hiring of new graduates and mid-career workers” and “withdrawal of retired workers from a union” as reasons for the decreased number of members in every year surveyed. Further, the percentage of the reason of “new and mid-career workers not joining a union” has been increasing since 1983.

Then we consider whether labor union membership involves managers and professional staff who do not represent employers' interests, part-time workers, employees transferred to a subsidiary and foreign workers. The percentage of unions that unionized “managers and professional staff who are not representatives of the employer” increased from 23 percent in 1983 to 31 percent in 1993; “part-time workers” from 4 percent to 9 percent; and “transferred employees to a subsidiary” from 68 percent to 76 percent, respectively, during the same period. Unions that unionized “managers and professional staff who are not representatives of the employer” and “part-time workers” were limited.

We then looked at labor union operations. From 1983 through 1993, the percentage of unions who had full-time union officers or staff was low (less than 20%). Although the highest percentage of labor unions employ the “fixed-rate approach” as a means of collecting union dues, since 1990 the share of the dues collection system has changed from a “fixed-rate approach” or “fixed-amount and fixed-rate combined approach” to a “fixed-amount approach”. Throughout this period, more than 90 percent
of unions applied the check-off system when collecting union dues. The largest expenditure item of unions was “operating expenses including conference and event costs”. In terms of the fiscal conditions in 1993, when compared with three years before, 57 percent of unions said they had “not changed”; 31 percent “became worse”; and 10 percent “became better”. The change in the number of union members often affected the union’s fiscal conditions.

In every year surveyed, the largest activity of labor unions was the demand for increased wages and bonuses, followed by “working hours and holiday leave” and “retirement allowances and pensions”. Since 1988, the areas that labor unions have expected industrial unions to cope with has shifted from demands for changing policies and systems to the issues of working hours, holidays and leave entitlement.

The next area considered was the data from a survey for union members conducted in 1993. Seventy-six percent of union members said that they “joined because of the union shop system”. During the previous year, 94 percent of union members participated in some sort of union activity. In terms of self-evaluation when participating in the union activity, about one-third of union members said they thought they “participated positively” and nearly two-thirds of union members said that they “participated in events because they were required to do so”.

Less than 75 percent of union members were satisfied with the union activities. Union members consider the following important aspects (in descending order) when evaluating a union activity: “Results of activity in meeting demands”; “Reflecting members’ needs and opinions within the union activity”; and “Holding union events that are easy to participate in”. Many union members (73%) want labor unions to focus on “raising wages and bonuses”. Sixty-three percent of unions responded with “working hours and holiday leave”. Forty-two percent of unions responded with “retirement allowances and pensions”.

**Chapter 2. Survey on the Conditions of Labor Unions’ Activities**

Surveys on the conditions of labor unions’ activity, etc. were conducted in 1985, 1990 and 1995. These surveys aimed to clarify the following conditions of labor unions’ activity under the changing labor environment, e.g. changes in corporate managerial conditions and the workers’ changing awareness regarding work, and changes in the employment structure.

Firstly, we looked at the 1985 survey regarding factors that had a great effect on the structure and activity of unions when compared with five years before. Many labor unions pointed out the following: “intensified market competition with other companies in the same industry”; “falling rate of return”; “increasing segment of middle-aged to older workers in the company”; and “increase of workers indifferent to labor unions”. Approximately 75 percent of unions said that activities to enlarge the organization of the
union “remain the same as five years ago”. The reason for the labor-management issue in terms of the increasing proportion of middle-aged to older workers in the company was given by 43 percent of the unions as “extension of the retirement age”. Forty percent of unions cited “promotion/advancement and personnel treatment”. Thirty percent cited the “revision of the seniority-based remuneration system”, while 29 percent gave “reinforcement of the health care management”, and 18 percent said the “payment of retirement allowance in the form of an annuity”.

