

## AN OVERVIEW OF JAPANESE LABOR-EMPLOYER RELATIONS FROM THE 1870'S TO THE 1990'S

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### *Abstract*

The Japanese style of labor-management relations first established itself in the 1920's. The present-day structure of this relationship, in other words "contemporary Japanese labor-management relations", began in the 1960's and became an increasingly larger social manifestation after the 1973 Oil Shock. The Heisei Recession of the 1990's has brought about a wage-based dissolution and reorganization of this modern labor-management system.

The purpose of this paper is to consider the historical development of Japanese labor-management relations from the dawn of Japan's industrialization to the recent recession of the 1990's. 'Japanese' labor-management relations are based on the following three points:

- Seniority order wages
- Long-term, stable employment
- The cooperative enterprise union (or labor organization within the firm)

(1) A wage format known as the graded-wage system was adopted by Japanese industry during the first stage of industrialization from 1870 to 1890. Because of the government's bottom down orientation of industrial policy, with emphasis put on the introduction of modern, high-technology industries from the West such as rail and shipbuilding, it was difficult for industry to secure an experienced work force. It was therefore necessary for employers to systematically train labor from within. The graded-wage system proved to be well suited for this internalized labor market. In this sense, the seniority wage system still retains the graded-wage system flavor.

(2) In the period between industrial revolution in 1890 to World War One in 1910's, the heavy industry labor force consisted of "skilled freelance workers" who moved from factory to factory. According to resources concerning heavy industry management, 20-30% of the labor force was made up of workers with 5 or more years at the same firm who could thus be considered settled company members. During this period, employers used various techniques to keep labor from leaving the firm. The result was that the number of workers who accepted their terms of employment (the demands of their employers) and stayed with a single firm expanded steadily, especially within heavy industry.

(3) From the 1920's to the period of the Great Depression, the seniority wage system was firmly established mainly in heavy industry. The government was thoroughly concerned with the interrelationship between the ages of the workers and their wages and this emphasis continued until the end of 1949. During this period a large number of cooperative unions and labor unions were organized within businesses. To give some examples, the Zaibatsu financed factory committees in heavy industry, labor organizations were formed in large coal mining firms, and a cooperative enterprise union was organized in the Naval Arsenal afterwards. Thus this period can be considered the period of establishment of Japanese fundamental labor-employer relations.

(4) During World War 2 (1938-1945), most businesses established an seniority order wage system based on a series of government policies, including a wage control policy. This system was based not on the number of years the employee had worked for the company but on his age-- a factor that was seen to represent the number of years of his service and dedication to the nation. From this system stemmed the concepts "patriotic industry" and "employer-labor cooperation" in which were embodied the idea of the nation as a family. In short, the government's wage-philosophy emphasize security of family life.

At the same time, a series of policies to regulate labor mobility enforced a system of long-term employment stability. However in the meanwhile, the existing policy of labor force mobilization produced a large number of unsettled workers. Eventually, the government created a disturbance in the long-term employment stability system that it had itself created. From 1938 to 1939, the factory committees and workers unions in each large firm were reorganized to form the Sangyo-Hohkoku-Kai (Committee of Patriot Industry). However after 1944 the deterioration of the war caused this committee to stop its activities almost completely. To summarize, this period can be identified as one during which Japanese labor-employer relations were developed via government intervention in wartime industry but had to be partially abandoned by the end of the period.

(5) The seniority wage system still existed during US. occupation from 1945 to 1949 and the government's emphasis on the interrelationship of age and wage remained intact. This shows that the seniority wage system, even during wartime, was based on the philosophy of keeping the living standards of labor secure. In fact, a labor dispute that arose in the Japan Electric industrial Trade Union in October 1946, resulted in the birth of the "electric industry wage system". The most basic feature of this wage system was the establishment of a minimum wage for each age group, in which was embodied the principle of securing a minimum living standard for labor. After the proclamation of the Labor Union Act a large number of trade unions were organized. Such labor organizations after the war were enterprise unions. Enterprise unions fostered strong labor movement against employers. Such combative enterprise union was decisively different from similar organization before the war. Given the series of large-scale negative events, such as lockouts and mass-dismissal due to reductions in the scale of business and the Dodge line which was implemented in 1949, it may be concluded that the long-term employment stability system was, in this period, non-existent. As a result of these goings-on, the US. occupation period may be identified as a period during which Japanese-style labor-management relations continued but showed an obvious intermission.