The 1990 survey was considered next in order to identify changes in union members’ awareness of work and their needs. About 84 percent of labor unions said that workers’ thinking about lifestyle and ways of working changed when compared with five years before. Seventy-nine percent of unions understood that “workers who play central roles in the labor union have decreased”. Fifty-seven percent of unions said that “union solidarity has weakened”. Fifty-five percent of unions understood that “workers’ awareness of attaining their demands through the union has lowered”. The absence of successors for shop steward and union officer positions due to the many workers who do not join unions has become an issue.

About 50 percent of unions said that the needs of union members had “become diversified”. Also, the priority sequence of needs changed according to age group. The older age group replied that “increased wages” and “extension of retirement age, reemployment system, etc.” were of the highest priority. The middle-aged group responded with “increased wages” and “increased holidays and leave”. The younger age group stated that “increased holidays and leave” and “increased wages” were the most important to them. The labor unions met the needs of their members through “increase in wages”, “increased holiday leave”, “environmental improvements that led to acquiring annual leave with pay” and “implementing the extension of retirement age, reemployment system, etc.”, in descending order. Furthermore, labor unions are going to meet the needs of their members with “increase in holidays and leave”, “increase in wages” and “reduction in overtime”, in descending order.

The breakdown of union membership is as follows. The percentage of labor unions saying that they include those employees transferred to a subsidiary, was less than 50 percent; 47 percent of unions replied that the share of employees transferred to a subsidiary among the total union membership “remained the same”. Moreover, 44 percent of unions replied that the share of such workers “increased”. Also, 35 percent of unions said that they include workers in their membership that have been dispatched from manpower agents. Forty-seven percent of unions replied that the share of such workers in the total union membership “remained the same”. Seventy-two percent of unions replied that the share of such workers “increased”. Furthermore, 72 percent of unions stated that there were non-member managers and professional staff who were not representing the employers’ interests.
During the previous year, 86 percent of unions made an effort to reduce working hours, while 67 percent of unions said that they “demanded the reduction of working hours, apart from an increase in wages”, which indicates that unions refused the management’s offer of the option to either increase wages or reduce working hours.

In the 1995 survey, 42 percent of unions replied that the reorganization, withdrawal or downsizing of business divisions was “implemented”. The issues presented by the employers due to the reorganization of divisions were the following (in descending order): “reassignment (without relocation)” (57%); “transfer or change of employment to an affiliated company” (48%); “reassignment (with relocation)” (36%), and “creation and utilization of an early retirement incentive system” (25%).

About 48 percent of unions said that they “had union members who are being transferred to a subsidiary”, and 49 percent of such unions said that the number of transferred employees “increased”. About 40 percent of the unions said that it “remained the same”, and 11 percent of the unions said that it had “decreased”. Many unions pointed to the diversification of corporate management and employment restructuring as causes for increasing transferred union members. The majority (88%) of unions said that they would “maintain the union membership” for the transferred union members. Seventy-six percent of unions said that they were “engaged” in implementing such transfers. The majority (74%) of unions said that they were “engaged in both the planning and selection of personnel to be transferred”. With regard to the working conditions of transferred employees, 91 percent of unions said that they had “a labor-management agreement”. Eighty-eight percent of unions said that the content of the agreement was “wages”; 78 percent replied “working hours”, and 68 percent replied the “period”. With regard to the transfer of employees more than 80 percent of unions said that they focused on the “maintenance of the same level of working conditions e.g. wages, as the transferred employees”.

In terms of the progress of unionization of managerial employees e.g. section chiefs or higher, nearly 40 percent of unions pointed out that such development was due to the increase in managers among the growing number of middle-aged to older workers in the company. In addition, 24 percent of unions said that they reviewed the coverage scope of union membership. Nearly 70 percent of unions said that the merit or demerit of including managerial personnel in union membership was a “chicken-and-egg” issue.

About 43 percent of unions said that the “revision was implemented” concerning the personnel and wage system during the past three years. The contents of the revision were the “reviewing or introduction of an ability-based grade system”(52%); “introduction or strengthening of a merit- and performance-based approach”(47%); “reviewing or introduction of wages attached to a post”(34%); “reviewing of a professional status system”(19%), and “implementation of a multiple-path career system”(13%). In such revisions, 81 percent of unions said that they were “discussed
with the labor-management consultation organ”, and 34 percent of unions said that they “conducted collective bargaining”. When unions discussed the labor-management consultation system, 67 percent of unions said that they treated such revision as “an agenda for discussion”; 28 percent of unions had treated it as a “subject for agreement”; 18 percent of unions treated it as a “subject for explanation and reporting”.

The majority of unions were not opposed to the application of merit-based or performance-based approaches to the personnel and wage system, however they demanded some complementary measures.

**Chapter 3. Surveys on Labor-Management Communications**

In this Chapter, we consider the communication tools and content between labor and management. Surveys on labor-management communications consist of those aimed at establishments and individuals. These surveys were conducted in 1984, 1989 and 1994.

The transition of survey results for establishments is as follows. The percentage of unions possessing an established labor-management consultation system was 72 percent in 1984, 58 percent in 1989, and 56 percent in 1994. Since the mid-1980s, the percentage of establishments that provided labor-management consultation systems has been declining. Of those establishments that did not have a labor-management consultation system, only a few establishments had plans to establish such a system. The percentage of establishments that had organized labor-management consultation systems based on collective agreements remains at approximately 60 percent. With regard to the composition of employees’ representatives of labor-management consultation systems in 1994, 65 percent of establishments said “representatives of the union”, 35 percent of establishments said “those who were elected by mutual votes of employees, including union members”, and 12 percent of establishments said “those who were appointed by the employer”. The percentage of establishments saying that “representatives of the union” also served as employees’ representatives for labor-management consultation systems, increased when compared with 1989. Meanwhile, the percentage of establishments saying that “part-time workers” were “included” among the employees, when referring to employees’ representatives, was very limited.

In terms of holding labor-management consultation meetings, in 1994, 39 percent of establishments said that such meetings were “held where appropriate”, 37 percent said that such meetings were “held regularly as well as where appropriate”, and 24 percent said that such meetings were “held regularly”. Furthermore, the average annual frequency of holding such meetings decreased as follows: 15.6 times in 1984, 14.2 times in 1989, and 9.1 times in 1994. The percentage of establishments saying that they regarded the “working conditions” as an agenda item for consultation meetings is higher
than those saying “that they do so for matters of corporate management”. A higher percentage of establishments said that the “working conditions” were treated as a “subject for discussion” or “subject of agreement”. Also, a high percentage of establishments said that the “matter of corporate management” was treated as a “subject involving explanation and reporting”. From 1989 through 1994, the matter of personnel management was treated less as a “subject for discussion” and treated more as a “matter for explanation and reporting”.

The percentage of establishments that evaluated the activity of labor-management consultation systems as “considerably productive” was: 76 percent in 1984, 66 percent in 1989, and 70 percent in 1994. In 1994, out of the above establishments that provided an affirmative response, 64 percent said that “communication with labor unions had improved”; 36 percent said that “the operation of corporate activity had been facilitated”; 35 percent said that “consultation systems are helpful for improving working conditions”; and 30 percent said that “employees became interested in the business operations of the company”. Furthermore, the percentage of establishments replying that the system and operation of labor-management consultation having some difficulties increased as follows: 20 percent in 1984, 24 percent in 1989, and 27 percent in 1994. For example, the difficulties of “few employees’ having technical knowledge” and “problems with the operation of the system” were both at the same level in 1994. However, the greatest problem highlighted in 1989 and 1994 was that the labor-management consultation system had “dropped into a groove”, followed by “inadequate conveying of an agreed matter to employees”.