(6) In the 1950's, government surveys on wages emphasized not only on the inter-relationship between ages and pay but also on the relationship between wages and length of continuous service. This might help to explain why skill-accumulation (the formation of firm-specific skills) progressed during the period of economic restoration and growth of the 1950's. Roughly speaking, the seniority order wage system of this time was marked by the following two factors; i.e., worker's age (security of living standard factor) and length of continuous service (firm-specific skill factor). On the other hand, the 1950's was a period of mass dismissals which arose from the armistice of the Korean War in July 1953 and the subsequent decrease in special procurement demand. As well, conversion of the nation's energy strategy from coal to oil led to mass-dismissals in the coal mining industry. To summarize, a system of long-term employment stability had not yet been established at this time. Furthermore, large-scale disputes in large firms throughout the nation spread in the 1950's. The Second Union was formed during the process of these disputes and a new trend toward cooperative enterprise unionization arose. Thus the 1950's may be considered a period of germination for contemporary Japanese labor-employer relations. The term "contemporary" refers to the change in the determining factors of the seniority wage system and the formation of a trend toward cooperative enterprise unionization based on the fundamental rights of labor (the right of organization).

(7) According to an analysis of the seniority order system during the age of high-rate economic growth from 1960 to 1973, the wages of blue-collar men were based on both the standard of living factor as well as the length of continuous service factor, whilst those of white-collar men were based primarily on age. Wages of both white and blue-collar women were based on length of service alone. It was in this period of high-rate economic growth that the long term employment stability system began and that cooperative enterprise unions took root full-scale. The formation of the IMF-JC and the Japan Confederation of Labor (the Confederation) in 1964 are representative of this trend. When these facts are taken into account, it would seem that this was the period in which the Japanese labor-employment system was established for real. Such establishment was, however, limited to the private, large business sector. The trend toward cooperative enterprise unionization represented by the IMF-JC and the Confederation did not take leadership of the movement because of the frequency of labor movement in the small business sector and the public sector, represented by Kokuro, the Japan Teachers Union, and the All Japan Prefectural and Municipal Workers Union. It may be concluded that the contemporary Japanese labor-employer relations established in this period remained relatively limited.

(8) The period of high-rate economic growth ended with the 1973 Oil Shock, after which stable growth continued until 1990. From 1973 to 1990, the seniority order wage system was still functioning and it can be pointed out that wage formation differences between men and women, as well as differences between white and blue-collar workers continued to exist as well. After the Oil Shock however, "ability-based management" took root and within the seniority order wage system more and more weight was put on ability. Although the Oil shock caused reconstruction and mass-dismissals to occur (mainly within the textile and shipbuilding industries), these adjustments were only temporary and were followed by the rapid re-establishment of the long-term employment stability system in each industry. This was a period

in which the trend toward cooperative enterprise unionization took charge of the labor movement. This is reflected by the formation of a trend toward cooperative labor movement in the public sector and the drastic decrease in occurrence of labor disputes in the small business sector. The social acceptance of the cooperative enterprise union was accompanied by the rapid introduction of the QC-circle. One of the important conditions of this acceptance was the loss of the union's ability to regulate the work-place environment. In this sense, there was a possibility that the spread of the cooperative enterprise union would lead to a loss of morale and a deterioration in the worker's sense of purpose--both in working and in living. It was necessary for employers to prevent this from happening at all costs. To do so, employers found it necessary to allow labor to "voluntarily" participate in the workplace, something that the unions had abandoned regulation of, and establish their own identities within this environment. The increase in the number of QC groups set up during this period is a result of an effort to realize "participation-basis management" through the application of both employer "compulsion" and worker "voluntarism". It may be apparent from the discussion above that in the period from 1973 to 1990, contemporary Japanese labor-employer relations served as a model of the organization of Japanese society itself.

(9) Having to confront the recession of the early 1990's, the question arises as to how Japanese labor-management relations should be. At present, a number of surveys are being carried out in order to collect employer's opinions regarding Japanese labor-employer relations. According to these investigations, large firms seem to favor the maintenance of the lifetime-employment system, cooperative enterprise unions, and QC circles, but seek to disband and reconstruct the seniority order wage system through reinforcement of ability-based management. Although the media nourishes the exaggerated view that the present recession is "leading to an age of mass unemployment" the actual proportion of companies that employ a "recruitment and dismissal program for early retirement applicants", is actually a mere two percent. The results of the current, aforementioned surveys most likely give a more accurate evaluation of current conditions.

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