The percentage of establishments saying that workplace conferences were “held” was 78 percent in 1984, 68 percent in 1989, and 70 percent in 1994. In terms of holding of such meetings, most establishments said that they were “held where appropriate”. As regards the conditions of participation in the meetings the overwhelming majority of establishments in 1984 and 1989 said that “participation included all workers”, but in 1994 the percentage of “participation by all workers” significantly decreased and the percentage of participation of “representatives only” increased to nearly 40 percent. In addition, the establishments saying “participation by all workers” said that participating rates of “part-time workers” were more than 40 percent, but for those establishments saying “participation by representatives only”, the rate was just over 10 percent. In all of the years surveyed, the most frequently discussed issue at the workplace conference during the previous year was the “operation of routine works”, followed by “safety and health”. The percentage of establishments evaluating that the workplace conference had “attained considerable results” increased from 68 percent in 1989 to 71 percent in 1994. As for the content of such results, most establishments said, “management of business was facilitated”, followed by: “Human relations were improved”, “Workplace environment was improved”, and “Productivity was improved”.

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The percentage of establishments where small group activities were “carried out” decreased as follows: 60 percent in 1984, 52 percent in 1989, and 48 percent in 1994. The overwhelming majority of establishments said that participation in small group activities was “by all workers”, accounting for 76 percent in 1984, 83 percent in 1989, and 76 percent in 1994. In terms of participation of “part-time workers” in small group activities in 1984, 53 percent of establishments where “part-time workers” were working said that participation was “by all workers”, 15 percent said that “only those who want to participate”, and 32 percent said that part-time workers did “not participate”. In 1994, the percentage of establishments saying that “part-time workers were included” among the participants in the small group activities, was 43 percent in those establishments that made participation open to all workers, and 13 percent among those establishments that limited the participation to representatives only. A considerable percentage of establishments were involving “part-time workers” in the small group activities.

Establishments saying that they carried out small group activities “during working hours” were about 50 percent of the total in 1984, 62 percent in 1989, and 62 percent in 1994. Of those establishments that have carried out small group activities during “overtime hours”, the percentage of establishments that paid participation allowance increased as follows: 47 percent in 1984, 54 percent in 1989, and 58 percent in 1994.

The percentage of establishments saying that grievance settlement systems were “present” decreased as follows: 34 percent in 1984, 29 percent in 1989, and 20 percent in 1994. The largest number of grievances that grievance settlement organs received during the previous year was “management of routine operations” in 1984 and 1989, and “working environment” in 1994. Grievances that increased dramatically in 1994 when compared to 1989 were related to “human relations” and the “welfare program, etc.”. In terms of the situations handled by grievance settlement organs, 58 percent of establishments said that they “resolved most grievances” in 1984. Establishments saying that they “often satisfied those who were complaining by hearing their grievances” (33%) were far more frequent in doing so in 1989 than establishments that stated that they “often relieved and resolved them (26%). Also, in 1994, the former (52%) accounted for a larger share than the latter (43%).

Establishments without a grievance settlement system coped with grievances and dissatisfactions mostly by “consultation with supervisors”, followed by “workplace conferences”. In 1994, the share of “workplace conferences” and “self-application system” increased.

In 1984, 66 percent of establishments stated that the proposal system was “present”, and the percentages were 55 percent in 1989, and 57 percent in 1994. In every survey year, the proposals with the largest number were concerned with “efficiency of production and operation”.

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In 1984, 46 percent of establishments replied that the self-application system was “present”, 38 percent in 1989, and 40 percent in 1994. The percentage of establishments saying the system was available for a limited group was decreasing, while the percentage of establishments saying that it was available for “all workers”, increased. The greatest application matter was “preferred works” followed by “self-capability (e.g. qualification and job performance)”. With regard to system use, 51 percent of establishments in 1984 and 1989 said that they were “positively using” the system, and 52 percent in 1994. Approximately half of the establishments used the self-application system positively.

In every survey year, the greatest response was to “workplace conferences” followed by “proposal system”, “self-application system”, “labor-management consultation organs”, and “small group activities”. These are possible labor-management communication measures that need to be focused on in the future. However, the percentage of establishments saying that “small group activities” would need to be focused on in future were decreasing.

Consideration was taken of the survey results over individuals. The percentage of those who wanted to know about management policy and the business performance of the company was 86 percent in 1984 and 79 percent in 1989. Of those who responded as above, the percentage of those who were “actually informed” was 86 percent in 1984 and 84 percent in 1989. The means by which they were informed was as follows: the most common replies were “company public relations materials such as in-house newsletters” followed by “morning assemblies and workplace conferences, etc.” and “labor union public relations materials, etc.” The percentage of those who regarded the public relations activity of companies as “adequate” was more than those who regarded it as “inadequate”.

The percentage of those who responded that a “labor-management consultation system was present” was 83 percent in 1984, 68 percent in 1989, and 63 percent in 1994. Of these individuals, the combined percentage of those who “generally knew” and “partly knew” the contents of the labor-management consultation was approximately 90 percent. An overwhelmingly large percentage of individuals obtained such information through “labor union public relations materials”. The greatest percentage of individuals gave “working conditions” as the subject that interested them.

The percentage of those who responded that the “workplace conference was held” increased considerably from 46 percent in 1989 to 61 percent in 1994. An overwhelming majority of individuals responded as above said they would like to discuss the “management of routine operations” at the workplace conference. In the 1989 and 1994 survey years, more than 50 percent of individuals evaluated the workplace conference as “cannot say either” and over 26 percent of individuals evaluated it as “satisfactory”.

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The percentage of those who responded that “small group activities were carried out” was 68 percent in 1984 and 52 percent in 1994. Also, the percentage of those who “have participated” in such activities during the previous year was 81 percent in 1984 and 86 percent in 1994. The largest percentage of individuals commented in the 1984 survey that the small group activities “brightened up the workplace”, while the evaluation that they “made it easy to conduct specific routine works”, was the response with the largest number in the 1994 survey. Compared with 1984, it was remarkable that the positive evaluation declined while the negative evaluation increased in the 1994 survey.

The percentage of those who said that they “expressed” grievances or dissatisfactions about their own personal treatment over the previous year was 24 percent in 1984, 23 percent in 1989, and 27 percent in 1994. However, the percentage of those who said that they “had not expressed” grievances or dissatisfactions during the same period, was over 70 percent. Most of such individuals said that was “because they had no particular grievances and dissatisfactions” and over 30 percent of individuals said that “because it was of no use to express them”. An overwhelming majority of individuals said that they expressed their grievances and dissatisfactions “directly to superiors”.

Chapter 4. Surveys on Collective Bargaining and Industrial Disputes

These surveys were conducted for individual labor unions in 1987 and 1992.

The percentage of labor unions that “conducted collective bargaining” during the previous three years was 77 percent in 1987 and 79 percent in 1992. The largest number of responses for the average number of bargaining per year was “5-9 times” in 1992. The percentage of labor unions that “conducted bargaining independently by the union” was over 80 percent. In 1987 and 1992, the item that gained the largest number of responses as a bargaining issue was “wages”, followed by “working hours” and then “retirement age systems”. Of the labor unions present that had labor-management consultation systems, unions that “distinguished” the items for collective bargaining from those items for labor-management consultation, was 63 percent in 1987 and 61 percent in 1992.

The percentage of unions that said “industrial disputes occurred” between labor unions and employers during the previous three years was 22 percent in 1987 and 17 percent in 1992. Also, the percentage of such unions that “conducted acts of disputes” was 18 percent in 1987 and 10 percent in 1992. The largest issue for industrial disputes was “wages” and also the high percentage of unions referred to “working conditions” and “retirement age systems”. With regard to the results of industrial disputes, the percentage of unions that “settled the whole or a part of industrial disputes” was 90
percent in 1992. In terms of settling industrial disputes, more than 70 percent said that they achieved “a voluntary settlement” in 1987 and 1992.

**Part IV. Dissatisfaction and Satisfaction with Industrial Relations**

In this section, we consider dissatisfaction and satisfaction with industrial relations mainly through reanalysis of surveys by the Ministry of Labour and several case studies.

**Chapter 1. Grievances about Unsatisfactory Situations in the Workplace and Settlement Actions**

In this Chapter, we attempt to make clear grievances about unsatisfactory situations in the workplace and subsequent settlement actions. We discuss the extent to which employees have grievances and feel dissatisfied and their content, and how employees succeeded or not in coping with them, by reanalyzing the Survey on Labor-Management Communications conducted in July 1994.

Firstly, approximately 70 percent of all employees felt aggrieved and dissatisfied about their own personnel treatment in the previous year, and 40 percent of such employees expressed their grievances and dissatisfaction in some manner, the remaining 60 percent did not. When asked why employees did not express their grievances, they said that not only they did not have any available channel to express them but also they felt it would be of no use expressing them in order to ask for some settlement. The number of employees who did not express grievances is increasing over those who did. After all, the number of employees with unexpressed grievances and dissatisfaction has been expanding.

Secondly, although more employees could express their grievances and dissatisfactions if labor unions were formed, a considerable percentage of employees gave up because they felt that they had no available channel through which to express them and felt it useless to express them in order to achieve the settlement. Developing a structure to draw and settle employees’ grievances and dissatisfaction is necessary for establishments where there are no labor unions, and at the same time such a structure was needed even for establishments where labor unions and grievance settlement systems have been established.

Thirdly, employees’ grievances and dissatisfaction about their own personnel treatment were mainly presented to their superiors. This tendency was especially prominent in those establishments where labor unions were not formed. Although employees said that many grievances about their own personnel treatment had been presented to their superiors, many employees also pointed out that some other channel
might be used depending on the content of the grievance or dissatisfaction. If the settlement of employees’ grievances and dissatisfactions through their superiors is difficult, some other channel might have to be developed.

Fourthly, as mentioned above, many employees have potential workplace grievances and dissatisfaction, and many such workers were aware of the need to form labor unions within the establishment. Also, the above segment of employees were urged to strengthen the grievance settlement systems irrespective of whether labor unions were present or not. The percentage of establishments where grievance settlement systems were present and utilized as a channel for expressing and resolving grievances and dissatisfaction, was limited. Nevertheless, the request for the introduction and strengthening of such systems indicated that the need for settling grievances and dissatisfaction was strong.

Chapter 2. Efforts of Labor Unions Regarding Grievance Settlement

In this Chapter, we analyze labor union efforts with regard to grievance settlement centering on two case studies. One case is the grievance settlement system of a labor union in the transportation industry. In this industry the system is distinguished into two sub-systems of “grievance settlement” and “simplified grievance settlement”. As union members are often transferred, including transfers to a subsidiary, simplified grievance settlements would cope with their grievances regarding such reassignment. Simplified grievance settlement is the system in which labor unions conduct intermediary settlement of grievances before such grievances are submitted to the grievance settlement conference. Most grievances are resolved through these simplified settlements. Unless the abuse of personnel management power is observed, grievances are rarely adopted by the grievance settlement conference. Local labor unions established a grievance settlement conference, consisting of members from both labor and management.

If union members strongly want to submit their grievances to the grievance settlement conference, beyond the simplified grievance settlement, labor unions may adopt this process depending on content. Grievances are submitted to the labor unions as an outlet for dissatisfaction. Therefore, even if the grievance settlement conference is not actually used, its presence, in itself, is of great significance. Therefore the low utilization of the grievance settlement conference does not necessarily matter. The management has also paid attention to the grievances of non-union members.

Another case involves efforts for settling individual grievances of a labor union organized among a group of audio-video equipment manufacturers. The following are notable examples of these unions’ efforts.

Firstly, the unions conducted quarterly questionnaire surveys and tried to manage
grievance settlement based on the results. Secondly, the unions classified the contents of grievances and responded carefully, requiring replies from management when necessary. Thirdly, a local union closer to the union member is proactive in dealing with the grievance. Fourthly, while younger workers are becoming more aware of not allowing vague judgments, the grievance settlement systems of labor unions must play a role in supporting labor unions in order to establish a system that responds to the changing awareness and complements the missing part of measures by companies.

Chapter 3. Satisfaction Level of Union Members toward Labor Unions – One Indicator of a Labor Union’s Effectiveness

In this Chapter, we consider the satisfaction level of union members toward labor unions as one indicator of a labor unions’ effectiveness. In particular, we discuss the organizational characteristics of labor unions as a factor in determining the level of satisfaction, including leadership, movement policy and characteristics of labor union members, which have not necessarily been treated by existing studies of “union identity”. In reanalyzing, we arranged and used survey data for labor unions and union members in the “Surveys on Labor Unions” conducted in fiscal 1993.

Our reanalysis has revealed the following situations. Firstly, when labor unions promoted communications with union members, understood the members’ needs, and made efforts to share information with members, while placing full-time officers and focusing on communications within unions, satisfaction level of union members toward labor unions increased. However, it seems that these measures were difficult to achieve only by increasing the number of union officers. Secondly, among the unions’ activities, a focus on issues having a direct impact on the lives and employment of union members raised the satisfaction level. These issues include, in addition to securing employment, various current issues such as promotion, child and family care leave, and long-term life planning, not limited to financial issues like traditional wage problems. Thirdly, when labor union membership included, not only traditional workers, but also part-time workers and allowed managers and professional staff to join, they achieved a higher level of satisfaction. However, this cause and effect relationship is probably not simple, but it might be due to the labor unions that have implemented advanced membership categories allowing entry of various types workers that can also positively promote internal communications.

Part V. Industrial Relations in a Managerial Crisis
In this section, we consider the industrial relations at companies in danger of bankruptcy under the recent stringent circumstances, which have made corporate management difficult.

Chapter 1. Labor Unions’ Measures against Bankruptcy – Focusing on Bankrupt Companies and the Labor-Management Consultation System

In this Chapter, we first consider the relationship between a bankrupt company and the labor-management consultation system as a context for the labor unions’ measures against bankruptcy. Many analysts have studied Japanese industrial relations since Japan caught world attention because of its astoundingly rapid economic growth from a devastated land after the war. As a result of studies of so-called “Japanese-style management”, stable labor-management relations were pointed out as characteristics supported by enterprise-based unions and company labor management departments.

However, Japanese-style management with an emphasis on the stability of industrial relations seems to have been significantly weakened since the 1990s when the Japanese economy plunged into a recession. Under these circumstances, we interviewed two labor unions about how they responded to corporate bankruptcy.

What both labor unions have in common includes the following: i) They were “single-year unions” where union officers were replaced every year; ii) They considered management as matters outside the scope of labor unions until the company faced a business crisis; iii) They served as communicators of corporate policies rather than as communication means for employees; iv) General employees did not have any expectations about nor paid attention to the activity of labor unions; and v) The union could not gain knowledge of how to cope with a management crisis because they were not affiliated to other union organizations including upper unions.

Chapter 2. Management Crisis and Labor Unions

In this Chapter, we review the actual conditions of a company’s management crisis and labor union’s measures to counter it with a focus on the case of Company A and its labor unions. In practical terms we consider the labor unions’ measures to cope with the company’s management crisis through a case study of the bankruptcy of a chain store that had expanded overseas, and the labor union’s measures.

Firstly, labor unions must recognize the signs of a company’s managerial crisis as early as possible. The company in this case study never experienced a deficit before it showed the first decreased income and profit in its interim settlement for November 1997. Although the company had a chronic fear of shortages of capital from around 1996, it was impossible to recognize this from the financial statements.

The change in the business accounting standard effective from April 2000 required
listed companies to submit cash flow statements to the authorities. Labor unions should have grasped the company’s financial position from such data including these statements. It is also important to check the real situation when a company’s credit problems are reported in the market. Because management usually would not want to disclose this adverse information to the labor unions, they should be sensitive to any information, including that from informal sources.

Secondly, the owner-managed company is superior to that of a management run by a president promoted from employees because the former has clear responsibility and decision-making status, even though it is difficult to prevent their dictatorship in management. Also, there are some cases where enterprise-based unions’ officers hesitate to make their opinions known to the owner. While managers might be relegated if they are candid to the owner, union officers should not be worried about being relegated or treated harshly even if they pursue the management responsibilities. Additionally, checking management is an important task for unions since they represent the interests of the employees, so labor unions should check and comment on management directions on a routine basis in areas such as long-term perspectives, investment effects, trends in loss-making departments, organizational norm, etc.

Thirdly, labor unions should not be easily compromised. In this case study, the company’s problem began with the transfer of business, developed into a delayed payment of wages and then payment deferral of the summer bonus. Each problem seemed to be partial. Then when the employer said that such measures were inevitable in order to survive, the labor unions could not help developing a compromise with the management. Labor unions must not fail to oversee the entire forest by just watching individual trees. Unless labor unions understand the underlying management problems, they might lose everything. Therefore, labor unions should not compromise easily, but sometimes should remain stubborn. Also, dispute settlements solely by the enterprise-based union would inevitably make unions inward looking within the company. Therefore, broader judgment by the industrial union would be required.

Fourthly, a collective agreement is important. Article 14 of the Trade Union Law stipulates the effect of collective agreement as follows: “A collective agreement between a labor union and an employer or an employer’s organization concerning working conditions and other matters shall come into effect when such agreement is provided in writing and is either signed by or with names affixed with seals by the both parties.” A collective agreement is effective under the normal circumstances, but its significance increases under management crisis. It is acknowledged that priority is placed on labor credit compared with general credit in the case of corporate bankruptcy, and whether labor can demand payment depends on the written agreement including retirement benefits, bonus, etc. Furthermore, there is a case when labor-management relations worsen due to confrontation with the management. In such cases, to what
extent union activities are guaranteed by the collective agreement is important. So it is useful to prepare an effective collective agreement during normal periods.

In addition, a crisis for the company means a crisis for the labor union. In order to know what should be agreed in such an emergency, labor unions should consult with lawyers who are experienced in these matters.

Fifth, labor unions should also consider providing information for reemployment. While the company in the case study was able to reconstruct itself, employment of all employees was not necessarily secured. Employees working overseas were obliged to return home because all overseas businesses were terminated, while domestically, only the food supermarket in the birthplace of the company was able to survive and the impression of an international distribution company was lost. Most subsidiaries were transferred or went bankrupt or liquidated. Also, some companies, which were not subsidiaries but had been supported by the company through the supply of products, were reorganized or bankrupted.

Financing and employment relations were managed as a corporate group as a whole, and many employees perceived that they were assigned abroad or for department-store business. However, according to the Commercial Law they were working for a different corporation. Accordingly, overseas businesses and subsidiaries had to be closed in order to rebuild the principal company. As a result, quite a few union members had no choice but to leave the workplace.

Under such severe general employment circumstances, it was not easy for these dismissed employees, including part-time workers, to gain reemployment. Not only the management but also the labor union should utilize the network to provide reemployment information. In the case of Company A, the industrial union, to which the enterprise-based union was affiliated, tried to find new jobs especially within other companies in the same industry. However, in order to eliminate any mismatching, labor unions should provide more functionally information including employment opportunities introduced by public employment security offices.

**Part VI. Discussion Meetings about Formation and Activity of Labor Unions**

In this final section, we present the summary of discussion meetings about the formation and activity of newly formed labor unions. For discussion purposes we invited labor union members actually participating in the formation of new labor unions and their activities, and asked them to discuss the following: i) the effort involved in
organizing a labor union; ii) motivation associated with forming a labor union; iii) expectation in terms of a labor union at the time of formation; iv) support from an outside labor organization; v) changes in labor-management relations due to the formation of the union; vi) difficulties in managing the labor union, and vii) requirements of the industrial union, etc.

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